UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 15, 2012

VECTOR GROUP LTD.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

1-5759	**65-0949535**
(Commission File Number)	(I.R.S. Employer Identification No.)
100 S.E. Second Street, Miami, Florida	**33131**
(Address of Principal Executive Offices)	(Zip Code)

(305) 579-8000

(Registrant's Telephone Number, Including Area Code)

(Not Applicable)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 240.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On November 15, 2012, Vector Group Ltd. (NYSE: VGR) (the "Company") agreed to issue and sell $200.0 million aggregate principal amount (or up to an aggregate of $230.0 million aggregate principal amount if Jefferies & Company, Inc. ("Jefferies"), the underwriter of the offering, exercises its over-allotment option in full) of its Variable Interest Convertible Senior Notes due 2019 (the "Notes"). The Notes will be offered to the public (the "Notes Offering") pursuant to an effective registration statement and will be registered under the Securities Act of 1933, as amended.

In connection with the Notes Offering, the Company agreed to lend to Jefferies (in such capacity the "Share Borrower") initially 6,114,000 shares of the Company's common stock (the "Borrowed Shares") pursuant to the terms of a Share Lending Agreement, dated November 15, 2012 (the "Share Lending Agreement"), between the Company and the Share Borrower. The Company is entering into the Share Lending Agreement to facilitate hedging transactions related to the Notes Offering. Jefferies intends to offer in a registered public offering (i) up to 3,057,000 Borrowed Shares at a fixed price and (ii) from time to time after the completion of the fixed price share offering, up to an additional 3,057,000 Borrowed Shares at prices prevailing in the market at the time of sale or at negotiated prices (the "Borrowed Shares Offering"). The Share Borrower expects to return to the Company, shortly after the closing of the Notes Offering, 3,057,000 shares, thus reducing the number of shares outstanding under the Share Lending Agreement by 3,057,000 shares. In addition, the Share Borrower may from time to time during the term of the Share Lending Agreement borrow from the Company up to 1,000,000 additional shares of the Company's common stock for additional offerings that may be made in subsequent offerings, on a delayed basis in transactions that may include block sales, sales in the over-the-counter market, sales pursuant to negotiated transactions or otherwise (the "Supplemental Shares"). The Share Borrower may not borrow Supplemental Shares from the Company more than twice during any twelve consecutive months and each borrowing of Supplemental Shares must be in an amount of at least 250,000 shares. The total number of shares of the Company's common stock that the Share Borrower can borrow under the Share Lending Agreement is limited to a maximum of 6,114,000 shares, but will be increased by up to 1,000,000 shares in the event any Supplemental Shares are to be sold in subsequent offerings.

The Company will not receive any proceeds from the Borrowed Shares Offering, but the Company will receive a nominal lending fee from the Share Borrower equal to the par value of the Borrowed Shares for the use of the Borrowed Shares, which the Company intends to use for general corporate purposes. In addition, pursuant to the terms of the Share Lending Agreement, the Share Borrower will be obligated to deliver to the Company, and maintain during the term of the Share Lending Agreement, collateral with a market value equal to at least the market value of the Borrowed Shares. The collateral may consist of cash, U.S. treasury securities, Borrowed Shares and such other property as the Company and the Share Borrower may from time to time agree to be acceptable collateral. During the term of the Share Lending Agreement, collateral delivered to the Company by the Share Borrower will be held for the Company's benefit in an account in the name of the Share Borrower with a financial institution that is not affiliated with the Share Borrower (the "Collateral Custodian"), but is not under the Company's control as of the date hereof. The Company and the Share Borrower have agreed to use good faith efforts to enter into a collateral account control agreement with the Collateral Custodian on or before December 15, 2012 (or such other date as the parties may otherwise agree) to provide the Company with control over the account and the collateral that is held for the Company's benefit.

The Share Lending Agreement will terminate and the Borrowed Shares must be returned to the Company if the concurrent Notes Offering is not completed or upon the termination of the period beginning on the date of the Share Lending Agreement and ending on or about the maturity date of the Notes (or, if earlier, on or about the date as of which all of the Notes cease to be outstanding as a result of repurchase, conversion or other acquisition for value (or earlier in certain circumstances)), as well as under the following circumstances: (i) the Share Borrower may terminate all or any portion of a loan at any time, (ii) on a proportionate basis when the Notes are repurchased, converted or otherwise acquired for value; and (iii) the Company or the Share Borrower may terminate any or all of the outstanding loans upon a default by the other party under the Share Lending Agreement, including certain breaches by the Share Borrower of its representations and warranties, covenants or agreements under the Share Lending Agreement, or the bankruptcy of us or the Share Borrower.

The Borrowed Shares Offering is contingent upon the successful completion of the Notes Offering, and the Notes Offering is contingent upon the successful completion of the Borrowed Shares Offering.

The foregoing summary of the Share Lending Agreement does not purport to be complete and is qualified in its entirety by reference to the Share Lending Agreement, which is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

This Current Report on Form 8-K does not constitute an offer to sell or the solicitation of an offer to buy the Notes or the Borrowed Shares, nor shall there be any offer, solicitation or sale of such Notes or Borrowed Shares in any jurisdiction in which such offer, solicitation or sale is unlawful.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits.*

1.1	Underwriting Agreement, dated as of November 15, 2012, between Vector Group Ltd. and Jefferies & Company, Inc., relating to the Notes.
1.2	Underwriting Agreement, dated as of November 15, 2012, between Vector Group Ltd. and Jefferies & Company, Inc., relating to the Borrowed Shares.
10.1	Share Lending Agreement, dated as of November 15, 2012, between Vector Group Ltd. and Jefferies & Company, Inc.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VECTOR GROUP LTD.

By: /s/ J. Bryant Kirkland III
J. Bryant Kirkland III
Vice President, Treasurer and Chief Financial Officer

Date: November 16, 2012

$200,000,000

VECTOR GROUP LTD.

Variable Interest Convertible Senior Notes Due 2019

UNDERWRITING AGREEMENT

November 15, 2012

JEFFERIES & COMPANY, INC.
As Representative of the several Underwriters
c/o JEFFERIES & COMPANY, INC.
520 Madison Avenue
New York, New York 10022
Ladies and Gentlemen:

Vector Group Ltd., a Delaware corporation (the "**Company**"), proposes to issue and sell to the several underwriters named in **Schedule A** (the "**Underwriters**") an aggregate principal amount of $200,000,000 of Variable Interest Convertible Senior Notes due 2019 (the "**Initial Securities**"). The Initial Securities will be issued pursuant to an indenture (the "**Base Indenture**") to be dated as of the First Closing Date between the Company and Wells Fargo Bank, National Association, as trustee (the "**Trustee**"), as supplemented by a supplemental indenture to be dated as of the First Closing Date between the Company and the Trustee (the "**Supplemental Indenture**" and together with the Base Indenture, the "**Indenture**"). In addition, the Company has granted to the Underwriters an option to purchase up to an additional $30,000,000 aggregate principal of its Convertible Senior Notes due 2019 as provided in Section 2 (the "**Option Securities**" and together with the Initial Securities, the "**Securities**"). The Securities will be convertible into shares of common stock, par value $0.10 per share (the "**Common Stock**"), of the Company (such shares, the "**Conversion Shares**") on the terms, and subject to the conditions, set forth in the Indenture. Jefferies & Company, Inc. ("**Jefferies**") has agreed to act as representative of the several Underwriters (in such capacity, the "**Representative**") in connection with the offering and sale of the Securities. To the extent there are no additional underwriters listed on **Schedule A**, the term "Representative" as used herein shall mean you, as Underwriter, and the term "Underwriters" shall mean either the singular or the plural, as the context requires.

Concurrently with the issuance of the Securities, an aggregate of 6,114,000 shares of Common Stock are being offered in an offering registered under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (collectively, the "**Securities Act**"), by means of a prospectus supplement and related prospectus, which shares of Common Stock (the "**Borrowed Shares**") are being issued and loaned by the Company to Jefferies & Company, Inc. (in such capacity, "**Borrower**") pursuant to the terms set forth in the share lending agreement (the "**Share Lending Agreement**"), dated as of the date hereof, between the Company and Borrower.

The Company has prepared and filed with the Securities and Exchange Commission (the "**Commission**") a shelf registration statement on Form S-3, File No. 333-184878, as amended by a Post-Effective Amendment No. 1 to such shelf registration statement, including a base prospectus (the "**Base Prospectus**") to be used in connection with the public offering and sale of the Securities. Such registration statement, as amended, including the financial statements, exhibits and schedules thereto, in the form in which it became effective under the Securities Act, including all documents incorporated or deemed to be incorporated by reference therein and any information deemed to be a part thereof at the time of effectiveness pursuant to Rule 430A or 430B under the Securities Act, is called the "**Registration Statement**." Any registration statement filed by the Company pursuant to Rule 462(b) under the Securities Act in connection with the offer and sale of the Securities is called the "**Rule 462(b) Registration Statement**," and from and after the date and time of filing of any such Rule 462(b) Registration Statement the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The preliminary prospectus supplement dated November 14, 2012 describing the Securities and the offering thereof (the "**Preliminary Prospectus Supplement**"), together with the Base Prospectus, is called the "**Preliminary Prospectus**," and the Preliminary Prospectus and any other prospectus supplement to the Base Prospectus in preliminary form that describes the Securities and the offering thereof and is used prior to the filing of the Prospectus (as defined below), together with the Base Prospectus, is called a "**preliminary prospectus**." As used herein, the term "**Prospectus**" shall mean the final prospectus supplement to the Base Prospectus that describes the Securities and the offering thereof (the "**Final Prospectus Supplement**"), together with the Base Prospectus, in the form first used by the Underwriters to confirm sales of the Securities or in the form first made available to the Underwriters by the Company to meet requests of purchasers pursuant to Rule 173 under the Securities Act. References herein to the Preliminary Prospectus, any preliminary prospectus and the Prospectus shall refer to both the prospectus supplement and the Base Prospectus components of such prospectus. As used herein, "**Applicable Time**" is 8:20 a.m. (New York time) on November 15, 2012. As used herein, "**free writing prospectus**" has the meaning set forth in Rule 405 under the Securities Act, and "**Time of Sale Prospectus**" means the Preliminary Prospectus, as amended or supplemented immediately prior to the Applicable Time, together with the free writing prospectuses, if any, identified in **Schedule B**. As used herein, **"Road Show"** means a "road show" (as defined in Rule 433 under the Securities Act) relating to the offering of the Securities contemplated hereby that is a "written communication" (as defined in Rule 405 under the Securities Act).

All references in this Agreement to the Registration Statement, the Preliminary Prospectus, any preliminary prospectus, the Base Prospectus and the Prospectus shall include the documents incorporated or deemed to be incorporated by reference therein. All references in this Agreement to financial statements and schedules and other information which are "contained," "included" or "stated" in, or "part of" the Registration Statement, the Rule 462(b) Registration Statement, the Preliminary Prospectus, any preliminary prospectus, the Base Prospectus, the Time of Sale Prospectus or the Prospectus, and all other references of like import, shall be deemed to mean and include all such financial statements and schedules and other information which is or is deemed to be incorporated by reference in the Registration Statement, the Rule 462(b) Registration Statement, the Preliminary Prospectus, any preliminary prospectus, the Base Prospectus, the Time of Sale Prospectus or the Prospectus, as the case may be. All references in this Agreement to amendments or supplements to the Registration Statement, the Preliminary Prospectus, any preliminary prospectus, the Base Prospectus, the Time of Sale Prospectus or the Prospectus shall be deemed to mean and include the filing of any document under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (collectively, the "**Exchange Act**") that is or is deemed to be incorporated by reference in the Registration Statement, the Preliminary Prospectus, any preliminary prospectus, the Base Prospectus, or the Prospectus, as the case may be. All references in this Agreement to (i) the Registration Statement, the Preliminary Prospectus, any preliminary prospectus, the Base Prospectus or the Prospectus, any amendments or supplements to any of the foregoing, or any free writing prospectus, shall include any copy thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("**EDGAR**") and (ii) the Prospectus shall be deemed to include any "electronic Prospectus" provided for use in connection with the offering of the Securities as contemplated by Section 3(o) of this Agreement.

The Company hereby confirms its agreements with the Underwriters as follows:

Section 1. Representations and Warranties of the Company. The Company hereby represents, warrants and covenants to each Underwriter, as of the date of this Agreement, as of the First Closing Date (as hereinafter defined) and as of the Option Closing Date (as hereinafter defined), if any, as follows:

(a) ***Compliance with Registration Requirements.*** The Registration Statement has become effective under the Securities Act. No stop order suspending the effectiveness of the Registration Statement is in effect and no proceedings for such purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated or threatened by the Commission. At the time the Registration Statement was originally filed with the Commission, as well as at the time the Company or any person acting on its behalf (within the meaning, for this clause only, of Rule 163(c) under the Securities Act) made any offer relating to the Securities in reliance on the exemption of Rule 163 under the Securities Act, the Company was a "well known seasoned issuer" as defined in Rule 405 under the Securities Act. The Registration Statement is an "automatic shelf registration statement," as defined in Rule 405 under the Securities Act, and became effective on November 9, 2012. The Company has not received from the Commission any notice pursuant to Rule 401(g)(2) under the Securities Act objecting to the Company's use of the automatic shelf registration form. The documents incorporated or deemed to be incorporated by reference in the Registration Statement, the Time of Sale Prospectus and the Prospectus, at the time they were or hereafter are filed with the Commission, or became effective under the Exchange Act, as the case may be, complied and will comply in all material respects with the requirements of the Exchange Act.

(b) ***Disclosure.*** The Preliminary Prospectus and the Prospectus when filed complied in all material respects with the Securities Act and, if filed by electronic transmission pursuant to EDGAR, was identical (except as may be permitted by Regulation S-T under the Securities Act) to the copy thereof delivered to the Underwriters for use in connection with the offer and sale of the Securities. Each of the Registration Statement and any post-effective amendment thereto, at the time it became or becomes effective, complied and will comply in all material respects with the Securities Act and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. As of the Applicable Time, the Time of Sale Prospectus (including any preliminary prospectus wrapper) did not, and at the First Closing Date (as defined in Section 2), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Prospectus (including any prospectus wrapper), as of its date (as then amended or supplemented), did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties set forth in the three immediately preceding sentences do not apply to statements in or omissions from the Registration Statement or any post-effective amendment thereto, or the Prospectus or the Time of Sale Prospectus, or any amendments or supplements thereto, made in reliance upon and in conformity with written information relating to any Underwriter furnished to the Company in writing by the Representative expressly for use therein, it being understood and agreed that the only such information consists of the information described in Section 9(b) below. There are no contracts or other documents required to be described in the Time of Sale Prospectus or the Prospectus or to be filed as an exhibit to the Registration Statement which have not been described or filed as required.

(c) ***Free Writing Prospectuses; Road Show*****.** As of the determination date referenced in Rule 164(h) under the Securities Act, the Company was not, is not or will not be (as applicable) an "ineligible issuer" in connection with the offering of the Securities pursuant to Rules 164, 405 and 433 under the Securities Act. Each free writing prospectus that the Company is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act. Each free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or on behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of Rule 433 under the Securities Act, including timely filing with the Commission or retention where required and legending, and each such free writing prospectus, as of its issue date and at all subsequent times through the completion of the public offering and sale of the Securities did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement, the Prospectus or any preliminary prospectus and not superseded or modified. Except for the free writing prospectuses, if any, identified in **Schedule B**, and electronic road shows, if any, furnished to the Representative before first use, the Company has not prepared, used or referred to, and will not, without the Representative's prior written consent, prepare, use or refer to, any free writing prospectus. Each Road Show does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) ***Offering Materials Furnished to Underwriters*****.** The Company has delivered to the Representative two complete copies of the Registration Statement and each amendment thereto (including, in each case, exhibits) and each consent and certificate of experts filed as a part thereof, and additional copies of the Registration Statement and each amendment thereto (without exhibits) and each preliminary prospectus and any free writing prospectus reviewed and consented to by the Representative, in such quantities and at such places as the Representative has reasonably requested for each of the Underwriters.

(e) ***Distribution of Offering Material By the Company*****.** Prior to the later of (i) the expiration or termination of the option granted to the several Underwriters in Section 2 and (ii) the completion of the Underwriters' distribution of the Securities**,** the Company has not distributed and will not distribute any offering material in connection with the offering and sale of the Securities other than the Registration Statement, the Time of Sale Prospectus, the Prospectus or any free writing prospectus reviewed and consented to by the Representative.

(f) ***Organization and Qualification*****.** The Company and its "**Subsidiaries**" (which for purposes of this Agreement means any entity in which the Company, directly or indirectly, owns capital stock or holds an equity or similar interest that equals or exceeds 50% of the aggregate outstanding equity or similar interests of such entity) are entities duly organized and validly existing in good standing under the laws of the jurisdiction in which they are formed, and have the requisite power and authorization to own their material properties and to carry on their business as now being conducted in all material respects. Each of the Company and its Subsidiaries is duly qualified as a foreign entity to do business and is in good standing in every jurisdiction in which its ownership of property or the nature of the business conducted by it makes such qualification necessary, except to the extent that the failure to be so qualified or be in good standing would not reasonably be expected to have a Material Adverse Effect. As used in this Agreement, "**Material Adverse Effect**" means any material adverse change, or any development that could be expected to result in a material adverse change, in the condition, financial or otherwise, or in the earnings, business, properties, operations or prospects, whether or not arising from transactions in the ordinary course of business, of the Company and its Subsidiaries, considered as one entity. The Company has no Subsidiaries except as set forth on Schedule II hereto.

(g) ***Authorization; Enforcement; Validity*****.** The Company has the requisite corporate power and authority to enter into and perform its obligations under each of this Agreement and the Indenture and to issue the Securities and, if applicable, the Conversion Shares, in accordance with the terms hereof and thereof. The execution and delivery of the this Agreement and the Indenture by the Company and the consummation by the Company of the transactions contemplated hereby and thereby, including, without limitation, the issuance and sale of the Securities and the issuance of the Conversion Shares, have been duly authorized by the Company's board of directors and no further consent or authorization is required by the Company, its board of directors or its stockholders. This Agreement has been duly authorized, executed and delivered by the Company and is, and upon execution and delivery of this Agreement and the Indenture to be executed on the First Closing Date by the Company, each of this Agreement and the Indenture will be, the legal, valid and binding obligations of the Company, enforceable against it in accordance with their respective terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

(h) ***Issuance of the Securities*****.** The Securities have been duly and validly authorized and, on the First Closing Date (or any Option Closing Date, as applicable), will have been validly executed and delivered by the Company. When the Securities have been issued, executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Underwriters in accordance with the terms of this Agreement, the Securities will be entitled to the benefits of the Indenture and will be valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws affecting creditors' rights generally and (ii) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability. On the First Closing Date (or any Option Closing Date, as applicable), the Securities will conform in all material respects to the description thereof contained in the Registration Statement, the Time of Sale Prospectus and the Prospectus. The Securities shall be free from all taxes, liens and charges with respect to the issue thereof.

(i) ***The Conversion Shares*****.** Upon issuance and delivery of the Securities in accordance with this Agreement and the Indenture, the Securities will be convertible at the option of the holders thereof into the Conversion Shares in accordance with the terms of the Indenture and the Securities; the Conversion Shares reserved for issuance upon conversion of the Securities have been duly authorized and reserved and, when issued upon conversion of the Securities in accordance with the terms of the Indenture and the Securities, will be validly issued, fully paid and non-assessable; and the issuance of the Conversion Shares will not be subject to any preemptive or similar rights granted by the Company or provided for under applicable law or the Company's Charter Documents (as defined below).

(j) ***No Conflicts*****.** The execution, delivery and performance of this Agreement and the Indenture and the performance of this Agreement and the Indenture by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance of the Securities) will not (i) result in a violation of the Charter Documents, (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party including the Indenture, or (iii) (so long as the Company obtains all consents, authorizations and orders and makes all filings and registrations specified in Section 1(k)) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected, except, in the case of clauses (ii) and (iii), such conflicts, defaults, rights, or violations that would not reasonably be expected to have a Material Adverse Effect.

(k) ***Consents*****.** The Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency or any regulatory or self-regulatory agency or any other person in order for the Company to execute, deliver or perform any of its obligations under or contemplated by this Agreement or the Indenture, in each case in accordance with the terms hereof or thereof. All consents, authorizations, orders, filings and registrations which the Company is required to obtain or make pursuant to the preceding sentence will have been obtained or made on or prior to the First Closing Date.

(l) ***No Broker's Fees*****.** The Company has not engaged any broker, finder, commission agent or other person (other than the Underwriters) in connection with the offering of the Securities or any of the transactions contemplated in this Agreement and the Indenture, and the Company is not under any obligation to pay any broker's fee or commission in connection with such transactions (other than commissions or fees to the Underwriters).

(m) ***SEC Documents; Financial Statements***. During the two (2) years prior to the date hereof, the Company has filed all reports, schedules, forms, statements and other documents required to be filed by it with the Commission pursuant to the reporting requirements of the Exchange Act (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements, notes and schedules thereto and documents incorporated by reference therein being hereinafter referred to as the "SEC Documents"). As of their respective dates, the SEC Documents, as they may have been subsequently amended by filings made by the Issuer with the Commission prior to the date hereof, complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission promulgated thereunder applicable to the SEC Documents. As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission with respect thereto. Such financial statements have been prepared in accordance with generally accepted accounting principles, consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements) and fairly present in all material respects the financial position of the Issuer as of the dates thereof and the results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

(n) ***Absence of Certain Changes*****.** Except as disclosed in the Registration Statement, the Time of Sale Prospectus and the Prospectus, since December 31, 2011, (i) there has been no change or development that has had a Material Adverse Effect, (ii) the Company has not declared or paid any dividends other than the dividends paid on March 29, 2012 to the stockholders of record as of March 16, 2012, on June 28, 2012 to the stockholders of record as of June 20, 2012, and on September 28, 2012 to the stockholders of record as of September 21, 2012, (iii) neither the Company nor any of its Subsidiaries has sold any assets, individually or in the aggregate, in excess of $1,000,000 outside of the ordinary course of business, other than as set forth on Schedule 1(n) hereto and (iv) neither the Company nor any of its Subsidiaries has made any capital expenditures, individually or in the aggregate, in excess of $15,000,000. Neither the Company nor any of its Subsidiaries has taken any steps to seek protection pursuant to any bankruptcy law nor does the Company have knowledge that either its or its Subsidiaries' respective creditors intend to initiate involuntary bankruptcy proceedings or knowledge of any fact which would reasonably lead a creditor to do so. The Company is not as of the date hereof, and after giving effect to the transactions contemplated hereby to occur at the First Closing Date will not be, Insolvent (as defined below). For purposes of this Section 1(n), "**Insolvent**" means (i) the present fair saleable value of the Company's assets is less than the amount required to pay the Company's total Indebtedness, (ii) the Company is unable to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured or (iii) the Company has unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted. "**Indebtedness**" of any Person means, without duplication (A) all indebtedness for borrowed money, (B) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business), (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (D) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (F) all monetary obligations under any leasing or similar arrangement which, in connection with generally accepted accounting principles, consistently applied for the periods covered thereby, is classified as a capital lease, (G) all indebtedness referred to in clauses (A) through (F) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (H) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (G) above; and (y) "**Contingent Obligation**" means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

(o) ***[Reserved]***.

(p) ***Conduct of Business; Regulatory Permits.*** Neither the Company nor any of its Subsidiaries is in violation of (x) any term of or in default under its Charter Documents or (y) any judgment, decree or order or any statute, ordinance, rule or regulation applicable to the Company or its Subsidiaries, except, in either of the foregoing cases, for possible violations which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company and its Subsidiaries possess all certificates, authorizations and permits issued by the appropriate regulatory authorities necessary to conduct their respective businesses, except where the failure to possess such certificates, authorizations or permits would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and neither the Company nor any such Subsidiary has received any written notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit, except where the revocation or modification of any such certificate, authorization or permit would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(q) ***Foreign Corrupt Practices.*** Neither the Company, nor any of its Subsidiaries, nor any director, officer, agent, employee or other Person acting on behalf of the Company or any of its Subsidiaries has, in the course of its actions for, or on behalf of, the Company (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or (iv) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

(r) ***Sarbanes-Oxley Act.*** There is and has been no failure on the part of the Company to comply in all material respects with any provision of the Sarbanes-Oxley Act of 2002, as in effect at the applicable time, and the rules and regulations promulgated in connection therewith (the "**Sarbanes-Oxley Act**"), including Section 402 related to loans and Sections 302 and 906 related to certifications.

(s) ***Disclosure Controls and Procedures*****.** The chief executive officer and chief financial officer of the Company are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the rules and regulations of the Commission under the Exchange Act) for the Company and have (i) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under their supervision, to ensure that material information relating to the Company and its Subsidiaries is made known to the chief executive officer and chief financial officer by others within the Issuer and its Subsidiaries, particularly during the end of the period (the "**Evaluation Date**") covered by each of the most recent annual and quarterly report of the Company (each a "**Report**"), (ii) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in each Report their conclusions about the effectiveness of the disclosure controls and procedures as of the Evaluation Date covered by each Report based on such evaluation and (iii) disclosed in each Report any change in the Issuer's internal control over financial reporting that occurred during the period covered by the Report that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. The chief executive officer and chief financial officer of the Issuer have disclosed, based upon their most recent evaluation of the internal controls over financial reporting, to the Issuer's auditors and the Audit Committee of the Company's board of directors (x) all material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and (y) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.

(t) ***Internal Accounting Controls*****.** The Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset and liability accountability, (iii) access to assets or incurrence of liabilities is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets and liabilities is compared with the existing assets and liabilities at reasonable intervals and appropriate action is taken with respect to any difference.

(u) ***Transactions with Affiliates*****.** Except as disclosed in the Registration Statement, the Time of Sale Prospectus and the Prospectus, none of the officers, directors or employees of the Company is presently a party to any transaction with the Company or any of its Subsidiaries (other than for ordinary course services as employees, officers or directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any such officer, director or employee or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any such officer, director, or employee has a substantial interest or is an officer, director, trustee or partner, which is required by the rules and regulations of the Commission under the Exchange Act to be so disclosed in the SEC Documents.

(v) ***Equity Capitalization***. All outstanding shares of capital stock of or membership interests in, as applicable, the Company and the Subsidiaries have been duly authorized and validly issued and are fully paid, non-assessable and not subject to any preemptive or similar rights. There are no outstanding subscriptions, rights, warrants, options, calls, convertible securities, commitments of sale or liens granted or issued by the Issuer or any of the Subsidiaries relating to or entitling any person to purchase or otherwise to acquire any shares of the capital stock of or membership interests in, as applicable, the Company or any of the Subsidiaries, except as otherwise disclosed in the SEC Documents. The Company and each of the Subsidiaries has furnished to the Underwriters correct and complete copies of its Certificate of Incorporation, limited liability company agreement, bylaws and other organizational documents, as applicable, as amended and as in effect on the date hereof (the "**Charter Documents**").

(w) ***Absence of Litigation*****.** Except as set forth in the Registration Statement, the Time of Sale Prospectus and the Prospectus, there is no action, suit or proceeding before any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company, threatened against or affecting the Company or any of the Company's Subsidiaries or any of the Company's or the Company's Subsidiaries' officers or directors in their capacities as such that would reasonably be expected to have a Material Adverse Effect. The SEC Documents set forth all litigation matters which are required to be disclosed in such SEC Documents.

(x) ***Insurance*****.** The Company and each of its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Issuer believes to be prudent and customary for the businesses in which the Company and its Subsidiaries are engaged, except where the failure to be so adequately insured would not reasonably be expected to have a Material Adverse Effect. Neither the Company nor any such Subsidiary believes that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not reasonably be expected to have a Material Adverse Effect.

(y) ***Employee Relations*****.** The Company and its Subsidiaries believe that their relations with their employees are satisfactory. Except as disclosed in the SEC Documents, since December 31, 2011, no "executive officer" (as defined in Rule 501(f) of the Act) of the Company has notified the Company of such officer's intent to leave the Company in the foreseeable future or otherwise terminate such officer's employment with the Company in the foreseeable future. No labor dispute with the employees of the Company or any of its Subsidiaries is pending or, to the knowledge of the Company, imminent that would reasonably be expected to have a Material Adverse Effect. The Company and its Subsidiaries are in compliance with all federal, state, local and foreign laws and regulations respecting labor, employment and employment practices and benefits, terms and conditions of employment and wages and hours, except where failure to be in compliance would not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(z) ***Title*****.** The Company and its Subsidiaries have good and valid title in fee simple to all real property and good and valid title to all personal property owned by them which is material to the business of the Company and its Subsidiaries, in each case free and clear of all liens, encumbrances and defects except such as (a) is described in the Registration Statement, the Time of Sale Prospectus and the Prospectus or arise from indebtedness reflected therein or (b) do not materially affect the value of such property and do not interfere with the use made of such property by the Company and any of its Subsidiaries in a manner that would reasonably be expected to have a Material Adverse Effect. Any real property and facilities held under lease by the Company and any of its Subsidiaries and material to the business of the Company and its Subsidiaries taken as a whole are, with respect to the Company and its Subsidiaries, in full force and effect, with such exceptions as do not materially interfere with the use made of such property and buildings by the Company and its Subsidiaries.

(aa) ***Intellectual Property Rights*****.** The Company and its Subsidiaries own or possess adequate rights or licenses to use all trademarks, trade names, service marks, service mark registrations, service names, patents, patent rights, copyrights, inventions, licenses, approvals, trade secrets and other intellectual property rights ("**Intellectual Property Rights**") necessary to conduct their respective businesses as now conducted and which failure to so have would reasonably be expected to have a Material Adverse Effect. None of the Company's or its Subsidiaries' Intellectual Property Rights necessary to conduct their respective businesses as now conducted have expired or terminated, or are expected to expire or terminate within two years from the date of this Agreement, except where the expiration or termination would not reasonably be expected to have a Material Adverse Effect. The Company has not received written notice and has no knowledge of any infringement by the Company or its Subsidiaries on the Intellectual Property Rights of other Persons. There is no claim, action or proceeding being made or brought, or to the knowledge of the Company, being threatened, by or against the Company or its Subsidiaries regarding its Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

(bb) ***Environmental Laws*****.** The Company and its Subsidiaries (i) are in compliance with any and all Environmental Laws (as hereinafter defined), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval where, in each of the foregoing clauses (i), (ii) and (iii), the failure to so comply would be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. As used in this Agreement, "**Environmental Laws**" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, or releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "**Hazardous Materials**") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, injunctions, judgments, licenses, orders, permits, or regulations issued, entered, promulgated or approved thereunder.

(cc) ***Tax Status*****.** The Company and each of its Subsidiaries (i) has made or filed all foreign, federal and state income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and (iii) has set aside on its books provision reasonably adequate for the payment of all taxes for the periods to which such returns, reports or declarations apply. Except as disclosed in the Registration Statement, the Time of Sale Prospectus and the Prospectus, there are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim.

(dd) ***Independent Accountants*****.** PricewaterhouseCoopers LLP, who have certified the consolidated financial statements of the Company, Vector Tobacco, Inc. and Liggett Group, LLC as of December 31, 2011, are independent public accountants within the meaning of the Securities Act.

(ee) ***Compliance with Regulation M*****.** Neither the Company nor any of its Subsidiaries has, and to its knowledge no one acting on its behalf has, within the preceding 12 months, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of the Securities, the Common Stock or of any "reference security" (as defined in Rule 100 of Regulation M under the Exchange Act (**"Regulation M"**)) with respect to the Securities, whether to facilitate the sale or resale of the Securities or otherwise, and has taken no action which would directly or indirectly violate Regulation M.

(ff) ***No Applicable Registration or Other Similar Rights.*** There are no persons with registration or other similar rights to have any equity or debt securities of the Company registered for sale under the Registration Statement or included in the offering contemplated by this Agreement.

(gg) ***Stock Exchange Listing.*** The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act and is listed on The New York Stock Exchange (the "**NYSE**"), and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act or delisting the Common Stock from the NYSE, nor has the Company received any notification that the Commission or the NYSE is contemplating terminating such registration or listing, as applicable. To the Company's knowledge, it is in compliance in all material respects with all applicable listing requirements of the NYSE.

(hh) ***Investment Company.*** The Company is not, and after giving effect to the offering and sale of the Securities and the application of the proceeds thereof will not become, required to register as an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(ii) ***FINRA Matters.*** All of the information provided to the Underwriters or to counsel for the Underwriters by the Company in connection with the compliance of the offering of the Securities with the rules of Financial Industry Regulatory Authority, Inc. ("**FINRA**") is true, complete and correct. The Company meets the requirements for use of Form S-3 under the Securities Act specified in FINRA Conduct Rule 5110(B)(7)(C)(i).

(jj) ***Parties to Lock-Up Agreements.*** The Company has furnished to the Representative a letter agreement in the form attached hereto as **Exhibit A** (the "**Lock-up Agreement**") from each of the persons listed on **Exhibit B**.

(kk) ***Statistical and Market-Related Data.*** All statistical, demographic and market-related data included in the Registration Statement, the Time of Sale Prospectus or the Prospectus are based on or derived from sources that the Company believes, after reasonable inquiry, to be reliable and accurate. To the extent required, the Company has obtained the written consent to the use of such data from such sources.

(ll) ***[Reserved]***.

(mm) ***Money Laundering Laws.*** The operations of the Company and its Subsidiaries are, and have been conducted at all times, in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar applicable rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its Subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(nn) ***OFAC.*** Neither the Company nor any of its Subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee, affiliate or person acting on behalf of the Company or any of its Subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**"); and the Company will not directly or indirectly use the proceeds of this offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, or any joint venture partner or other person or entity, for the purpose of financing the activities of any person known to the Company, after reasonably investigation, to be currently subject to any U.S. sanctions administered by OFAC.

(oo) ***Dividend Restrictions.*** Except as disclosed in the Registration Statement, the Time of Sale Prospectus and the Prospectus, no Subsidiary of the Company is prohibited or restricted, directly or indirectly, from paying dividends to the Company, or from making any other distribution with respect to such Subsidiary's equity securities or from repaying to the Company or any other Subsidiary of the Company any amounts that may from time to time become due under any loans or advances to such Subsidiary from the Company or from transferring any property or assets to the Company or to any other Subsidiary.

Any certificate signed by any officer of the Company or any of its subsidiaries and delivered to any Underwriter or to counsel for the Underwriters in connection with the offering, or the purchase and sale, of the Securities shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby.

The Company has a reasonable basis for making each of the representations set forth in this Section 1. The Company acknowledges that the Underwriters and, for purposes of the opinions to be delivered pursuant to Section 6 hereof, counsel to the Company and counsel to the Underwriters, will rely upon the accuracy and truthfulness of the foregoing representations and hereby consents to such reliance.

Section 2. Purchase, Sale and Delivery of the Securities.

(a) ***The Initial Securities.*** Upon the terms herein set forth, the Company agrees to issue and sell to the several Underwriters and the several Underwriters agree to purchase from the Company, the Initial Securities at a purchase price of 96% of the aggregate principal amount thereof. On the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Underwriters agree, severally and not jointly, to purchase from the Company the aggregate principal amount of the Initial Securities set forth opposite their names on **Schedule A**.

(b) ***The First Closing Date.*** Delivery of the Initial Securities to be purchased by the Underwriters and payment therefor shall be made at the offices of underwriters' counsel (or such other place as may be agreed to by the Company and the Representative) at 9:00 a.m. New York time, on November 20, 2012, or such other time and date not later than 1:30 p.m. New York time, on November 21, 2012 as the Representative shall designate by notice to the Company (the time and date of such closing are called the "**First Closing Date**"). The Company hereby acknowledges that circumstances under which the Representative may provide notice to postpone the First Closing Date as originally scheduled include, but are not limited to, any determination by the Company or the Representative to recirculate to the public copies of an amended or supplemented Prospectus or a delay as contemplated by the provisions of Section 11.

(c) ***The Option Securities; Option Closing Date.*** In addition, on the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Company hereby grants an option to the several Underwriters to purchase, severally and not jointly, the Option Securities from the Company at the same purchase price set forth above in Section 2(a) for the Initial Securities, to cover sales of the Securities in excess of the amount of the Initial Securities. The option granted hereunder may be exercised at any time from time to time in whole or in part upon written notice by the Representative to the Company. Such notice shall set forth (i) the aggregate principal amount of Option Securities as to which the Underwriters are exercising the option, and (ii) the time, date and place at which the Securities will be delivered (which time and date may be simultaneous with, but not earlier than, the First Closing Date; and in the event that such time and date are simultaneous with the First Closing Date, the term "**First Closing Date**" shall refer to the time and date of delivery to the Underwriters of and payment for the Initial Securities and such Option Securities). Any such time and date of delivery, if subsequent to the First Closing Date, is called an "**Option Closing Date**," shall be determined by the Representative and shall not be earlier than three or later than five full business days after delivery of such notice of exercise; provided that the Option Closing Date must occur within the 13-day period beginning on and including the First Closing Date. If any Option Securities are to be purchased, each Underwriter agrees, severally and not jointly, to purchase the principal amount of the Option Securities that bears the same proportion to the aggregate principal amount of Option Securities to be purchased as the principal amount of Initial Securities set forth on **Schedule A** opposite the name of such Underwriter bears to the aggregate principal amount of Initial Securities.

(d) ***Public Offering of the Securities.*** The Representative hereby advises the Company that the Underwriters intend to offer for sale to the public, initially on the terms set forth in the Registration Statement, the Time of Sale Prospectus and the Prospectus, their respective portions of the Securities as soon after this Agreement has been executed as the Representative, in its sole judgment, has determined is advisable and practicable.

(e) ***Payment for the Securities.*** Payment for the Securities to be sold by the Company shall be made at the First Closing Date (and, if applicable, at the Option Closing Date) by wire transfer of immediately available funds to the order of the Company. It is understood that the Representative has been authorized, for its own account and the accounts of the several Underwriters, to accept delivery of and receipt for, and make payment of the purchase price for, the Initial Securities and any Option Securities the Underwriters have agreed to purchase. Jefferies, individually and not as the Representative of the Underwriters, may (but shall not be obligated to) make payment for any Securities to be purchased by any Underwriter whose funds shall not have been received by the Representative by the First Closing Date or the Option Closing Date, as the case may be, for the account of such Underwriter, but any such payment shall not relieve such Underwriter from any of its obligations under this Agreement.

(f) ***Delivery of the Securities.*** Payment for the Securities to be purchased on the First Closing Date (or the Option Closing Date, as the case may be) shall be made against delivery of one or more global notes representing such Securities (collectively, the "**Global Notes**") to the nominee of The Depository Trust Company ("**DTC**") for the respective accounts of the Underwriters of the Securities to be purchased on such date, with any transfer taxes payable in connection with the sale of such Securities duly paid by the Company. The applicable Global Notes will be made available for inspection by the Representative at the office of the Representative set forth above not later than 1:30 p.m. New York City time, on the business day prior to the First Closing Date (or the Option Closing Date, as the case may be).

Section 3. **Additional Covenants of the Company.** The Company further covenants and agrees with each Underwriter as follows:

(a) ***Delivery of Registration Statement, Time of Sale Prospectus and Prospectus.*** The Company shall furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period when a prospectus relating to the Securities is required by the Securities Act to be delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) in connection with sales of the Securities, as many copies of the Time of Sale Prospectus, the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) ***Representative's Review of Proposed Amendments and Supplements.*** During the period when a prospectus relating to the Securities is required by the Securities Act to be delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) (the "**Prospectus Delivery Period**"), the Company (i) will furnish to the Representative for review, a reasonable period of time prior to the proposed time of filing of any proposed amendment or supplement to the Registration Statement, a copy of each such amendment or supplement and (ii) will not file any amendment or supplement to the Registration Statement (including any amendment or supplement through incorporation of any report filed under the Exchange Act) to which the Representative reasonably objects prior to filing. During the Prospectus Delivery Period, prior to amending or supplementing any preliminary prospectus, the Time of Sale Prospectus or the Prospectus (including any amendment or supplement through incorporation of any report filed under the Exchange Act), the Company shall furnish to the Representative for review, a reasonable amount of time prior to the time of filing or use of the proposed amendment or supplement, a copy of each such proposed amendment or supplement. During the Prospectus Delivery Period, the Company shall not file or use any such proposed amendment or supplement to which the Representative reasonably objects prior to filing. The Company shall file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) ***Free Writing Prospectuses.*** The Company shall furnish to the Representative for review, a reasonable amount of time prior to the proposed time of filing or use thereof, a copy of each proposed free writing prospectus or any amendment or supplement thereto prepared by or on behalf of, used by, or referred to by the Company, and the Company shall not file, use or refer to any proposed free writing prospectus or any amendment or supplement thereto without the Representative's prior written consent. The Company shall furnish to each Underwriter, without charge, as many copies of any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company as such Underwriter may reasonably request. If at any time when a prospectus is required by the Securities Act to be delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) in connection with sales of the Securities (but in any event if at any time through and including the First Closing Date) there occurred or occurs an event or development as a result of which any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company conflicted or would conflict with the information contained in the Registration Statement or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at such time, not misleading, the Company shall promptly amend or supplement such free writing prospectus to eliminate or correct such conflict so that the statements in such free writing prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at such time, not misleading, as the case may be; *provided*, *however*, that prior to amending or supplementing any such free writing prospectus, the Company shall furnish to the Representative for review, a reasonable amount of time prior to the proposed time of filing or use thereof, a copy of such proposed amended or supplemented free writing prospectus, and the Company shall not file, use or refer to any such amended or supplemented free writing prospectus without the Representative's prior written consent.

(d) ***Filing of Underwriter Free Writing Prospectuses.*** The Company shall not take any action that would result in an Underwriter or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of such Underwriter that such Underwriter otherwise would not have been required to file thereunder.

(e) ***Amendments and Supplements to Time of Sale Prospectus.*** If during the Prospectus Delivery Period the Time of Sale Prospectus is being used to solicit offers to buy the Securities at a time when the Prospectus is not yet available to prospective purchasers, and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Prospectus so that the Time of Sale Prospectus does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when delivered to a prospective purchaser, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus conflicts with the information contained in the Registration Statement, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Time of Sale Prospectus to comply with applicable law, the Company shall (subject to Section 3(b) and Section 3(c) hereof) promptly prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, either amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when delivered to a prospective purchaser, not misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the information contained in the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law.

(f) ***Certain Notifications and Required Actions.*** During the Prospectus Delivery Period, the Company shall promptly advise the Representative in writing of: (i) the receipt of any comments of, or requests for additional or supplemental information from, the Commission; (ii) the time and date of any filing of any post-effective amendment to the Registration Statement or any amendment or supplement to any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus or the Prospectus; (iii) the time and date that any post-effective amendment to the Registration Statement becomes effective; and (iv) the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or any amendment or supplement to any preliminary prospectus, the Time of Sale Prospectus or the Prospectus or of any order preventing or suspending the use of any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus or the Prospectus, or of any proceedings to remove, suspend or terminate from listing or quotation the Common Stock from any securities exchange upon which they are listed for trading or included or designated for quotation, or of the threatening or initiation of any proceedings for any of such purposes. If the Commission shall enter any such stop order at any time, the Company will use its best efforts to obtain the lifting of such order at the earliest possible moment. Additionally, the Company agrees that it shall comply with all applicable provisions of Rule 424(b), Rule 433 and Rule 430A or 430B under the Securities Act and will use its reasonable efforts to confirm that any filings made by the Company under Rule 424(b) or Rule 433 were received in a timely manner by the Commission. If, during the Prospectus Delivery Period, the Company receives notice pursuant to Rule 401(g)(2) under the Securities Act from the Commission or otherwise ceases to be eligible to use the automatic shelf registration form, the Company shall promptly advise the Representative in writing of such notice or ineligibility and will (i) as soon as reasonably practicable file a new registration statement or post-effective amendment on the proper form relating to the Securities, (ii) use its reasonable efforts to cause such registration statement or post-effective amendment to be declared effective by the Commission as soon as practicable and (iii) promptly notify the Representative in writing of such effectiveness.

(g) ***Amendments and Supplements to the Prospectus and Other Securities Act Matters.*** During the Prospectus Delivery Period, if any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus so that the Prospectus does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) to a purchaser, not misleading, or if in the opinion of the Representative or counsel for the Underwriters it is otherwise necessary to amend or supplement the Prospectus to comply with applicable law, the Company agrees (subject to Section 3(b) and Section 3(c)) hereof to promptly prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) to a purchaser, not misleading or so that the Prospectus, as amended or supplemented, will comply with applicable law. Neither the Representative's consent to, nor delivery of, any such amendment or supplement shall constitute a waiver of any of the Company's obligations under Section 3(b) or Section 3(c).

(h) ***Blue Sky Compliance*****.** The Company shall cooperate with the Representative and counsel for the Underwriters to qualify or register the Securities for sale under (or obtain exemptions from the application of) the state securities or blue sky laws or Canadian provincial securities laws (or other foreign laws) of those jurisdictions designated by the Representative, shall comply with such laws and shall continue such qualifications, registrations and exemptions in effect so long as required for the distribution of the Securities. The Company shall not be required to qualify as a foreign corporation or to take any action that would subject it to general service of process in any such jurisdiction where it is not presently qualified or where it would be subject to taxation as a foreign corporation. The Company will advise the Representative promptly of the suspension of the qualification or registration of (or any such exemption relating to) the Securities for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, the Company shall use its best efforts to obtain the withdrawal thereof at the earliest possible moment.

(i) ***Use of Proceeds*****.** The Company shall apply the net proceeds from the sale of the Securities sold by it in the manner described under the caption "Use of Proceeds" in the Registration Statement, the Time of Sale Prospectus and the Prospectus.

(j) ***Transfer Agent*****.** The Company shall engage and maintain, at its expense, a registrar and transfer agent for the Common Stock.

(k) ***Earnings Statement.*** The Company will make generally available to its security holders and to the Representative as soon as practicable an earnings statement (which need not be audited) covering a period of at least twelve months beginning with the first fiscal quarter of the Company commencing after the date of this Agreement that will satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(l) ***Continued Compliance with Securities Laws*****.** The Company will comply with the Securities Act and the Exchange Act so as to permit the completion of the distribution of the Securities as contemplated by this Agreement**,** the Registration Statement, the Time of Sale Prospectus and the Prospectus. Without limiting the generality of the foregoing, the Company will, during the period when a prospectus relating to the Securities is required by the Securities Act to be delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule), file on a timely basis with the Commission and the NYSE all reports and documents required to be filed under the Exchange Act.

(m) ***Listing*****.** The Company will use its best efforts to list, subject to notice of issuance, the Conversion Shares on the NYSE.

(n) ***Final Term Sheet***. The Company will prepare a final term sheet relating to the offering of the Securities, containing information that describes the final terms of the offering of the Securities and, if applicable, the concurrent offering of the Borrowed Shares, in a form consented to by the Representative, and will file such final term sheet with the Commission on the date the final terms have been established for the offering of the Securities.

(o) ***Company to Provide Copy of the Prospectus in Form That May be Downloaded from the Internet.*** If requested by the Representative, the Company shall cause to be prepared and delivered, at its expense, within one business day from the effective date of this Agreement, to Jefferies an "**electronic Prospectus**" to be used in connection with the offering and sale of the Securities. As used herein, the term "**electronic Prospectus**" means a form of Time of Sale Prospectus, and any amendment or supplement thereto, that meets each of the following conditions: (i) it shall be encoded in an electronic format, satisfactory to Jefferies, that may be transmitted electronically by Jefferies to offerees and purchasers of the Securities; (ii) it shall disclose the same information as the paper Time of Sale Prospectus, except to the extent that graphic and image material cannot be disseminated electronically, in which case such graphic and image material shall be replaced in the electronic Prospectus with a fair and accurate narrative description or tabular representation of such material, as appropriate; and (iii) it shall be in or convertible into a paper format or an electronic format, satisfactory to Jefferies, that will allow investors to store and have continuously ready access to the Time of Sale Prospectus at any future time, without charge to investors (other than any fee charged for subscription to the Internet as a whole and for on-line time). The Company hereby confirms that it has included or will include in the Prospectus filed pursuant to EDGAR or otherwise with the Commission and in the Registration Statement at the time it was declared effective an undertaking that, upon receipt of a request by an investor or his or her representative, the Company shall transmit or cause to be transmitted promptly, without charge, a paper copy of the Time of Sale Prospectus.

(p) ***Agreement Not to Offer or Sell Additional Securities.*** During the period commencing on and including the date hereof and continuing through and including the 60th day following the date of the Prospectus (such period, as extended as described below, being referred to herein as the "**Lock-up Period**"), the Company will not, without the prior written consent of Jefferies (which consent may be withheld in its sole discretion): (i) sell, offer to sell, contract to sell, lend or in any way transfer or dispose of any Common Stock or Related Securities (as defined below); (ii) effect any short sale, or establish or increase any "put equivalent position" (as defined in Rule 16a-1(h) under the Exchange Act) or liquidate or decrease any "call equivalent position" (as defined in Rule 16a-1(b) under the Exchange Act) of any Common Stock or Related Securities; (iii) pledge, hypothecate or grant any security interest in any Common Stock or Related Securities; (iv) enter into any swap, hedge or similar arrangement or agreement that transfers, in whole or in part, the economic risk of ownership of any Common Stock or Related Securities, regardless of whether any such transaction is to be settled in securities, in cash or otherwise; (v) announce the offering of any Common Stock or Related Securities; (vi) file any registration statement under the Securities Act in respect of any Common Stock or Related Securities (other than as contemplated by this Agreement with respect to the Securities); or (vii) publicly announce the intention to do any of the foregoing; *provided*, *however*, that the Company may (A) effect the transactions contemplated hereby and by the Indenture (including, without limitation, the issuance of the Conversion Shares upon conversion of the Securities), (B) effect the transactions contemplated by the Share Lending Agreement (including, without limitation, the issuance of the Borrowed Shares), (C) issue Common Stock or options to purchase Common Stock, or issue Common Stock upon exercise of any options to purchase Common Stock, pursuant to any stock option, stock bonus or other stock plan or arrangement outstanding as of the date hereof and described in the Registration Statement, the Time of Sale Prospectus or the Prospectus, (D) issue Common Stock pursuant to the terms of any securities of the Company outstanding on the date hereof and any indentures governing such securities, (E) file a registration statement on Form S-8 or other appropriate forms as required by the Securities Act, and any amendments thereto, relating to any Common Stock or any other of our equity-based securities issuable pursuant to any stock option, stock bonus or other stock plan or arrangement described in the Registration Statement, the Time of Sale Prospectus or the Prospectus, and (F) file a registration statement on Form S-4 or other appropriate forms as required by the Securities Act, and any amendments to such forms, related to any Common Stock or any other of our equity securities issuable in connection with any merger, acquisition or other business combination, *provided* that three days' advance notice of such filing is provided to Jefferies and *provided*, *further*, that the aggregate amount of any Common Stock or any other of the Company's equity securities issuable pursuant to this clause (F) shall not exceed 5% of the Common Stock outstanding as of the date hereof. For purposes of the foregoing, "**Related Securities**" shall mean any options or warrants or other rights to acquire Common Stock or any securities exchangeable or exercisable for or convertible into Common Stock, or to acquire other securities or rights ultimately exchangeable or exercisable for, or convertible into, Common Stock. If (i) during the last 17 days of the 60-day initial lock-up period, the Company issues an earnings release or announces material news or a material event relating to the Company, or (ii) prior to the expiration of such period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of such period, then in each case the Lock-up Period will be extended until the expiration of the 18-day period beginning on the date of the issuance of the earnings release or the announcement of the material news or material event, as applicable, unless Jefferies waives, in writing, such extension (which waiver may be withheld in its sole discretion); *provided*, *however*, that if FINRA Rule 2711 is amended to eliminate "quiet period" restrictions on the publication of research prior to or after termination of a lock-up, such extension shall not apply. The Company will provide the Representative with prior notice of any such announcement that gives rise to an extension of the Lock-up Period.

(q) ***Future Reports to the Representative.*** During the period of two years hereafter, the Company will furnish to the Representative, c/o Jefferies, at 520 Madison Avenue, New York, New York 10022, Attention: Global Head of Syndicate: (i) as soon as practicable after the end of each fiscal year, copies of the Annual Report on Form 10-K of the Company containing the balance sheet of the Company as of the close of such fiscal year and statements of income, stockholders' equity and cash flows for the year then ended and the opinion thereon of the Company's independent public or certified public accountants; (ii) as soon as practicable after the filing thereof, copies of each proxy statement, Annual Report on Form 10-K, Quarterly Report on Form 10-Q, Current Report on Form 8-K or other report filed by the Company with the Commission or any securities exchange; and (iii) as soon as available, copies of any report or communication of the Company furnished or made available generally to holders of its capital stock; *provided*, *however,* that the requirements of this Section 3(q) shall be satisfied to the extent that such reports, statement, communications, financial statements or other documents are available on EDGAR.

(r) ***Investment Limitation*****.** The Company shall not invest or otherwise use the proceeds received by the Company from its sale of the Securities in such a manner as would require the Company or any of its subsidiaries to register as an investment company under the Investment Company Act.

(s) ***No Stabilization or Manipulation; Compliance with Regulation M*****.** The Company will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Securities or any reference security (as such term is defined in Regulation M) with respect to the Securities, whether to facilitate the sale or resale of the Securities or otherwise, and the Company will, and shall cause each of its affiliates to, comply with all applicable provisions of Regulation M.

(t) ***Enforce Lock-Up Agreements*****.** During the Lock-up Period, the Company will enforce all agreements between the Company and any of its security holders that restrict or prohibit, expressly or in operation, the offer, sale or transfer of Common Stock or Related Securities or any of the other actions restricted or prohibited under the terms of the form of Lock-up Agreement. In addition, the Company will direct the transfer agent to place stop transfer restrictions upon any such securities of the Company that are bound by such "lock-up" agreements for the duration of the periods contemplated in such agreements, including, without limitation, "lock-up" agreements entered into by the Company's officers and directors pursuant to Section 6(j) hereof.

(u) ***[Reserved]***.

(v) ***Announcement Regarding Lock-ups*.** The Company agrees to announce the Underwriters' intention to release any director or "officer" (within the meaning of Rule 16a-1(f) under the Exchange Act) of the Company from any of the restrictions imposed by any Lock-Up Agreement, by issuing, through a major news service, a press release or by filing a Current Report on Form 8-K, in either case in form and substance satisfactory to the Representative promptly following the Company's receipt of any notification from the Representative in which such intention is indicated, but in any case not later than the close of the third business day prior to the date on which such release or waiver is to become effective; *provided*, *however*, that nothing shall prevent the Representative, on behalf of the Underwriters, from announcing the same through a major news service, irrespective of whether the Company has made the required announcement; and further provided that no such announcement shall be made of any release or waiver granted solely to permit a transfer of securities that is not for consideration and where the transferee has agreed in writing to be bound by the terms of a Lock-Up Agreement in the form set forth as **Exhibit A** hereto.

Jefferies, on behalf of the several Underwriters, may, in its sole discretion, waive in writing the performance by the Company of any one or more of the foregoing covenants or extend the time for their performance.

Section 4. Payment of Expenses. The Company agrees to pay all costs, fees and expenses incurred in connection with the performance of its obligations hereunder and in connection with the transactions contemplated hereby, including without limitation (i) all expenses incident to the issuance and delivery of the Securities (including all printing and engraving costs), (ii) all fees and expenses of the registrar and transfer agent of the Common Stock, (iii) all necessary issue, transfer and other stamp taxes in connection with the issuance and sale of the Securities to the Underwriters, (iv) all fees and expenses of the Company's counsel, independent public or certified public accountants and other advisors, (v) all costs and expenses incurred in connection with the preparation, printing, filing, shipping and distribution of the Registration Statement (including financial statements, exhibits, schedules, consents and certificates of experts), the Time of Sale Prospectus, the Prospectus, each free writing prospectus prepared by or on behalf of, used by, or referred to by the Company, and each preliminary prospectus, and all amendments and supplements thereto, and this Agreement, (vi) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the offering of the Securities, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives, employees and officers of the Company and any such consultants, and the cost of any aircraft chartered by the Company or with the Company's prior consent in connection with the road show, (vii) the fees and expenses associated with listing the Conversion Shares on the NYSE, and (viii) all other fees, costs and expenses of the Company of the nature referred to in Item 14 of Part II of the Registration Statement. Except as provided in this Section 4 or in Section 7, Section 9 or Section 10 hereof, the Underwriters shall pay their own expenses, including (a) the fees and disbursements of their counsel, (b) all filing fees, attorneys' fees and expenses incurred by the Underwriters in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the Securities for offer and sale under the state securities or blue sky laws or the provincial securities laws of Canada and (c) the costs, fees and expenses incurred by the Underwriters in connection with determining their compliance with the rules and regulations of FINRA related to the Underwriters' participation in the offering and distribution of the Securities.

Section 5. Covenant of the Underwriters. Each Underwriter severally and not jointly covenants with the Company not to take any action that would result in the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of such Underwriter that otherwise would not, but for such actions, be required to be filed by the Company under Rule 433(d).

Section 6. Conditions of the Obligations of the Underwriters. The obligations of the several Underwriters to purchase and pay for the Securities as provided herein on the First Closing Date and, with respect to the Option Securities, the Option Closing Date, shall be subject to the accuracy of the representations and warranties on the part of the Company set forth in Section 1 hereof as of the date hereof and as of the First Closing Date as though then made and, with respect to the Option Securities, as of the Option Closing Date as though then made, to the timely performance by the Company of its covenants and other obligations hereunder, and to each of the following additional conditions:

(a) ***Comfort Letter*****.** On the date hereof, the Representative shall have received from PricewaterhouseCoopers LLP, independent registered public accountants for the Company, Liggett Group LLC, Vector Tobacco Inc. and Douglas Elliman Realty, LLC, letters dated the date hereof addressed to the Underwriters, in form and substance satisfactory to the Representative, containing statements and information of the type ordinarily included in accountant's "comfort letters" to underwriters, delivered according to Statement of Auditing Standards No. 72 (or any successor bulletin), with respect to the audited and unaudited financial statements and certain financial information contained in the Registration Statement, the Time of Sale Prospectus, and each free writing prospectus, if any.

(b) ***Compliance with Registration Requirements; No Stop Order; No Objection from FINRA.***

(i) The Company shall have filed the Prospectus with the Commission (including the information required by Rule 430A or previously omitted from the Registration Statement pursuant to Rule 430B under the Securities Act) in the manner and within the time period required by Rule 424(b) under the Securities Act; or the Company shall have filed a post-effective amendment to the Registration Statement containing the information required by such Rule 430A or previously omitted pursuant to such Rule 430B, and such post-effective amendment shall have become effective.

(ii) No stop order suspending the effectiveness of the Registration Statement or any post-effective amendment to the Registration Statement shall be in effect, and no proceedings for such purpose shall have been instituted or threatened by the Commission.

(iii) If a filing has been made with FINRA, FINRA shall have raised no objection to the fairness and reasonableness of the underwriting terms and arrangements.

(c) ***No Material Adverse Effect or Ratings Agency Change*****.** For the period from and after the date of this Agreement and through and including the First Closing Date and, with respect to any Optional Securities purchased after the First Closing Date, the Option Closing Date:

(i) in the judgment of the Representative there shall not have occurred any Material Adverse Effect; and

(ii) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any securities of the Company or any of its subsidiaries by any "nationally recognized statistical rating organization" as such term is defined for purposes of Rule 436(g)(2) under the Securities Act.

(d) ***Opinion of Counsel for the Company*****.** On each of the First Closing Date and the Option Closing Date the Representative shall have received an opinion of O'Melveny & Myers LLP, counsel for the Company, dated as of such date, in form and substance satisfactory to the Representative.

(e) ***Opinion of Special Litigation Counsel for the Company.*** On each of the First Closing Date and the Option Closing Date, the Representative shall have received an opinion of Kasowitz, Benson, Torres & Friedman LLP, special litigation counsel for the Company, dated as of such date, in form and substance satisfactory to the Representative.

(f) ***Opinion of Counsel for the Underwriters*****.** On each of the First Closing Date and the Option Closing Date the Representative shall have received the opinion of Latham & Watkins LLP, counsel for the Underwriters in connection with the offer and sale of the Securities, in form and substance satisfactory to the Underwriters, dated as of such date.

(g) ***Officers' Certificate*****.** On each of the First Closing Date and the Option Closing Date, the Representative shall have received a certificate executed by the Chairman, the President, the Executive Vice President or the General Counsel and the Chief Financial Officer of the Company, dated as of such date, to the effect set forth in Section 6(b)(ii) and further to the effect that:

(i) for the period from and including the date of this Agreement through and including such date, there has not occurred any Material Adverse Effect;

(ii) the representations and warranties of the Company set forth in Section 1 of this Agreement that are qualified as to materiality or Material Adverse Effect are true and correct and the representations and warranties of the Company set forth in Section 1 of this Agreement that are not so qualified are true and correct in all material respects; and

(iii) the Company has complied with all the agreements hereunder and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to such date.

(h) ***Good Standing Certificates***. The Company shall have furnished to the Representative certificates evidencing the good standing of the Company and each of its material Subsidiaries from the state of organization of each Person as of a date within five business days prior to the First Closing Date with bring down certificates evidencing the good standing of the Company and each of its material Subsidiaries prior to any Option Closing Date.

(i) ***Bring-down Comfort Letter*****.** On each of the First Closing Date and the Option Closing Date the Representative shall have received from PricewaterhouseCoopers LLP, independent registered public accountants for the Company, letters dated such date, in form and substance satisfactory to the Representative, which letters shall: (i) reaffirm the statements made in the letters furnished by them pursuant to Section 6(a), except that the specified date referred to therein for the carrying out of procedures shall be no more than three business days prior to the First Closing Date or the Option Closing Date, as the case may be; and (ii) cover certain financial information contained in the Prospectus.

(j) ***Lock-Up Agreements.*** On or prior to the date hereof, the Company shall have furnished to the Representative an agreement in the form of **Exhibit A** hereto from each of the persons listed on **Exhibit B** hereto, and each such agreement shall be in full force and effect on each of the First Closing Date and the Option Closing Date.

(k) ***Rule 462(b) Registration Statement***. In the event that a Rule 462(b) Registration Statement is filed in connection with the offering contemplated by this Agreement, such Rule 462(b) Registration Statement shall have been filed with the Commission on the date of this Agreement and shall have become effective automatically upon such filing.

(l) ***Borrowed Shares***. The Borrower shall have received from the Company the number of Borrowed Shares properly requested under any Borrowing Notice (as defined in the Share Lending Agreement) delivered pursuant to the terms of the Share Lending Agreement prior to 9:00 a.m. New York City time on the First Closing Date or Option Closing Date (as the case may be).

(m) ***Additional Documents***. The Company shall have furnished to the Representative and counsel to the Underwriters such other certificates, opinions or other documents as they may have reasonably requested and as are customary in the transactions contemplated by this Agreement.

If any condition specified in this Section 6 is not satisfied when and as required to be satisfied, this Agreement may be terminated by the Representative by notice from Jefferies to the Company at any time on or prior to the First Closing Date and, with respect to the Optional Securities, at any time on or prior to the Option Closing Date, which termination shall be without liability on the part of any party to any other party, except that Section 4, Section 7, Section 9 and Section 10 shall at all times be effective and shall survive such termination.

Section 7. **Reimbursement of Underwriters' Expenses**. If this Agreement is terminated by the Representative pursuant to Section 6, Section 11 or Section 12, or if the sale to the Underwriters of the Securities on the First Closing Date is not consummated because of any refusal, inability or failure on the part of the Company to perform any agreement herein or to comply with any provision hereof, the Company agrees to reimburse the Representative and the other Underwriters (or such Underwriters as have terminated this Agreement with respect to themselves), severally, upon demand for all out-of-pocket documented expenses that shall have been reasonably incurred by the Representative and the Underwriters in connection with the proposed purchase and the offering and sale of the Securities, including but not limited to fees and disbursements of counsel, printing expenses, travel expenses, postage, facsimile and telephone charges; *provided, however*, that if this Agreement is terminated pursuant to Section 11 by reason of the default of one or more Underwriters, the Company shall not be obligated to reimburse any defaulting Underwriter on account of those expenses.

Section 8. **Effectiveness of this Agreement**. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

Section 9. Indemnification.

(a) ***Indemnification of the Underwriters.*** The Company agrees to indemnify and hold harmless each Underwriter, its affiliates, directors, officers, employees and agents, and each person, if any, who controls any Underwriter within the meaning of the Securities Act or the Exchange Act against any loss, claim, damage, liability or expense, as incurred, to which such Underwriter or such affiliate, director, officer, employee, agent or controlling person may become subject, under the Securities Act, the Exchange Act, other federal or state statutory law or regulation, or the laws or regulations of foreign jurisdictions where Securities have been offered or sold or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of the Company), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based upon (A)(i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact included in any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus that the Company has used, referred to or filed, or is required to file, pursuant to Rule 433(d) of the Securities Act or the Prospectus (or any amendment or supplement to the foregoing), or the omission or alleged omission to state therein a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading; or (B) the violation of any laws or regulations of foreign jurisdictions where Securities have been offered or sold; and, subject to Section 9(c), to reimburse each Underwriter and each such affiliate, director, officer, employee, agent and controlling person for any and all expenses (including the fees and disbursements of counsel) as such expenses are incurred by such Underwriter or such affiliate, director, officer, employee, agent or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action; *provided, however*, that the foregoing indemnity agreement shall not apply to any loss, claim, damage, liability or expense to the extent, but only to the extent, arising out of or based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company by the Representative in writing expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any such free writing prospectus or the Prospectus (or any amendment or supplement thereto), it being understood and agreed that the only such information consists of the information described in Section 9(b) below. The indemnity agreement set forth in this Section 9(a) shall be in addition to any liabilities that the Company may otherwise have.

(b) ***Indemnification of the Company, its Directors and Officers***. Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, each of its directors, each of its officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, against any loss, claim, damage, liability or expense, as incurred, to which the Company, or any such director, officer or controlling person may become subject, under the Securities Act, the Exchange Act, or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Underwriter), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) any untrue statement or alleged untrue statement of a material fact included in any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus that the Company has used, referred to or filed, or is required to file, pursuant to Rule 433 of the Securities Act or the Prospectus (or any such amendment or supplement) or the omission or alleged omission to state therein a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, such preliminary prospectus, the Time of Sale Prospectus, such free writing prospectus or the Prospectus (or any such amendment or supplement), in reliance upon and in conformity with information relating to such Underwriter furnished to the Company by the Representative in writing expressly for use therein; and to reimburse the Company, or any such director, officer or controlling person for any and all expenses (including the fees and disbursements of counsel) as such expenses are incurred by the Company, or any such director, officer or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. The Company hereby acknowledges that the only information that the Representative has furnished to the Company expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) of the Securities Act or the Prospectus (or any amendment or supplement to the foregoing) are the names of the underwriters as set forth under the caption “Underwriting” and on the cover page of the Time of Sale Prospectus and the Prospectus and the statements set forth in the third paragraph under the caption “Underwriting,” in the second sentence under the caption “Underwriting—No Listing” and in both paragraphs under the caption “Underwriting—Stabilization” in the Preliminary Prospectus Supplement and the Final Prospectus Supplement. The indemnity agreement set forth in this Section 9(b) shall be in addition to any liabilities that each Underwriter may otherwise have.

(c) ***Notifications and Other Indemnification Procedures*.** Promptly after receipt by an indemnified party under this Section 9 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 9, notify the indemnifying party in writing of the commencement thereof, but the omission so to notify the indemnifying party will not relieve the indemnifying party from any liability which it may have to any indemnified party to the extent the indemnifying party is not materially prejudiced as a proximate result of such failure and shall not in any event relieve the indemnifying party from any liability that it may have otherwise than on account of this indemnity agreement. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from an indemnifying party, the indemnifying party will be entitled to participate in, and, to the extent that it shall elect, jointly with all other indemnifying parties similarly notified, by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; *provided, however*, that if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that a conflict may arise between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of such indemnifying party's election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 9 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the fees and expenses of more than one separate counsel (together with local counsel), representing the indemnified parties who are parties to such action), which counsel (together with any local counsel) for the indemnified parties shall be selected by Jefferies (in the case of counsel for the indemnified parties referred to in Section 9(a) above) or by the Company (in the case of counsel for the indemnified parties referred to in Section 9(b) above)) or (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action or (iii) the indemnifying party has authorized in writing the employment of counsel for the indemnified party at the expense of the indemnifying party, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying party and shall be paid as they are incurred.

(d) ***Settlements*.** The indemnifying party under this Section 9 shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party against any loss, claim, damage, liability or expense by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by Section 9(c)hereof, the indemnifying party shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and the indemnifying party has not objected to the terms of such settlement and (ii) such indemnifying party shall not have reimbursed the indemnified party all amounts owed in accordance with the request pursuant to Section 9(c)
prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity was or could have been sought hereunder by such indemnified party, unless such settlement, compromise or consent includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding and does not include an admission of fault or culpability or a failure to act by or on behalf of such indemnified party.

Section 10. Contribution. If the indemnification provided for in Section 9 is for any reason held to be unavailable to or otherwise insufficient to hold harmless an indemnified party in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount paid or payable by such indemnified party, as incurred, as a result of any losses, claims, damages, liabilities or expenses referred to therein (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the Underwriters, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, in connection with the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth on the front cover page of the Prospectus. The relative fault of the Company, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or the Underwriters, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 9(c), any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim. The provisions set forth in Section 9(c) with respect to notice of commencement of any action shall apply if a claim for contribution is to be made under this Section 10; *provided, however,* that no additional notice shall be required with respect to any action for which notice has been given under Section 9(c) for purposes of indemnification.

The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 10 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 10.

Notwithstanding the provisions of this Section 10, no Underwriter shall be required to contribute any amount in excess of the underwriting discounts and commissions received by such Underwriter in connection with the Securities underwritten by it and distributed to the public. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 10 are several, and not joint, in proportion to their respective underwriting commitments as set forth opposite their respective names on **Schedule A**. For purposes of this Section 10, each affiliate, director, officer, employee and agent of an Underwriter and each person, if any, who controls an Underwriter within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as the Company.

Section 11. Default of One or More of the Several Underwriters. If, on the First Closing Date or any Option Closing Date any one or more of the several Underwriters shall fail or refuse to purchase Securities that it or they have agreed to purchase hereunder on such date, and the aggregate principal amount of Securities which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase does not exceed 10% of the aggregate principal amount of the Securities to be purchased on such date, the Representative may make arrangements satisfactory to the Company for the purchase of such Securities by other persons, including any of the Underwriters, but if no such arrangements are made by such date, the other Underwriters shall be obligated, severally and not jointly, in the proportions that the aggregate principal amount of Initial Securities set forth opposite their respective names on **Schedule A** bears to the aggregate principal amount of Initial Securities set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as may be specified by the Representative with the consent of the non-defaulting Underwriters, to purchase the Securities which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date. If, on the First Closing Date or any Option Closing Date any one or more of the Underwriters shall fail or refuse to purchase Securities and the aggregate principal amount of Securities with respect to which such default occurs exceeds 10% of the aggregate principal amount of Securities to be purchased on such date, and arrangements satisfactory to the Representative and the Company for the purchase of such Securities are not made within 48 hours after such default, this Agreement shall terminate without liability of any party to any other party except that the provisions of Section 4, Section 7, Section 9 and Section 10shall at all times be effective and shall survive such termination. In any such case either the Representative or the Company shall have the right to postpone the First Closing Date or the applicable Option Closing Date, as the case may be, but in no event for longer than seven days in order that the required changes, if any, to the Registration Statement and the Prospectus or any other documents or arrangements may be effected.

As used in this Agreement, the term "Underwriter" shall be deemed to include any person substituted for a defaulting Underwriter under this Section 11. Any action taken under this Section 11 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

Section 12. Termination of this Agreement. Prior to the purchase of the Initial Securities by the Underwriters on the First Closing Date, this Agreement may be terminated by Jefferies by notice given to the Company if at any time: (i) trading or quotation in any of the Company's securities shall have been suspended or limited by the Commission or by the NYSE, or trading in securities generally on either the NASDAQ or the NYSE shall have been suspended or limited, or minimum or maximum prices shall have been generally established on any of such stock exchanges; (ii) a general banking moratorium shall have been declared by any U.S. federal, New York or Delaware authorities; (iii) there shall have occurred any outbreak or escalation of national or international hostilities or any crisis or calamity, or any change in the United States or international financial markets, or any substantial change or development involving a prospective substantial change in United States' or international political, financial or economic conditions, as in the judgment of Jefferies is material and adverse and makes it impracticable to market the Securities in the manner and on the terms described in the Time of Sale Prospectus or the Prospectus or to enforce contracts for the sale of securities, (iv) the Company shall have failed, refused or been unable to perform in any material respect any agreement on its part to be performed hereunder or (v) any other condition to the obligations of the Underwriters hereunder as provided in Section 6 of this Agreement is not fulfilled when and as required unless waived by the Representative. Any termination pursuant to this Section 12 shall be without liability on the part of (a) the Company to any Underwriter, except that the Company shall be obligated to reimburse the expenses of the Representative and the Underwriters pursuant to Section 4 or Section 7 hereof or (b) any Underwriter to the Company; *provided, however,* that the provisions of Section 9 and Section 10 shall at all times be effective and shall survive such termination.

Section 13. No Advisory or Fiduciary Relationship. The Company acknowledges and agrees that (a) the purchase and sale of the Securities pursuant to this Agreement, including the determination of the public offering price of the Securities and any related discounts and commissions, is an arm's-length commercial transaction between the Company, on the one hand, and the several Underwriters, on the other hand, (b) in connection with the offering contemplated hereby and the process leading to such transaction, each Underwriter is and has been acting solely as a principal and is not the agent or fiduciary of the Company, or its stockholders, or its creditors, employees or any other party, (c) no Underwriter has assumed or will assume an advisory or fiduciary responsibility in favor of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company on other matters) and no Underwriter has any obligation to the Company with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement, (d) the Underwriters and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company, and (e) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate.

Section 14. Representations and Indemnities to Survive Delivery. The respective indemnities, agreements, representations, warranties and other statements of the Company, of its officers and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or the Company or any of its or their partners, officers or directors or any controlling person, as the case may be, and, anything herein to the contrary notwithstanding, will survive delivery of and payment for the Securities sold hereunder and any termination of this Agreement.

Section 15. Notices. All communications hereunder shall be in writing and shall be mailed, hand delivered or sent by facsimile transmission and confirmed to the parties hereto as follows:

If to the Representative: Jefferies & Company, Inc.
520 Madison Avenue
New York, New York 10022
Attention: General Counsel

with a copy to: Latham & Watkins LLP
355 South Grand Avenue
Los Angeles, California 90071
Facsimile: (213) 891-8763
Attention: Cynthia A. Rotell

If to the Company: Vector Group Ltd.
100 S. E. 2nd Street, 32nd Floor
Miami, Florida 33131
Facsimile: (305) 579-8016
Attention: Marc N. Bell

with a copy to: O'Melveny & Myers LLP
400 S. Hope Street
Los Angeles, CA 90071
Facsimile: (213) 430-6407
Attention: Eric R. Reimer and John-Paul Motley

Any party hereto may change the address for receipt of communications by giving written notice to the others.

Section 16. **Successors**. This Agreement will inure to the benefit of and be binding upon the parties hereto, including any substitute Underwriters pursuant to Section 11, and to the benefit of the affiliates, directors, officers, employees, agents and controlling persons referred to in Section 9 and Section 10, and in each case their respective successors, and no other person will have any right or obligation hereunder. The term "**successors**" shall not include any purchaser of the Securities as such from any of the Underwriters merely by reason of such purchase.

Section 17. **Partial Unenforceability**. The invalidity or unenforceability of any section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other section, paragraph or provision hereof. If any section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

Section 18. **Governing Law Provisions**. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York applicable to agreements made and to be performed in such state. Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("**Related Proceedings**") may be instituted in the federal courts of the United States of America located in the Borough of Manhattan in the City of New York or the courts of the State of New York in each case located in the Borough of Manhattan in the City of New York (collectively, the "**Specified Courts**"), and each party irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a "**Related Judgment**"), as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or other proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such suit, action or other proceeding brought in any such court has been brought in an inconvenient forum.

Section 19. **General Provisions.** This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may be executed in two or more counterparts, each one of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. The section headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement. Each of the parties hereto acknowledges that it is a sophisticated business person who was adequately represented by counsel during negotiations regarding the provisions hereof, including, without limitation, the indemnification provisions of Section 9 and the contribution provisions of Section 10, and is fully informed regarding said provisions. Each of the parties hereto further acknowledges that the provisions of Section 9 and Section 10 hereof fairly allocate the risks in light of the ability of the parties to investigate the Company, its affairs and its business in order to assure that adequate disclosure has been made in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, each free writing prospectus and the Prospectus (and any amendments and supplements to the foregoing), as contemplated by the Securities Act and the Exchange Act.

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If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

VECTOR GROUP LTD.

By: /s/ J. Bryant Kirkland III
Name: J. Bryant Kirkland III
Title: Vice President, Treasurer and
Chief Financial Officer

The foregoing Underwriting Agreement is hereby confirmed and accepted by the Representative in New York, New York as of the date first above written.

JEFFERIES & COMPANY, INC.
Acting individually and as Representative
of the several Underwriters named in
the attached **Schedule A**.

JEFFERIES & COMPANY, INC.

By: /s/ Ashley L. Delp
Name: Ashley L. Delp
Title: Managing Director

SCHEDULE A

Underwriters

Jefferies & Company, Inc.	$200,000,000

SCHEDULE B

Free Writing Prospectuses

Pricing Term Sheet dated November 15, 2012 attached hereto.

Pricing Term Sheet
dated November 15, 2012

Filed pursuant to Rule 433
Registration Statement No. 333-184878
Supplementing the Preliminary
Prospectuses each dated November 14, 2012

Vector Group Ltd.
Concurrent Offerings of

$200,000,000 principal amount of
Variable Interest Convertible Senior Notes due 2019
(the "Convertible Senior Notes Offering")

and

6,114,000 Shares of Common Stock
(the "Common Stock Offering")

The information in this pricing term sheet relates only to the Convertible Senior Notes Offering and the Common Stock Offering and should be read together with (i) the preliminary prospectus supplement dated November 14, 2012 relating to the Convertible Senior Notes Offering, including the documents incorporated by reference therein and the related base prospectus dated November 9, 2012, and (ii) the preliminary prospectus supplement dated November 14, 2012 relating to the Common Stock Offering, including the documents incorporated by reference therein and the related base prospectus dated November 9, 2012, each filed pursuant to Rule 424(b) under the Securities Act of 1933, as amended. This pricing term sheet supplements and, to the extent of a conflict, supersedes the information in the foregoing prospectuses with respect to the Convertible Senior Notes Offering and Common Stock Offering, respectively.

Both Offerings

Issuer:	Vector Group Ltd., a Delaware corporation
Ticker / Exchange for Common Stock:	VGR / The New York Stock Exchange ("NYSE")
Trade Date:	November 15, 2012
Settlement Date:	November 20, 2012
Underwriting:	The Sole Book-Running Manager will receive a structuring fee of $611,400 in connection with the Convertible Senior Notes Offering and the Common Stock Offering
Offerings Contingent:	The Common Stock Offering is contingent upon the closing of the Convertible Senior Notes Offering, and the Convertible Senior Notes Offering is contingent upon the closing of the offering of the Common Stock Offering

Convertible Senior Notes Offering

Convertible Senior Notes:	Variable Interest Convertible Senior Notes due 2019 (the "Notes")
Aggregate Principal Amount Offered:	$200,000,000 principal amount of the Notes (or a total of $230,000,000 principal amount of the Notes if the underwriter exercises in full its over-allotment option to purchase additional Notes)
Public Offering Price:	100% of principal amount

Maturity:	January 15, 2019, unless earlier converted or repurchased
Annual Interest Rate:	2.50%, with an additional amount of cash interest payable on each Interest Payment Date based on the amount of cash dividends per share paid by the Issuer on the Common Stock during the prior three-month period ending on the Record Date for such interest payment multiplied by the total number of shares of the Common Stock into which the Notes are convertible on such Record Date (together, the "Total Interest"). Notwithstanding the foregoing, however, the interest payable on each Interest Payment Date shall be the higher of (a) the Total Interest and (b) 7.50% per annum. In addition, if the Notes would otherwise constitute "applicable high yield discount obligations" within the meaning of Section 163(i)(1) of the Internal Revenue Code of 1986, on each Interest Payment Date on or after January 15, 2018, the Issuer will pay additional interest on a Note in an amount equal to the amount required to be paid to prevent such Note from being treated as an applicable high yield discount obligation
Comparable Yield:	8.00%
Interest Payment Dates and Record Dates:	Interest will accrue from the Settlement Date or from the most recent date to which interest has been paid or duly provided for, and will be payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, to the person in whose name the Note is registered at the close of business on January 1, April 1, July 1 or October 1, as the case may be, immediately preceding the relevant Interest Payment Date
Last Reported Sale Price of Common Stock on NYSE on November 14, 2012:	$15.20 per share of Common Stock
Reference Price:	$14.80 per share of Common Stock, the Public Offering Price per share in the Common Stock Offering
Conversion Premium:	Approximately 25.00% above the Reference Price
Initial Conversion Price:	Approximately $18.50 per share of Common Stock
Initial Conversion Rate:	54.0541 shares of Common Stock per $1,000 principal amount of the Notes, subject to adjustment
Use of Proceeds:	The Issuer estimates that the net proceeds from the Convertible Senior Notes Offering will be approximately $190.2 million (or approximately $219.0 million if the underwriter exercises its over-allotment option to purchase additional Notes in full), after deducting the underwriter's discount and estimated fees and expenses payable by the Issuer. The Issuer plans to use the net proceeds from the Convertible Senior Notes Offering for general corporate purposes, including in its existing tobacco business and in additional investments in real estate through its wholly owned subsidiary, New Valley LLC. The Issuer may also consider using a portion of the proceeds of the Convertible Senior Notes Offering to address upcoming debt maturities. Pending the use of the net proceeds from the Convertible Senior Notes Offering, the Issuer may invest the proceeds in short-term securities

Sole Book-Running Manager:	Jefferies & Company, Inc.
CUSIP Number:	92240M AY4
ISIN Number:	US92240MAY49
Fundamental Change:	If the Issuer undergoes certain corporate transactions or events that constitute a “fundamental change” (as defined in the preliminary prospectus supplement dated November 14, 2012 for the Convertible Senior Notes Offering), a holder will have the option to require the Issuer to repurchase all or any portion of the holder’s Notes in integral multiples of $1,000 principal amount. The fundamental change repurchase price will be 100% of the principal amount of the Notes to be repurchased plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date. The Issuer will pay cash for all convertible notes so repurchased
Adjustment to Shares Delivered Upon Make-Whole Fundamental Change:	The following table sets forth the number of additional shares of Common Stock that will be added to the conversion rate per $1,000 principal amount of the Notes for each stock price and effective date set forth below in certain circumstances in connection with a “make-whole fundamental change” (as defined in the preliminary prospectus supplement dated November 14, 2012 for the Convertible Senior Notes Offering):

	Stock Price									
Effective Date	$14.80	$15.25	$16.00	$17.00	$18.50	$21.00	$25.00	$30.00	$37.00	$45.00
November 20, 2012	13.5135	13.4186	13.2015	12.8479	9.4826	5.9015	3.0047	1.4945	0.6119	0.1678
January 15, 2013	13.5135	13.3522	13.0826	12.5380	9.2666	5.7306	2.9083	1.4426	0.5869	0.1567
January 15, 2014	13.5135	13.2001	12.7737	12.0413	8.7458	5.2339	2.5343	1.2189	0.4855	0.1195
January 15, 2015	13.5135	12.9067	12.4034	11.3216	8.0145	4.5687	2.0682	0.9597	0.3742	0.0795
January 15, 2016	13.5135	12.5915	11.9348	10.2654	6.9764	3.6770	1.5021	0.6740	0.2590	0.0403
January 15, 2017	13.5135	12.2584	11.3548	8.8487	5.5858	2.5351	0.8685	0.3930	0.1553	0.0143
January 15, 2018	13.5135	11.8981	10.0267	7.0263	3.7156	1.0849	0.2357	0.1231	0.0484	0.0022
January 15, 2019	13.5135	11.5197	8.4459	4.7695	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The exact stock price and effective date may not be set forth in the table above, in which case:

- If the stock price is between two stock prices in the table or the effective date is between two effective dates in the table, the number of additional shares will be determined by a straight-line interpolation between the number of additional shares set forth for the higher and lower stock prices and the earlier and the later effective dates, as applicable, based on a 365-day year.
- If the stock price is greater than $45.00 (subject to adjustment in the same manner as the stock prices set forth in the column headings of the table above), no additional shares will be added to the conversion rate.
- If the stock price is less than $14.80 (subject to adjustment in the same manner as the stock prices set forth in the column headings of the table above), no additional shares will be added to the conversion rate.

Notwithstanding the foregoing, in no event will the conversion rate be increased as a result of this section to exceed 67.5676 shares of Common Stock per $1,000 principal amount of the Notes, subject to adjustment in the same manner, at the same time and for the same events for which the Issuer must adjust the conversion rate as set forth under “Description of Notes—Conversion Rights—Conversion Rate Adjustments” in the preliminary prospectus supplement dated November 14, 2012 for the Convertible Senior Notes Offering.

Common Stock Offering

Title of Securities:	Common stock, par value $0.10 per share, of the Issuer (the “Common Stock”)
Shares Offered:	Up to 6,114,000 shares of Common Stock, which we will lend to Jefferies & Company, Inc. (the “Share Borrower”) to offer and sell. The Share Borrower will initially offer and sell to the public, concurrently with the Convertible Senior Notes Offering, the Fixed Price Shares at the Public Offering Price for settlement on the Settlement Date. From time to time after the completion of the offering of the Fixed Price Shares, the Share Borrower will offer and sell to the public the Variable Price Shares at prices prevailing in the market at the time of sale or at negotiated prices. The Variable Price Shares will be sold from time to time in transactions, including block sales, on NYSE, in the over-the-counter market, in negotiated transactions or otherwise. In connection with the sale of the Variable Price Shares, the Share Borrower, or its affiliates, may effect such transactions in subsequent offerings by selling the Variable Price Shares to or through dealers, and these dealers may receive compensation in the form of discounts, concessions or commissions from the Share Borrower and/or from purchasers of Variable Price Shares for whom the dealers may act as agents or to whom they may sell as principals. Over the same period that the Share Borrower, or its affiliates, sells the Variable Price Shares, it or its affiliates may, in their discretion, purchase an equal number of shares of our Common Stock on the open market

Fixed Price Shares:	Up to 3,057,000 shares of Common Stock
Variable Price Shares:	Up to 3,057,000 shares of Common Stock
Last Reported Sale Price of Common Stock on NYSE on November 14, 2012:	$15.20 per share of Common Stock
Public Offering Price:	$14.80 per share of Common Stock
Use of Proceeds:	The Issuer will not receive any proceeds from the Common Stock Offering, other than a nominal loan fee from the Share Borrower equal to $0.10 per share of Common Stock loaned to the Share Borrower. The Issuer expects to use those proceeds for general corporate purposes. The Share Borrower or its affiliates will receive all the proceeds from the Common Stock Offering
Sole Book-Running Manager:	Jefferies & Company, Inc.
CUSIP Number:	92240M108
ISIN Number:	US92240M1080
Underwriting:	*Ladenburg Thalmann & Co. Inc. ("Ladenburg") will be a member of the selling group in the Common Stock Offering. Ladenburg is an affiliate of the Issuer and would be deemed to have a "conflict of interest" as defined in Rule 5121 (Public Offerings of Securities with Conflicts of Interest) of the Financial Industry Regulatory Authority, Inc. ("Rule 5121"). Accordingly, this offering will be made in compliance with the applicable provisions of Rule 5121. In accordance with Rule 5121, Ladenburg will not make sales to discretionary accounts without the prior written consent of the customer*

The Issuer has filed a registration statement (including preliminary prospectus supplements each dated November 14, 2012 and an accompanying prospectus dated November 9, 2012) with the Securities and Exchange Commission, or SEC, for the offerings to which this communication relates. Before you invest, you should read the relevant preliminary prospectus supplement, the accompanying prospectus and the other documents the Issuer has filed with the SEC for more complete information about the Issuer and the offerings. You may get these documents for free by visiting EDGAR on the SEC web site at www.sec.gov. Alternatively, copies may be obtained from Vector Group Ltd., 100 S.E. Second Street, Miami, Florida 33131, Telephone Number: (305) 579-8000.

This communication should be read in conjunction with the preliminary prospectus supplements dated November 14, 2012 and the accompanying prospectus. The information in this communication supersedes the information in the relevant preliminary prospectus supplement and the accompanying prospectus to the extent inconsistent with the information in such preliminary prospectus supplement and the accompanying prospectus.

ANY DISCLAIMERS OR OTHER NOTICES THAT MAY APPEAR BELOW ARE NOT APPLICABLE TO THIS COMMUNICATION AND SHOULD BE DISREGARDED. SUCH DISCLAIMERS OR OTHER NOTICES WERE AUTOMATICALLY GENERATED AS A RESULT OF THIS COMMUNICATION BEING SENT VIA BLOOMBERG OR ANOTHER EMAIL SYSTEM.

SCHEDULE 1(n)

Sale of Stewart Title Guaranty Company for approximately $3.7 million.

EXHIBIT A

Form of Lock-Up Agreement

November 15, 2012

Jefferies & Company, Inc.
c/o Jefferies & Company, Inc.
520 Madison Avenue
New York, New York 10022

RE: VECTOR GROUP LTD. (the "**Company**")

Ladies and Gentlemen:

The undersigned is an owner of record or a beneficial owner of certain shares of common stock, par value $0.10 per share, of the Company ("**Shares**") or securities convertible into or exchangeable or exercisable for Shares. The Company proposes to conduct a public offering of (i) variable interest convertible senior notes (the "**Notes Offering**") that will be convertible into Shares (the "**Notes**") and (ii) Shares (the "**Common Stock Offering**" and together with the Notes Offering, the "**Offerings**"), and in each case, Jefferies & Company, Inc. ("**Jefferies**") will act as the underwriter. The undersigned recognizes that the Offerings will be of benefit to the undersigned and will benefit the Company. The undersigned acknowledges that you are relying on the representations and agreements of the undersigned contained in this letter agreement in carrying out the Offerings and, at a subsequent date, entering into an Underwriting Agreement with respect to each Offering (collectively, the "**Underwriting Agreements**") with the Company with respect to the Offerings.

Annex A sets forth definitions for capitalized terms used in this letter agreement that are not defined in the body of this agreement. Those definitions are a part of this agreement.

In consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned hereby agrees that, during the Lock-up Period, the undersigned will not, directly or indirectly, without the prior written consent of Jefferies, which may withhold its consent in its sole discretion:

(i) Sell or Offer to Sell any Shares or Related Securities currently or hereafter owned either of record or beneficially (as defined in Rule 13d-3 under the Exchange Act) by the undersigned or any Family Member,

(ii) enter into any Swap,

(iii) make any demand for, or exercise any right with respect to, the registration under the Securities Act of the offer and sale of any Shares or Related Securities, or cause to be filed a registration statement, prospectus or prospectus supplement (or an amendment or supplement thereto) with respect to any such registration, or

(iv) publicly announce an intention to do any of the foregoing.

The foregoing restrictions shall not apply to (a) the registration of the offer and sale of the Notes and Shares, or the sale of the Notes and Shares to the Underwriters, in each case as contemplated by the Underwriting Agreements, (b) the exercise by the undersigned of any options to purchase Shares or Related Securities granted under any Company stock option, stock bonus or other stock plan or arrangement described in the prospectuses related to the Offerings (other than any disposition of Shares or Related Securities as a result of a "cashless" exercise of any such options) provided that in each case all Shares or Related Securities received by the undersigned upon such exercise shall thereafter be subject to the restrictions contained in this letter agreement, (c) the transfer of Shares or Related Securities as a bona fide gift, (d) the transfer of Share or Related Securities by will or intestate succession, (e) the transfer of Shares or Related Securities to any Immediate Family Member of the undersigned or to a trust in existence as of the date hereof the beneficiaries of which are exclusively the undersigned or Immediate Family Members of the undersigned, provided that such transfer shall not be for value, (f) the transfer of Shares or Related Securities to the Company for the purpose of paying taxes or tax withholding obligations required to be paid or satisfied upon the settlement, vesting or exercise of any equity award granted by the Company prior to the date hereof, (g) the transfer or other disposition by third party pledgees of Shares or Related Securities pledged prior to the date hereof to secure margin or other loans or (h) the transfer or other disposition of Shares or Related Securities to any affiliate of the undersigned; *provided, however*, that in any such case, it shall be a condition to such transfer or other disposition that, except with respect to any transfer of Shares or Related Securities to the Company, each transferee or donee executes and delivers to Jefferies an agreement in form and substance satisfactory to Jefferies stating that such transferee is receiving and holding such Shares and/or Related Securities subject to the provisions of this letter agreement and agrees not to Sell or Offer to Sell such Shares and/or Related Securities, engage in any Swap or engage in any other activities restricted under this letter agreement except in accordance with this letter agreement (as if such transferee or donee had been an original signatory hereto).

[FOR MR. LORBER ONLY: Notwithstanding anything contained herein to the contrary, the undersigned may Sell or Offer to Sell up to one million (1,000,000) Shares currently owned by him prior to the expiration of the Lock-up Period.]

In addition, if the undersigned is an officer or director of the Company, (i) Jefferies agrees that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of Shares, Jefferies will notify the Company of the impending release or waiver, and (ii) the Company (in accordance with the provisions of the Underwriting Agreements entered into in connection with the Offerings) will announce the impending release or waiver by press release through a major news service or by filing a Current Report on Form 8-K at least two business days before the effective date of the release or waiver. Any release or waiver granted by Jefferies hereunder to any such officer or director shall only be effective two business days after the publication date of such press release or the filing of such Form 8-K. The provisions of this paragraph will not apply if both (a) the release or waiver is effected solely to permit a transfer not for consideration and (b) the transferee has agreed in writing to be bound by the same terms described in this letter agreement that are applicable to the transferor to the extent and for the duration that such terms remain in effect at the time of the transfer**.**

The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of Shares or Related Securities held by the undersigned, except in compliance with the foregoing restrictions.

With respect to the Offerings only, the undersigned waives any registration rights relating to registration under the Securities Act of the offer and sale of any Shares and/or any Related Securities owned either of record or beneficially by the undersigned and the undersigned's Family Members, if any, including any rights to receive notice of the Offerings.

The undersigned confirms that the undersigned has not, and has no knowledge that any Family Member has, directly or indirectly, taken any action designed to or that might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale of the Shares. The undersigned will not, and will use his or her best efforts to cause any Family Member not to take, directly or indirectly, any such action.

Whether or not the Offering occurs as currently contemplated or at all depends on market conditions and other factors. The Offerings will only be made pursuant to the Underwriting Agreements, the terms of which are subject to negotiation between the Company and you. The undersigned hereby represents and warrants that the undersigned has full power, capacity and authority to enter into this letter agreement. This letter agreement is irrevocable and will be binding on the undersigned and the successors, heirs, personal representatives and assigns of the undersigned.

This letter agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

If for any reason (i) the Underwriting Agreements (excluding any provisions that expressly survive termination) shall be terminated prior to the Closing Date (as defined in the respective Underwriting Agreements), (ii) the Underwriting Agreements are not executed and delivered by the Underwriters and the Company on or before December 7, 2012, or (iii) at any time prior to the execution and delivery of the Underwriting Agreements the Underwriters and the Company mutually determine to abandon the Offerings, then this letter agreement shall terminate and be of no further force or effect.

[SIGNATURE PAGE FOLLOWS]

Signature

Printed Name of Person Signing

(Indicate capacity of person signing if signing as custodian or trustee, or on behalf of an entity)

ANNEX A

Certain Defined Terms Used in Lock-Up Agreement

For purposes of the letter agreement to which this Annex A is attached and of which it is made a part:

"**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended.

"**Family Member**" shall mean the spouse of the undersigned, an Immediate Family Member of the undersigned or an Immediate Family Member of the undersigned's spouse, in each case living in the undersigned's household or whose principal residence is the undersigned's household (regardless of whether such spouse or Immediate Family Member may at the time be living elsewhere due to educational activities, health care treatment, military service, temporary internship or employment or otherwise).

"**Immediate Family Member**" as used above shall have the meaning set forth in Rule 16a-1(e) under the Exchange Act.

"**Lock-up Period**" shall mean the period beginning on the date of the final prospectus supplement relating to the Notes Offering and continuing through the close of trading on the date that is 60 days after the date of the final prospectus supplement relating to the Notes Offering; *provided*, that if (i) during the last 17 days of the 60-day initial lock-up period, the Company issues an earnings release or announces material news or a material event relating to the Company, or (ii) prior to the expiration of such period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the 60-day initial lock-up period, then in each case the Lock-up Period will be extended until the expiration of the 18-day period beginning on the date of the issuance of the earnings release or the announcement of the material news or material event, as applicable, unless Jefferies waives, in writing, such extension; *provided*, *however*, that if NASD Rule 2711 is amended to eliminate "quiet period" restrictions on the publication of research prior to or after termination of a lock-up, such extension shall not apply. If the initial lock-up period is extended pursuant to the provisions above, "Lock-up Period" shall mean the period described in the first clause of this paragraph, as so extended.

"**Put Equivalent Position**" shall have the meaning set forth in Rule 16a-1(h) under the Exchange Act.

"**Related Securities**" shall mean any options or warrants or other rights to acquire Shares or any securities exchangeable or exercisable for or convertible into Shares, or to acquire other securities or rights ultimately exchangeable or exercisable for or convertible into Shares.

"**Securities Act**" shall mean the Securities Act of 1933, as amended.

"**Sell or Offer to Sell**" shall mean to:

- sell, offer to sell or contract to sell,
- grant any option to sell (including without limitation any short sale) or establish a Put Equivalent Position,
- pledge or assign, or
- in any other way transfer or dispose of.

"**Swap**" shall mean any swap, hedge or similar arrangement or agreement that transfers, in whole or in part, the economic risk of ownership of Shares or Related Securities, regardless of whether any such transaction is to be settled in securities, in cash or otherwise.

Capitalized terms not defined in this Annex A shall have the meanings given to them in the body of this letter agreement.

EXHIBIT B

Directors and Officers Subject to Lock-Up Agreements

1. Stanley S. Arkin
2. Henry C. Beinstein
3. Ronald J. Bernstein
4. Bennett S. LeBow
5. Howard M. Lorber
6. Jeffrey S. Podell
7. Jean E. Sharpe
8. Richard J. Lampen
9. Bryant Kirkland
10. Marc N. Bell

6,114,000 SHARES

VECTOR GROUP LTD.

COMMON STOCK PAR VALUE $0.10 PER SHARE

UNDERWRITING AGREEMENT

November 15, 2012

JEFFERIES & COMPANY, INC.
As Representative of the several Underwriters
c/o JEFFERIES & COMPANY, INC.
520 Madison Avenue
New York, New York 10022
Ladies and Gentlemen:

Vector Group Ltd., a Delaware corporation (the "**Company**"), proposes to issue and lend Jefferies & Company, Inc. ("**Jefferies**" and, in such capacity, the "**Borrower**"), pursuant to and upon the terms set forth in the share lending agreement (the "**Share Lending Agreement**"), dated as of the date hereof, between the Company and the Borrower, shares of its common stock, par value $0.10 per share (the "**Common Stock**"), up to the Maximum Number of Shares (as defined in the Share Lending Agreement, the "**Maximum Number of Borrowed Shares**"). The Company has been advised that the Borrower will transfer the borrowed shares of Common Stock to the several underwriters named in **Schedule A** (the "**Underwriters**"), which will sell such shares to the public in the public offerings by the Underwriters described below. Jefferies has agreed to act as representative of the several Underwriters (in such capacity, the "**Representative**") in connection with the offering and sale of such shares. To the extent there are no additional underwriters listed on **Schedule A**, the term "Representative" as used herein shall mean Jefferies, as Underwriter, and the term "Underwriters" shall mean either the singular or the plural, as the context requires.

The Maximum Number of Borrowed Shares shall initially equal 6,114,000 shares of Common Stock, which the Borrower expects to borrow in full. The Borrower will initially offer 3,057,000 borrowed shares of Common Stock to the public at a fixed price (the "**Fixed Price Shares**"). From time to time, the Borrower will offer an additional 3,057,000 shares of Common Stock to the public at prices prevailing in the market at the time of sale or at negotiated prices (the "**Variable Price Shares**"). If the parties enter into an additional underwriting agreement as contemplated by Section 2(e) below, the Maximum Number of Borrowed Shares shall increase by 1,000,000 and the Borrower may borrow up to 1,000,000 additional shares of Common Stock from the Company under the Share Lending Agreement (the "**Additional Shares**," and together with the Fixed Price Shares and the Variable Price Shares, the "**Borrowed Shares**").

Concurrently with the issuance of the Fixed Price Shares and the Variable Price Shares, the Company is offering, in an offering registered under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (collectively, the "**Securities Act**"), by means of a prospectus supplement and related prospectus, an aggregate principal amount of $200,000,000 of Variable Interest Convertible Senior Notes due 2019 (the "**Firm Notes**") to be issued pursuant to an indenture (the "**Base Indenture**") to be dated on or prior to the initial issuance of the Firm Notes between the Company and Wells Fargo Bank, National Association, as trustee (the "**Trustee**"), as supplemented by a supplemental indenture to be dated on or prior to the initial issuance of the Firm Notes between the Company and the Trustee (the "**Supplemental Indenture**" and together with the Base Indenture, the "**Indenture**"). In addition, the Company has granted to the Underwriters an option to purchase up to an additional $30,000,000 aggregate principal amount of its Variable Interest Convertible Senior Notes due 2019 (the "**Option Notes**" and together with the Firm Notes, the "**Notes**"). The Notes will be convertible into duly and validly issued, fully paid and non-assessable shares of Common Stock. In connection with such offering of the Firm Notes, the Company will enter into an underwriting agreement dated as of the date hereof between the Company and Jefferies & Company, Inc., as representative of the underwriter(s), relating to the offer of the Firm Notes (the "**Notes Underwriting Agreement**"). The Firm Notes are expected to be issued on the Initial Closing Date (as defined in the Notes Underwriting Agreement) and the Option Notes, if any, are expected to be issued on the Option Closing Dates (as defined in the Notes Underwriting Agreement). For purposes herein, the "**Notes Closing Date**" shall refer to each of the Initial Closing Date (as defined in the Notes Underwriting Agreement) and the Option Closing Dates (as defined in the Notes Underwriting Agreement).

The Company has prepared and filed with the Securities and Exchange Commission (the "**Commission**") a shelf registration statement on Form S-3, File No. 333-184878, as amended by a Post-Effective Amendment No. 1 to such shelf registration statement, including a base prospectus (the "**Base Prospectus**") to be used in connection with the public offering and sale of the Fixed Price Shares and the Variable Price Shares. Such registration statement, as amended, including the financial statements, exhibits and schedules thereto, in the form in which it became effective under the Securities Act, including all documents incorporated or deemed to be incorporated by reference therein and any information deemed to be a part thereof at the time of effectiveness pursuant to Rule 430A or 430B under the Securities Act, is called the "**Registration Statement**." Any registration statement filed by the Company pursuant to Rule 462(b) under the Securities Act in connection with the offer and sale of the Fixed Price Shares and the Variable Price Shares is called the "**Rule 462(b) Registration Statement**," and from and after the date and time of filing of any such Rule 462(b) Registration Statement the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The preliminary prospectus supplement dated November 14, 2012 describing the Fixed Price Shares and the Variable Price Shares and the offering thereof (the "**Preliminary Prospectus Supplement**"), together with the Base Prospectus, is called the "**Preliminary Prospectus**," and the Preliminary Prospectus and any other prospectus supplement to the Base Prospectus in preliminary form that describes the Fixed Price Shares and the Variable Price Shares and the offering thereof and is used prior to the filing of the Prospectus (as defined below), together with the Base Prospectus, is called a "**preliminary prospectus**." As used herein, the term "**Prospectus**" shall mean the final prospectus supplement to the Base Prospectus that describes the Fixed Price Shares and the Variable Price Shares and the offering thereof (the "**Final Prospectus Supplement**"), together with the Base Prospectus, in the form first used by the Underwriters to confirm sales of the Fixed Price Shares and the Variable Price Shares or in the form first made available to the Underwriters by the Company to meet requests of purchasers pursuant to Rule 173 under the Securities Act. References herein to the Preliminary Prospectus, any preliminary prospectus and the Prospectus shall refer to both the prospectus supplement and the Base Prospectus components of such prospectus. As used herein, "**Applicable Time**" is 8:20 a.m. (New York time) on November 15, 2012. As used herein, "**free writing prospectus**" has the meaning set forth in Rule 405 under the Securities Act, and "**Time of Sale Prospectus**" means the Preliminary Prospectus, as amended or supplemented immediately prior to the Applicable Time, together with the free writing prospectuses, if any, identified in **Schedule B**. As used herein, **"Road Show"** means a "road show" (as defined in Rule 433 under the Securities Act) relating to the offering of the Fixed Price Shares and the Variable Price Shares contemplated hereby that is a "written communication" (as defined in Rule 405 under the Securities Act).

All references in this Agreement to the Registration Statement, the Preliminary Prospectus, any preliminary prospectus, the Base Prospectus and the Prospectus shall include the documents incorporated or deemed to be incorporated by reference therein. All references in this Agreement to financial statements and schedules and other information which are "contained," "included" or "stated" in, or "part of" the Registration Statement, the Rule 462(b) Registration Statement, the Preliminary Prospectus, any preliminary prospectus, the Base Prospectus, the Time of Sale Prospectus or the Prospectus, and all other references of like import, shall be deemed to mean and include all such financial statements and schedules and other information which is or is deemed to be incorporated by reference in the Registration Statement, the Rule 462(b) Registration Statement, the Preliminary Prospectus, any preliminary prospectus, the Base Prospectus, the Time of Sale Prospectus or the Prospectus, as the case may be. All references in this Agreement to amendments or supplements to the Registration Statement, the Preliminary Prospectus, any preliminary prospectus, the Base Prospectus, the Time of Sale Prospectus or the Prospectus shall be deemed to mean and include the filing of any document under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (collectively, the "**Exchange Act**") that is or is deemed to be incorporated by reference in the Registration Statement, the Preliminary Prospectus, any preliminary prospectus, the Base Prospectus, or the Prospectus, as the case may be. All references in this Agreement to (i) the Registration Statement, the Preliminary Prospectus, any preliminary prospectus, the Base Prospectus or the Prospectus, any amendments or supplements to any of the foregoing, or any free writing prospectus, shall include any copy thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("**EDGAR**") and (ii) the Prospectus shall be deemed to include any "electronic Prospectus" provided for use in connection with the offering of the Fixed Price Shares and the Variable Price Shares as contemplated by Section 3(n) of this Agreement.

The Company hereby confirms its agreements with the Underwriters as follows:

Section 1. Representations and Warranties of the Company. The Company hereby represents, warrants and covenants to each Underwriter, as of the date of this Agreement, as of each Closing Date (as hereinafter defined) as follows:

(a) ***Compliance with Registration Requirements.*** The Registration Statement has become effective under the Securities Act. No stop order suspending the effectiveness of the Registration Statement is in effect and no proceedings for such purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated or threatened by the Commission. At the time the Company's Annual Report on Form 10-K for the year ended December 31, 2011 (the "**Annual Report**") was filed with the Commission, or, if later, at the time the Registration Statement was originally filed with the Commission, as well as at the time the Company or any person acting on its behalf (within the meaning, for this clause only, of Rule 163(c) under the Securities Act) made any offer relating to the Fixed Price Shares and the Variable Price Shares in reliance on the exemption of Rule 163 under the Securities Act, the Company was a "well known seasoned issuer" as defined in Rule 405 under the Securities Act. The Registration Statement is an "automatic shelf registration statement," as defined in Rule 405 under the Securities Act, and became effective on November 9, 2012. The Company has not received from the Commission any notice pursuant to Rule 401(g)(2) under the Securities Act objecting to the Company's use of the automatic shelf registration form. The documents incorporated or deemed to be incorporated by reference in the Registration Statement, the Time of Sale Prospectus and the Prospectus, at the time they were or hereafter are filed with the Commission, or became effective under the Exchange Act, as the case may be, complied and will comply in all material respects with the requirements of the Exchange Act.

(b) ***Disclosure*****.** The Preliminary Prospectus and the Prospectus when filed complied in all material respects with the Securities Act and, if filed by electronic transmission pursuant to EDGAR, was identical (except as may be permitted by Regulation S-T under the Securities Act) to the copy thereof delivered to the Underwriters for use in connection with the offer and sale of the Fixed Price Shares and the Variable Price Shares. Each of the Registration Statement and any post-effective amendment thereto, at the time it became or becomes effective, complied and will comply in all material respects with the Securities Act and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. As of the Applicable Time, the Time of Sale Prospectus (including any preliminary prospectus wrapper) did not, and at each Closing Date (as defined in Section 2), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Prospectus (including any prospectus wrapper), as of its date (as then amended or supplemented), did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties set forth in the three immediately preceding sentences do not apply to statements in or omissions from the Registration Statement or any post-effective amendment thereto, or the Prospectus or the Time of Sale Prospectus, or any amendments or supplements thereto, made in reliance upon and in conformity with written information relating to any Underwriter or the Borrower furnished to the Company in writing by the Representative or the Borrower expressly for use therein, it being understood and agreed that the only such information consists of the information described in Section 9(b) below. There are no contracts or other documents required to be described in the Time of Sale Prospectus or the Prospectus or to be filed as an exhibit to the Registration Statement which have not been described or filed as required.

(c) ***Free Writing Prospectuses; Road Show*****.** As of the determination date referenced in Rule 164(h) under the Securities Act, the Company was not, is not or will not be (as applicable) an "ineligible issuer" in connection with the offering of the Fixed Price Shares and the Variable Price Shares pursuant to Rules 164, 405 and 433 under the Securities Act. Each free writing prospectus that the Company is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act. Each free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or on behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of Rule 433 under the Securities Act, including timely filing with the Commission or retention where required and legending, and each such free writing prospectus, as of its issue date and at all subsequent times through the completion of the public offering of the Fixed Price Shares and the Variable Price Shares did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement, the Prospectus or any preliminary prospectus and not superseded or modified. Except for the free writing prospectuses, if any, identified in **Schedule B**, and electronic road shows, if any, furnished to the Representative before first use, the Company has not prepared, used or referred to, and will not, without the Representative's prior written consent, prepare, use or refer to, any free writing prospectus. Each Road Show does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) ***Offering Materials Furnished to the Underwriters and the Borrower.*** The Company has delivered to the Representative two complete copies of the Registration Statement and each amendment thereto (including, in each case, exhibits) and each consent and certificate of experts filed as a part thereof, and additional copies of the Registration Statement and each amendment thereto (without exhibits) and each preliminary prospectus and any free writing prospectus reviewed and consented to by the Representative, in such quantities and at such places as the Representative has reasonably requested for each of the Underwriters and the Borrower.

(e) ***Distribution of Offering Material By the Company.*** Prior to the completion of the Underwriters' distribution of the Fixed Price Shares and the Variable Price Shares, the Company has not distributed and will not distribute any offering material in connection with the offering of the Fixed Price Shares and the Variable Price Shares other than the Registration Statement, the Time of Sale Prospectus, the Prospectus or any free writing prospectus reviewed and consented to by the Representative.

(f) ***Organization and Qualification.*** The Company and its "**Subsidiaries**" (which for purposes of this Agreement means any entity in which the Company, directly or indirectly, owns capital stock or holds an equity or similar interest that equals or exceeds 50% of the aggregate outstanding equity or similar interests of such entity) are entities duly organized and validly existing in good standing under the laws of the jurisdiction in which they are formed, and have the requisite power and authorization to own their material properties and to carry on their business as now being conducted in all material respects. Each of the Company and its Subsidiaries is duly qualified as a foreign entity to do business and is in good standing in every jurisdiction in which its ownership of property or the nature of the business conducted by it makes such qualification necessary, except to the extent that the failure to be so qualified or be in good standing would not reasonably be expected to have a Material Adverse Effect. As used in this Agreement, "**Material Adverse Effect**" means any material adverse change, or any development that could be expected to result in a material adverse change, in the condition, financial or otherwise, or in the earnings, business, properties, operations or prospects, whether or not arising from transactions in the ordinary course of business, of the Company and its Subsidiaries, considered as one entity. The Company has no Subsidiaries except as set forth on Schedule II hereto.

(g) ***Authorization; Enforcement; Validity.*** The Company has the requisite corporate power and authority to enter into and perform its obligations under each of this Agreement and the Share Lending Agreement and to issue the Borrowed Shares in accordance with the terms hereof and thereof. The execution and delivery of the this Agreement and the Share Lending Agreement by the Company and the consummation by the Company of the transactions contemplated hereby and thereby, including, without limitation, the issuance and sale of the Borrowed Shares, have been duly authorized by the Company's board of directors and no further consent or authorization is required by the Company, its board of directors or its stockholders. This Agreement and the Share Lending Agreement have been duly authorized, executed and delivered by the Company and each of this Agreement and the Share Lending Agreement are the legal, valid and binding obligations of the Company, enforceable against it in accordance with their respective terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

(h) ***Issuance of the Borrowed Shares*****.** The Fixed Price Shares and the Variable Price Shares have been duly and validly authorized and, on the applicable Closing Date, will have been validly executed and delivered by the Company. When the Borrowed Shares have been issued and executed and delivered to and paid for by the Borrower in accordance with the terms of this Agreement, any additional underwriting agreement described in Section 2(e) (in the case of the Additional Shares) and the Share Lending Agreement, the Borrowed Shares will be validly issued, fully paid and non-assessable. The Borrowed Shares shall be free from all taxes, liens and charges with respect to the issue thereof.

(i) ***No Conflicts*****.** The execution, delivery and performance of this Agreement and the Share Lending Agreement and the performance of this Agreement and the Share Lending Agreement by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance of the Borrowed Shares) will not (i) result in a violation of the Charter Documents, (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party, or (iii) (so long as the Company obtains all consents, authorizations and orders and makes all filings and registrations specified in Section 1(j)) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected, except, in the case of clauses (ii) and (iii), such conflicts, defaults, rights, or violations that would not reasonably be expected to have a Material Adverse Effect.

(j) ***Consents*****.** The Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency or any regulatory or self-regulatory agency or any other person in order for the Company to execute, deliver or perform any of its obligations under or contemplated by this Agreement or the Share Lending Agreement, in each case in accordance with the terms hereof or thereof. All consents, authorizations, orders, filings and registrations which the Company is required to obtain or make pursuant to the preceding sentence will have been obtained or made on or prior to the applicable Closing Date.

(k) ***No Broker's Fees*****.** The Company has not engaged any broker, finder, commission agent or other person (other than the Underwriters) in connection with the offering of the Borrowed Shares or any of the transactions contemplated in this Agreement and the Share Lending Agreement, and the Company is not under any obligation to pay any broker's fee or commission in connection with such transactions (other than commissions or fees to the Underwriters).

(l) ***SEC Documents; Financial Statements***. During the two (2) years prior to the date hereof, the Company has filed all reports, schedules, forms, statements and other documents required to be filed by it with the Commission pursuant to the reporting requirements of the Exchange Act (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements, notes and schedules thereto and documents incorporated by reference therein being hereinafter referred to as the "SEC Documents"). As of their respective dates, the SEC Documents, as they may have been subsequently amended by filings made by the Issuer with the Commission prior to the date hereof, complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission promulgated thereunder applicable to the SEC Documents. As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission with respect thereto. Such financial statements have been prepared in accordance with generally accepted accounting principles, consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements) and fairly present in all material respects the financial position of the Issuer as of the dates thereof and the results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

(m) ***Absence of Certain Changes*****.** Except as disclosed in the Registration Statement, the Time of Sale Prospectus and the Prospectus, since December 31, 2011, (i) there has been no change or development that has had a Material Adverse Effect, (ii) the Company has not declared or paid any dividends other than the dividends paid on March 29, 2012 to the stockholders of record as of March 16, 2012, on June 28, 2012 to the stockholders of record as of June 20, 2012, and on September 28, 2012 to the stockholders of record as of September 21, 2012, (iii) neither the Company nor any of its Subsidiaries has sold any assets, individually or in the aggregate, in excess of $1,000,000 outside of the ordinary course of business, other than as set forth on Schedule 1(n) of the Notes Underwriting Agreement and (iv) neither the Company nor any of its Subsidiaries has made any capital expenditures, individually or in the aggregate, in excess of $15,000,000. Neither the Company nor any of its Subsidiaries has taken any steps to seek protection pursuant to any bankruptcy law nor does the Company have knowledge that either its or its Subsidiaries' respective creditors intend to initiate involuntary bankruptcy proceedings or knowledge of any fact which would reasonably lead a creditor to do so. The Company is not as of the date hereof, and after giving effect to the transactions contemplated hereby to occur at the applicable Closing Date will not be, Insolvent (as defined below). For purposes of this Section 1(n), "**Insolvent**" means (i) the present fair saleable value of the Company's assets is less than the amount required to pay the Company's total Indebtedness, (ii) the Company is unable to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured or (iii) the Company has unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted. **"Indebtedness"** of any Person means, without duplication (A) all indebtedness for borrowed money, (B) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business), (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (D) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (F) all monetary obligations under any leasing or similar arrangement which, in connection with generally accepted accounting principles, consistently applied for the periods covered thereby, is classified as a capital lease, (G) all indebtedness referred to in clauses (A) through (F) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (H) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (G) above; and (y) **"Contingent Obligation"** means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

(n) ***[Reserved]***.

(o) ***Conduct of Business; Regulatory Permits*****.** Neither the Company nor any of its Subsidiaries is in violation of (x) any term of or in default under its Charter Documents or (y) any judgment, decree or order or any statute, ordinance, rule or regulation applicable to the Company or its Subsidiaries, except, in either of the foregoing cases, for possible violations which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company and its Subsidiaries possess all certificates, authorizations and permits issued by the appropriate regulatory authorities necessary to conduct their respective businesses, except where the failure to possess such certificates, authorizations or permits would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and neither the Company nor any such Subsidiary has received any written notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit, except where the revocation or modification of any such certificate, authorization or permit would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(p) ***Foreign Corrupt Practices*****.** Neither the Company, nor any of its Subsidiaries, nor any director, officer, agent, employee or other Person acting on behalf of the Company or any of its Subsidiaries has, in the course of its actions for, or on behalf of, the Company (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or (iv) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

(q) ***Sarbanes-Oxley Act***. There is and has been no failure on the part of the Company to comply in all material respects with any provision of the Sarbanes-Oxley Act of 2002, as in effect at the applicable time, and the rules and regulations promulgated in connection therewith (the "**Sarbanes-Oxley Act**"), including Section 402 related to loans and Sections 302 and 906 related to certifications.

(r) ***Disclosure Controls and Procedures*****.** The chief executive officer and chief financial officer of the Company are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the rules and regulations of the Commission under the Exchange Act) for the Company and have (i) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under their supervision, to ensure that material information relating to the Company and its Subsidiaries is made known to the chief executive officer and chief financial officer by others within the Issuer and its Subsidiaries, particularly during the end of the period (the "**Evaluation Date**") covered by each of the most recent annual and quarterly report of the Company (each a "**Report**"), (ii) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in each Report their conclusions about the effectiveness of the disclosure controls and procedures as of the Evaluation Date covered by each Report based on such evaluation and (iii) disclosed in each Report any change in the Issuer's internal control over financial reporting that occurred during the period covered by the Report that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. The chief executive officer and chief financial officer of the Issuer have disclosed, based upon their most recent evaluation of the internal controls over financial reporting, to the Issuer's auditors and the Audit Committee of the Company's board of directors (x) all material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and (y) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.

(s) ***Internal Accounting Controls*.** The Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset and liability accountability, (iii) access to assets or incurrence of liabilities is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets and liabilities is compared with the existing assets and liabilities at reasonable intervals and appropriate action is taken with respect to any difference.

(t) ***Transactions with Affiliates*.** Except as disclosed in the Registration Statement, the Time of Sale Prospectus and the Prospectus, none of the officers, directors or employees of the Company is presently a party to any transaction with the Company or any of its Subsidiaries (other than for ordinary course services as employees, officers or directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any such officer, director or employee or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any such officer, director, or employee has a substantial interest or is an officer, director, trustee or partner, which is required by the rules and regulations of the Commission under the Exchange Act to be so disclosed in the SEC Documents.

(u) ***Equity Capitalization***. All outstanding shares of capital stock of or membership interests in, as applicable, the Company and the Subsidiaries have been duly authorized and validly issued and are fully paid, non-assessable and not subject to any preemptive or similar rights. There are no outstanding subscriptions, rights, warrants, options, calls, convertible securities, commitments of sale or liens granted or issued by the Issuer or any of the Subsidiaries relating to or entitling any person to purchase or otherwise to acquire any shares of the capital stock of or membership interests in, as applicable, the Company or any of the Subsidiaries, except as otherwise disclosed in the SEC Documents. The Company and each of the Subsidiaries has furnished to the Underwriters correct and complete copies of its Certificate of Incorporation, limited liability company agreement, bylaws and other organizational documents, as applicable, as amended and as in effect on the date hereof (the "**Charter Documents**").

(v) ***Absence of Litigation*.** Except as set forth in the Registration Statement, the Time of Sale Prospectus and the Prospectus, there is no action, suit or proceeding before any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company, threatened against or affecting the Company or any of the Company's Subsidiaries or any of the Company's or the Company's Subsidiaries' officers or directors in their capacities as such that would reasonably be expected to have a Material Adverse Effect. The SEC Documents set forth all litigation matters which are required to be disclosed in such SEC Documents.

(w) ***Insurance*****.** The Company and each of its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Issuer believes to be prudent and customary for the businesses in which the Company and its Subsidiaries are engaged, except where the failure to be so adequately insured would not reasonably be expected to have a Material Adverse Effect. Neither the Company nor any such Subsidiary believes that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not reasonably be expected to have a Material Adverse Effect.

(x) ***Employee Relations*****.** The Company and its Subsidiaries believe that their relations with their employees are satisfactory. Except as disclosed in the SEC Documents, since December 31, 2011, no "executive officer" (as defined in Rule 501(f) of the Act) of the Company has notified the Company of such officer's intent to leave the Company in the foreseeable future or otherwise terminate such officer's employment with the Company in the foreseeable future. No labor dispute with the employees of the Company or any of its Subsidiaries is pending or, to the knowledge of the Company, imminent that would reasonably be expected to have a Material Adverse Effect. The Company and its Subsidiaries are in compliance with all federal, state, local and foreign laws and regulations respecting labor, employment and employment practices and benefits, terms and conditions of employment and wages and hours, except where failure to be in compliance would not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(y) ***Title*****.** The Company and its Subsidiaries have good and valid title in fee simple to all real property and good and valid title to all personal property owned by them which is material to the business of the Company and its Subsidiaries, in each case free and clear of all liens, encumbrances and defects except such as (a) is described in the Registration Statement, the Time of Sale Prospectus and the Prospectus or arise from indebtedness reflected therein or (b) do not materially affect the value of such property and do not interfere with the use made of such property by the Company and any of its Subsidiaries in a manner that would reasonably be expected to have a Material Adverse Effect. Any real property and facilities held under lease by the Company and any of its Subsidiaries and material to the business of the Company and its Subsidiaries taken as a whole are, with respect to the Company and its Subsidiaries, in full force and effect, with such exceptions as do not materially interfere with the use made of such property and buildings by the Company and its Subsidiaries.

(z) ***Intellectual Property Rights*****.** The Company and its Subsidiaries own or possess adequate rights or licenses to use all trademarks, trade names, service marks, service mark registrations, service names, patents, patent rights, copyrights, inventions, licenses, approvals, trade secrets and other intellectual property rights ("**Intellectual Property Rights**") necessary to conduct their respective businesses as now conducted and which failure to so have would reasonably be expected to have a Material Adverse Effect. None of the Company's or its Subsidiaries' Intellectual Property Rights necessary to conduct their respective businesses as now conducted have expired or terminated, or are expected to expire or terminate within two years from the date of this Agreement, except where the expiration or termination would not reasonably be expected to have a Material Adverse Effect. The Company has not received written notice and has no knowledge of any infringement by the Company or its Subsidiaries on the Intellectual Property Rights of other Persons. There is no claim, action or proceeding being made or brought, or to the knowledge of the Company, being threatened, by or against the Company or its Subsidiaries regarding its Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

(aa) ***Environmental Laws*****.** The Company and its Subsidiaries (i) are in compliance with any and all Environmental Laws (as hereinafter defined), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval where, in each of the foregoing clauses (i), (ii) and (iii), the failure to so comply would be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. As used in this Agreement, "**Environmental Laws**" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, or releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "**Hazardous Materials**") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, injunctions, judgments, licenses, orders, permits, or regulations issued, entered, promulgated or approved thereunder.

(bb) ***Tax Status*****.** The Company and each of its Subsidiaries (i) has made or filed all foreign, federal and state income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and (iii) has set aside on its books provision reasonably adequate for the payment of all taxes for the periods to which such returns, reports or declarations apply. Except as disclosed in the Registration Statement, the Time of Sale Prospectus and the Prospectus, there are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim.

(cc) ***Independent Accountants*****.** PricewaterhouseCoopers LLP, who have certified the consolidated financial statements of the Company, Vector Tobacco, Inc. and Liggett Group, LLC as of December 31, 2011, are independent public accountants within the meaning of the Securities Act.

(dd) ***Manipulation of Price; Compliance with Regulation M*****.** Neither the Company nor any of its Subsidiaries has, and to its knowledge no one acting on its behalf has, within the preceding 12 months, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the Common Stock or of any "reference security" (as defined in Rule 100 of Regulation M under the Exchange Act (**"Regulation M"**)) with respect to the Fixed Price Shares and the Variable Price Shares, whether to facilitate the sale or resale of the Fixed Price Shares and the Variable Price Shares or otherwise, and has taken no action which would directly or indirectly violate Regulation M.

(ee) ***No Applicable Registration or Other Similar Rights*****.** There are no persons with registration or other similar rights to have any equity or debt securities of the Company registered for sale under the Registration Statement or included in the offering contemplated by this Agreement.

(ff) ***Stock Exchange Listing*****.** The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act and is listed on The New York Stock Exchange (the "**NYSE**"), and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act or delisting the Common Stock from the NYSE, nor has the Company received any notification that the Commission or the NYSE is contemplating terminating such registration or listing, as applicable. To the Company's knowledge, it is in compliance in all material respects with all applicable listing requirements of the NYSE.

(gg) ***Investment Company.*** The Company is not, and after giving effect to the offering and sale of the Fixed Price Shares and the Variable Price Shares and the application of the proceeds thereof will not become, required to register as an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(hh) ***FINRA Matters*****.** All of the information provided to the Underwriters, the Borrower or to counsel for the Underwriters or the Borrower by the Company in connection with the compliance of the offering of the Fixed Price Shares and the Variable Price Shares with the rules of Financial Industry Regulatory Authority, Inc.'s ("**FINRA**") is true, complete and correct. The Company meets the requirements for use of Form S-3 under the Securities Act specified in FINRA Conduct Rule 5110(B)(7)(C)(i).

(ii) ***Parties to Lock-Up Agreements*****.** The Company has furnished to the Underwriters and the Borrower a letter agreement in the form agreed pursuant to the Notes Underwriting Agreement and from each of the persons listed on Exhibit B to the Notes Underwriting Agreement.

(jj) ***Statistical and Market-Related Data*****.** All statistical, demographic and market-related data included in the Registration Statement, the Time of Sale Prospectus or the Prospectus are based on or derived from sources that the Company believes, after reasonable inquiry, to be reliable and accurate. To the extent required, the Company has obtained the written consent to the use of such data from such sources.

(kk) ***[Reserved]***.

(ll) ***Money Laundering Laws*****.** The operations of the Company and its Subsidiaries are, and have been conducted at all times, in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar applicable rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its Subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(mm) ***OFAC*****.** Neither the Company nor any of its Subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee, affiliate or person acting on behalf of the Company or any of its Subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**"); and the Company will not directly or indirectly use the proceeds of this offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, or any joint venture partner or other person or entity, for the purpose of financing the activities of any person known to the Company, after reasonable investigation, to be currently subject to any U.S. sanctions administered by OFAC.

(nn) ***Dividend Restrictions*****.** Except as disclosed in the Registration Statement, the Time of Sale Prospectus and the Prospectus, no Subsidiary of the Company is prohibited or restricted, directly or indirectly, from paying dividends to the Company, or from making any other distribution with respect to such Subsidiary's equity securities or from repaying to the Company or any other Subsidiary of the Company any amounts that may from time to time become due under any loans or advances to such Subsidiary from the Company or from transferring any property or assets to the Company or to any other Subsidiary.

Any certificate signed by any officer of the Company or any of its Subsidiaries and delivered to any Underwriter, the Borrower or to counsel for the Underwriters or the Borrower in connection with the offering and sale of the Fixed Price Shares and the Variable Price Shares shall be deemed a representation and warranty by the Company to each Underwriter and the Borrower as to the matters covered thereby.

The Company has a reasonable basis for making each of the representations set forth in this Section 1. The Company acknowledges that the Underwriters and, for purposes of the opinions to be delivered pursuant to Section 6 hereof, counsel to the Company and counsel to the Underwriters, will rely upon the accuracy and truthfulness of the foregoing representations and hereby consents to such reliance.

Section 2. Delivery and Purchase of the Fixed Price Shares and the Variable Price Shares.

(a) ***The Borrowed Shares*****.** Upon the terms set forth herein, and subject to the terms and conditions of the Share Lending Agreement, (i) the Company agrees to deliver to the account specified by the Borrower in exchange for payment of the relevant Loan Fee (as defined in the Share Lending Agreement), (ii) the Borrower agrees to borrow from the Company, from time to time pursuant to one or more Borrowing Notices (in each case when used in this Agreement, as defined in the Share Lending Agreement), the Borrowed Shares specified in such Borrowing Notice, and (iii) each Underwriter agrees, severally and not jointly, to purchase from the Borrower such Borrowed Shares; provided that Borrower may only deliver a Borrowing Notice in respect of Fixed Price Shares and Variable Price Shares on or before any Notes Closing Date.

(b) ***Public Offering of the Fixed Price Shares and the Variable Price Shares*****.** The Representative and the Borrower hereby advise the Company that the Underwriters intend to offer for sale to the public, initially on the terms set forth in the Registration Statement, the Time of Sale Prospectus and the Prospectus, the Fixed Price Shares and the Variable Price Shares as soon after this Agreement has been executed as the Representative, in its sole judgment, has determined is advisable and practicable.

(c) ***Payment for the Fixed Price Shares and the Variable Price Shares*****.** From time to time on or before the earlier to occur of (a) Facility Termination Date (as defined in the Share Lending Agreement) and (b) the date as of which the Maximum Number of Borrowed Shares shall have been borrowed under the Share Lending Agreement (the "**Borrowing Termination Date**"), the Borrower may give one or more Borrowing Notices with respect to a number of shares of Common Stock Shares specified in such Borrowing Notice, that, when aggregated with all shares of Common Stock loaned pursuant to the Share Lending Agreement shall not exceed the Maximum Number of Borrowed Shares; *provided* that a Borrowing Notice may only request delivery of Fixed Price Shares and Variable Price Shares on a Notes Closing Date and no Borrowing Notice may be given during a Registration Blackout Period (as defined in the Share Lending Agreement). In accordance with the Share Lending Agreement, delivery of the Fixed Price Shares and the Variable Price Shares specified in a Borrowing Notice shall be made on or before the Cutoff Time (as defined in the Share Lending Agreement) on the date specified in the Borrowing Notice, or at such other time on the same date or such other date as the Borrower and the Company shall agree in writing. The time and date of each such delivery, which must be a Notes Closing Date, are herein referred to as a "**Closing Date**."

(d) ***Delivery of the Fixed Price Shares and the Variable Price Shares.*** The Fixed Price Shares and the Variable Price Shares shall be in definitive form or global form, as specified by the Representative, and registered in such names and in such denominations as the Representative shall request in writing not later than three nor more than five full business days prior to the applicable Closing Date. The Fixed Price Shares and the Variable Price Shares shall be delivered by the Company to the Borrower in one or more deliveries on or before the applicable Closing Date in accordance with the terms of the Share Lending Agreement and this Section 2.

(e) ***Additional Shares***. The Company will enter into one of more additional underwriting agreements with the Borrower and the Underwriters on terms substantially similar to this Underwriting Agreement (this "**Agreement**") with respect to the public offering of any Additional Shares that the Borrower may borrow from the Company under the Share Lending Agreement. For purposes of any such additional underwriting agreement, the Additional Shares to be sold in any such public offering may be sold in a manner to be determined by the Borrower and the Underwriters in their sole discretion, provided that (x) the Borrower shall not engage in more than two such offerings in any twelve month period and (y) no such offering shall relate to fewer than 250,000 Additional Shares.

Section 3. **Additional Covenants of the Company.** The Company further covenants and agrees with each Underwriter and the Borrower as follows:

(a) ***Delivery of Registration Statement, Time of Sale Prospectus and Prospectus.*** The Company shall furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period when a prospectus relating to the Fixed Price Shares and the Variable Price Shares is required by the Securities Act to be delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) in connection with sales of the Fixed Price Shares and the Variable Price Shares, as many copies of the Time of Sale Prospectus, the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) ***Representative's Review of Proposed Amendments and Supplements.*** During the period when a prospectus relating to the Fixed Price Shares and the Variable Price Shares is required by the Securities Act to be delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) (the "**Prospectus Delivery Period**"), the Company (i) will furnish to the Representative and the Borrower for review, a reasonable period of time prior to the proposed time of filing of any proposed amendment or supplement to the Registration Statement, a copy of each such amendment or supplement and (ii) will not file any amendment or supplement to the Registration Statement (including any amendment or supplement through incorporation of any report filed under the Exchange Act) to which the Representative or the Borrower reasonably object prior to filing. During the Prospectus Delivery Period, prior to amending or supplementing any preliminary prospectus, the Time of Sale Prospectus or the Prospectus (including any amendment or supplement through incorporation of any report filed under the Exchange Act), the Company shall furnish to the Representative and the Borrower for review, a reasonable amount of time prior to the time of filing or use of the proposed amendment or supplement, a copy of each such proposed amendment or supplement. During the Prospectus Delivery Period, the Company shall not file or use any such proposed amendment or supplement to which the Representative or the Borrower reasonably objects prior to filing. The Company shall file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) ***Free Writing Prospectuses.*** The Company shall furnish to the Representative and the Borrower for review, a reasonable amount of time prior to the proposed time of filing or use thereof, a copy of each proposed free writing prospectus or any amendment or supplement thereto prepared by or on behalf of, used by, or referred to by the Company, and the Company shall not file, use or refer to any proposed free writing prospectus or any amendment or supplement thereto without the Representative's and the Borrower's prior written consent. The Company shall furnish to each Underwriter and the Borrower, without charge, as many copies of any free writing prospectus prepared by or on behalf of, used by or referred to by the Company as such Underwriter may reasonably request. If at any time when a prospectus is required by the Securities Act to be delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) in connection with sales of the Fixed Price Shares and the Variable Price Shares (but in any event if at any time through and including the applicable Closing Date) there occurred or occurs an event or development as a result of which any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company conflicted or would conflict with the information contained in the Registration Statement or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at such time, not misleading, the Company shall promptly amend or supplement such free writing prospectus to eliminate or correct such conflict so that the statements in such free writing prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at such time, not misleading, as the case may be; *provided*, *however*, that prior to amending or supplementing any such free writing prospectus, the Company shall furnish to the Representative and the Borrower for review, a reasonable amount of time prior to the proposed time of filing or use thereof, a copy of such proposed amended or supplemented free writing prospectus, and the Company shall not file, use or refer to any such amended or supplemented free writing prospectus without the Representative's and the Borrower's prior written consent.

(d) ***Filing of Underwriter Free Writing Prospectuses.*** The Company shall not take any action that would result in an Underwriter, the Borrower or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of such Underwriter or the Borrower that such Underwriter or the Borrower otherwise would not have been required to file thereunder.

(e) ***Amendments and Supplements to Time of Sale Prospectus.*** If during the Prospectus Delivery Period the Time of Sale Prospectus is being used to solicit offers to buy the Fixed Price Shares and the Variable Price Shares at a time when the Prospectus is not yet available to prospective purchasers, and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Prospectus so that the Time of Sale Prospectus does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when delivered to a prospective purchaser, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus conflicts with the information contained in the Registration Statement, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Time of Sale Prospectus to comply with applicable law, the Company shall (subject to Section 3(b) and Section 3(c) hereof) promptly prepare, file with the Commission and furnish, at its own expense, to the Underwriters, the Borrower and to any dealer upon request of the Representative, either amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when delivered to a prospective purchaser, not misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the information contained in the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law.

(f) ***Certain Notifications and Required Actions.*** During the Prospectus Delivery Period, the Company shall promptly advise the Representative and the Borrower in writing of: (i) the receipt of any comments of, or requests for additional or supplemental information from, the Commission; (ii) the time and date of any filing of any post-effective amendment to the Registration Statement or any amendment or supplement to any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus or the Prospectus; (iii) the time and date that any post-effective amendment to the Registration Statement becomes effective; and (iv) the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or any amendment or supplement to any preliminary prospectus, the Time of Sale Prospectus or the Prospectus or of any order preventing or suspending the use of any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus or the Prospectus, or of any proceedings to remove, suspend or terminate from listing or quotation the Common Stock from any securities exchange upon which they are listed for trading or included or designated for quotation, or of the threatening or initiation of any proceedings for any of such purposes. If the Commission shall enter any such stop order at any time, the Company will use its best efforts to obtain the lifting of such order at the earliest possible moment. Additionally, the Company agrees that it shall comply with all applicable provisions of Rule 424(b), Rule 433 and Rule 430A or 430 B under the Securities Act and will use its reasonable efforts to confirm that any filings made by the Company under Rule 424(b) or Rule 433 were received in a timely manner by the Commission. If, during the Prospectus Delivery Period, the Company receives notice pursuant to Rule 401(g)(2) under the Securities Act from the Commission or otherwise ceases to be eligible to use the automatic shelf registration form, the Company shall promptly advise the Representative and the Borrower in writing of such notice or ineligibility and will (i) as soon as reasonably practicable file a new registration statement or post-effective amendment on the proper form relating to the Fixed Price Shares and the Variable Price Shares, (ii) use its reasonable efforts to cause such registration statement or post-effective amendment to be declared effective by the Commission as soon as practicable and (iii) promptly notify the Representative and the Borrower in writing of such effectiveness.

(g) ***Amendments and Supplements to the Prospectus and Other Securities Act Matters.*** During the Prospectus Delivery Period, if any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus so that the Prospectus does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) to a purchaser, not misleading, or if in the opinion of the Representative, the Borrower or counsel for the Underwriters it is otherwise necessary to amend or supplement the Prospectus to comply with applicable law, the Company agrees (subject to Section 3(b) and Section 3(c)) hereof to promptly prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) to a purchaser, not misleading or so that the Prospectus, as amended or supplemented, will comply with applicable law. Neither the Representative's or the Borrower's consent to, nor delivery of, any such amendment or supplement shall constitute a waiver of any of the Company's obligations under Section 3(b) or Section 3(c).

(h) ***Blue Sky Compliance*****.** The Company shall cooperate with the Representative, the Borrower and counsel for the Underwriters and the Borrower to qualify or register the Fixed Price Shares and the Variable Price Shares for sale under (or obtain exemptions from the application of) the state securities or blue sky laws or Canadian provincial securities laws (or other foreign laws) of those jurisdictions designated by the Representative, shall comply with such laws and shall continue such qualifications, registrations and exemptions in effect so long as required for the distribution of the Fixed Price Shares and the Variable Price Shares. The Company shall not be required to qualify as a foreign corporation or to take any action that would subject it to general service of process in any such jurisdiction where it is not presently qualified or where it would be subject to taxation as a foreign corporation. The Company will advise the Representative and the Borrower promptly of the suspension of the qualification or registration of (or any such exemption relating to) the Fixed Price Shares and the Variable Price Shares for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, the Company shall use its best efforts to obtain the withdrawal thereof at the earliest possible moment.

(i) ***Use of Proceeds*****.** The Company shall apply the net proceeds from the sale of the Securities sold by it in the manner described under the caption "Use of Proceeds" in the Registration Statement, the Time of Sale Prospectus and the Prospectus.

(j) ***Transfer Agent*****.** The Company shall engage and maintain, at its expense, a registrar and transfer agent for the Common Stock.

(k) ***Earnings Statement*****.** The Company will make generally available to its security holders and to the Representative as soon as practicable an earnings statement (which need not be audited) covering a period of at least twelve months beginning with the first fiscal quarter of the Company commencing after the date of this Agreement that will satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(l) ***Continued Compliance with Securities Laws*****.** The Company will comply with the Securities Act and the Exchange Act so as to permit the completion of the distribution of the Fixed Price Shares and the Variable Price Shares as contemplated by this Agreement, the Registration Statement, the Time of Sale Prospectus and the Prospectus. Without limiting the generality of the foregoing, the Company will, during the period when a prospectus relating to the Fixed Price Shares and the Variable Price Shares is required by the Securities Act to be delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule), file on a timely basis with the Commission and the NYSE all reports and documents required to be filed under the Exchange Act.

(m) ***Listing*****.** The Company will use its best efforts to list and to maintain the listing of the Maximum Number of Borrowed Shares on the NYSE at all times prior to the Borrowing Termination Date.

(n) ***Final Term Sheet***. The Company will prepare a final term sheet relating to the offering of the Fixed Price Shares and the Variable Price Shares, containing information that describes the final terms of the offering of the Fixed Price Shares and the Variable Price Shares, in a form consented to by the Representative and to file such final term sheet on the date the final terms have been established for the offering of the Fixed Price Shares and the Variable Price Shares.

(o) ***Company to Provide Copy of the Prospectus in Form That May be Downloaded from the Internet.*** If requested by the Representative, the Company shall cause to be prepared and delivered, at its expense, within one business day from the effective date of this Agreement, to Jefferies an "**electronic Prospectus**" to be used in connection with the offering and sale of the Fixed Price Shares and the Variable Price Shares. As used herein, the term "**electronic Prospectus**" means a form of Time of Sale Prospectus, and any amendment or supplement thereto, that meets each of the following conditions: (i) it shall be encoded in an electronic format, satisfactory to Jefferies, that may be transmitted electronically by Jefferies to offerees and purchasers of the Fixed Price Shares and the Variable Price Shares; (ii) it shall disclose the same information as the paper Time of Sale Prospectus, except to the extent that graphic and image material cannot be disseminated electronically, in which case such graphic and image material shall be replaced in the electronic Prospectus with a fair and accurate narrative description or tabular representation of such material, as appropriate; and (iii) it shall be in or convertible into a paper format or an electronic format, satisfactory to Jefferies, that will allow investors to store and have continuously ready access to the Time of Sale Prospectus at any future time, without charge to investors (other than any fee charged for subscription to the Internet as a whole and for on-line time). The Company hereby confirms that it has included or will include in the Prospectus filed pursuant to EDGAR or otherwise with the Commission and in the Registration Statement at the time it was declared effective an undertaking that, upon receipt of a request by an investor or his or her representative, the Company shall transmit or cause to be transmitted promptly, without charge, a paper copy of the Time of Sale Prospectus.

(p) ***Agreement Not to Offer or Sell Additional Securities.*** During the period commencing on and including the date hereof and continuing through and including the 60th day following the date of the Prospectus (such period, as extended as described below, being referred to herein as the "**Lock-up Period**"), the Company will not, without the prior written consent of Jefferies (which consent may be withheld in its sole discretion): (i) sell, offer to sell, contract to sell, lend or in any way transfer or dispose of any Common Stock or Related Securities (as defined below); (ii) effect any short sale, or establish or increase any "put equivalent position" (as defined in Rule 16a-1(h) under the Exchange Act) or liquidate or decrease any "call equivalent position " (as defined in Rule 16a-1(b) under the Exchange Act) of any Common Stock or Related Securities; (iii) pledge, hypothecate or grant any security interest in any Common Stock or Related Securities; (iv) enter into any swap, hedge or similar arrangement or agreement that transfers, in whole or in part, the economic risk of ownership of any Common Stock or Related Securities, regardless of whether any such transaction is to be settled in securities, in cash or otherwise; (v) announce the offering of any Common Stock or Related Securities; (vi) file any registration statement under the Securities Act in respect of any Common Stock or Related Securities (other than as contemplated by this Agreement with respect to the Borrowed Shares); or (vii) publicly announce the intention to do any of the foregoing; *provided, however*, that the Company may (A) effect the transactions contemplated hereby, (B) effect the transactions contemplated by the Share Lending Agreement (including, without limitation, the issuance of the Borrowed Shares), (C) issue Common Stock or options to purchase Common Stock, or issue Common Stock upon exercise of any options to purchase Common Stock, pursuant to any stock option, stock bonus or other stock plan or arrangement outstanding as of the date hereof and described in the Registration Statement, the Time of Sale Prospectus and the Prospectus, (D) issue Common Stock pursuant to the terms of any securities of the Company outstanding on the date hereof and any indentures governing such securities, (E) file a registration statement on Form S-8 or other appropriate forms as required by the Securities Act, and any amendments thereto, relating to any Common Stock or any other of our equity-based securities issuable pursuant to any stock option, stock bonus or other stock plan or arrangement outstanding as of the date hereof and described in the Registration Statement, the Time of Sale Prospectus or the Prospectus and (F) file a registration statement on Form S-4 or other appropriate forms as required by the Securities Act, and any amendments to such forms, related to any Common Stock or any other of our equity securities issuable in connection with any merger, acquisition or other business combination, *provided* that three days' advance notice of such filing is provided to Jefferies and *provided*, *further*, that the aggregate amount of any Common Stock or any other of the Company's equity securities issuable pursuant to this clause (F) shall not exceed 5% of the Common Stock outstanding as of the date hereof. For purposes of the foregoing, "**Related Securities**" shall mean any options or warrants or other rights to acquire Common Stock or any securities exchangeable or exercisable for or convertible into Common Stock, or to acquire other securities or rights ultimately exchangeable or exercisable for, or convertible into, Common Stock. If (i) during the last 17 days of the 60-day initial lock-up period, the Company issues an earnings release or announces material news or a material event relating to the Company, or (ii) prior to the expiration of such period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of such period, then in each case the Lock-up Period will be extended until the expiration of the 18-day period beginning on the date of the issuance of the earnings release or the announcement of the material news or material event, as applicable, unless Jefferies waives, in writing, such extension (which waiver may be withheld in its sole discretion; *provided*, *however*, that if FINRA Rule 2711 is amended to eliminate "quiet period" restrictions on the publication of research prior to or after termination of a lock-up, such extension shall not apply. The Company will provide the Representative with prior notice of any such announcement that gives rise to an extension of the Lock-up Period.

(q) ***Future Reports to the Representative.*** During the period of two years hereafter, the Company will furnish to the Representative, c/o Jefferies, at 520 Madison Avenue, New York, New York 10022, Attention: Global Head of Syndicate: (i) as soon as practicable after the end of each fiscal year, copies of the Annual Report on Form 10-K of the Company containing the balance sheet of the Company as of the close of such fiscal year and statements of income, stockholders' equity and cash flows for the year then ended and the opinion thereon of the Company's independent public or certified public accountants; (ii) as soon as practicable after the filing thereof, copies of each proxy statement, Annual Report on Form 10-K, Quarterly Report on Form 10-Q, Current Report on Form 8-K or other report filed by the Company with the Commission or any securities exchange; and (iii) as soon as available, copies of any report or communication of the Company furnished or made available generally to holders of its capital stock; *provided*, *however,* that the requirements of this Section 3(q) shall be satisfied to the extent that such reports, statement, communications, financial statements or other documents are available on EDGAR.

(r) ***Investment Limitation*****.** The Company shall not invest or otherwise use the proceeds received by the Company from its sale of the Fixed Price Shares and the Variable Price Shares in such a manner as would require the Company or any of its subsidiaries to register as an investment company under the Investment Company Act.

(s) ***No Stabilization or Manipulation; Compliance with Regulation M*****.** The Company will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Fixed Price Shares and the Variable Price Shares or any reference security (as such term is defined in Regulation M) with respect to the Fixed Price Shares and the Variable Price Shares, whether to facilitate the sale or resale of the Fixed Price Shares and the Variable Price Shares or otherwise, and the Company will, and shall cause each of its affiliates to, comply with all applicable provisions of Regulation M.

(t) ***Enforce Lock-Up Agreements*****.** During the Lock-up Period, the Company will enforce all agreements between the Company and any of its security holders that restrict or prohibit, expressly or in operation, the offer, sale or transfer of Common Stock or Related Securities or any of the other actions restricted or prohibited under the terms of the form of Lock-up Agreement. In addition, the Company will direct the transfer agent to place stop transfer restrictions upon any such securities of the Company that are bound by such "lock-up" agreements for the duration of the periods contemplated in such agreements, including, without limitation, "lock-up" agreements entered into by the Company's officers and directors pursuant to Section 6(j) hereof.

(u) ***Structuring Fee***. The Company agrees to pay to Jefferies a structuring fee in the amount of $611,400 (the "**Structuring Fee**") for the structuring and implementation of the Share Lending Agreement, which fee shall be payable upon the initial Closing Date.

(v) ***Announcement Regarding Lock-ups*****.** The Company agrees to announce the Underwriters' intention to release any director or "officer" (within the meaning of Rule 16a-1(f) under the Exchange Act) of the Company from any of the restrictions imposed by any Lock-Up Agreement, by issuing, through a major news service, a press release or by filing a Current Report on Form 8-K, in either case, in form and substance satisfactory to the Representative promptly following the Company's receipt of any notification from the Representative in which such intention is indicated, but in any case not later than the close of the third business day prior to the date on which such release or waiver is to become effective; *provided*, *however*, that nothing shall prevent the Representative, on behalf of the Underwriters, from announcing the same through a major news service, irrespective of whether the Company has made the required announcement; and further provided that no such announcement shall be made of any release or waiver granted solely to permit a transfer of securities that is not for consideration and where the transferee has agreed in writing to be bound by the terms of a Lock-Up Agreement in the form set forth as **Exhibit A** hereto.

Jefferies, on behalf of the several Underwriters, may, in its sole discretion, waive in writing the performance by the Company of any one or more of the foregoing covenants or extend the time for their performance.

Section 4. Payment of Expenses. The Company agrees to pay all costs, fees and expenses incurred in connection with the performance of its obligations hereunder and under the Share Lending Agreement and in connection with the transactions contemplated hereby, including without limitation (i) all expenses incident to the issuance and delivery of the Fixed Price Shares and the Variable Price Shares (including all printing and engraving costs), (ii) all fees and expenses of the registrar and transfer agent of the Common Stock, (iii) all necessary issue, transfer and other stamp taxes in connection with the issuance and sale of Borrowed Shares to the Borrower or the sale of the Borrowed Shares to the Underwriters, (iv) all fees and expenses of the Company's counsel, independent public or certified public accountants and other advisors, (v) all costs and expenses incurred in connection with the preparation, printing, filing, shipping and distribution of the Registration Statement (including financial statements, exhibits, schedules, consents and certificates of experts), the Time of Sale Prospectus, the Prospectus, each free writing prospectus prepared by or on behalf of, used by, or referred to by the Company, and each preliminary prospectus, and all amendments and supplements thereto, this Agreement and the Share Lending Agreement, (vi) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the offering of the Fixed Price Shares and the Variable Price Shares, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives, employees and officers of the Company and any such consultants, and the cost of any aircraft chartered by the Company or with the Company's prior consent in connection with the road show, (vii) the fees and expenses associated with listing the Maximum Number of Borrowed Shares on the NYSE, and (viii) all other fees, costs and expenses of the nature referred to in Item 14 of Part II of the Registration Statement. Except as provided in this Section 4 or in Section 7, Section 9 or Section 10 hereof, the Underwriters shall pay their own expenses, including (a) the fees and disbursements of their counsel, (b) all filing fees, attorneys' fees and expenses incurred by the Underwriters in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the of the Fixed Price Shares and the Variable Price Shares for offer and sale under the state securities or blue sky laws or the provincial securities laws of Canada and (c) the costs, fees and expenses incurred by the Underwriters in connection with determining their compliance with the rules and regulations of FINRA related to the Underwriters' participation in the offering and distribution of the Securities

Section 5. Covenant of the Underwriters and the Borrower. The Borrower and each Underwriter severally and not jointly covenants with the Company not to take any action that would result in the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of such Underwriter that otherwise would not, but for such actions, be required to be filed by the Company under Rule 433(d).

Section 6. Conditions of the Obligations of the Underwriters and the Borrower. The obligations of the several Underwriters and the Borrower with respect to the Fixed Price Shares and the Variable Price Shares to be delivered on any applicable Closing Date shall be subject to the accuracy of the representations and warranties on the part of the Company set forth in Section 1 hereof as of the date hereof and as of such Closing Date as though then made, to the timely performance by the Company of its covenants and other obligations hereunder, and to each of the following additional conditions:

(a) ***Comfort Letter*****.** On the date hereof, the Underwriters and the Borrower shall have received from PricewaterhouseCoopers LLP, independent registered public accountants for the Company Liggett Group LLC, Vector Tobacco Inc. and Douglas Elliman Realty, LLC, letters dated the date hereof addressed to the Underwriters and the Borrower, in form and substance satisfactory to the Representative, containing statements and information of the type ordinarily included in accountant's "comfort letters" to underwriters, delivered according to Statement of Auditing Standards No. 72 (or any successor bulletin), with respect to the audited and unaudited financial statements and certain financial information contained in the Registration Statement, the Time of Sale Prospectus, and each free writing prospectus, if any.

(b) ***Compliance with Registration Requirements; No Stop Order; No Objection from FINRA.***

(i) The Company shall have filed the Prospectus with the Commission (including the information required by Rule 430A or previously omitted from the Registration Statement pursuant to Rule 430B under the Securities Act) in the manner and within the time period required by Rule 424(b) under the Securities Act; or the Company shall have filed a post-effective amendment to the Registration Statement containing the information required by such Rule 430A or previously omitted pursuant to such Rule 430B, and such post-effective amendment shall have become effective.

(ii) No stop order suspending the effectiveness of the Registration Statement or any post-effective amendment to the Registration Statement shall be in effect, and no proceedings for such purpose shall have been instituted or threatened by the Commission.

(iii) If a filing has been made with FINRA, FINRA shall have raised no objection to the fairness and reasonableness of the underwriting terms and arrangements.

(c) ***No Material Adverse Effect or Ratings Agency Change.*** For the period from and after the date of this Agreement and through and including the applicable Closing Date:

(i) in the judgment of the Representative there shall not have occurred any Material Adverse Effect; and

(ii) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any securities of the Company or any of its subsidiaries by any "nationally recognized statistical rating organization" as such term is defined for purposes of Rule 436(g)(2) under the Securities Act.

(e) ***Opinion of Counsel for the Company.*** On each applicable Closing Date, the Underwriters and the Borrower shall have received an opinion of O'Melveny & Myers LLP, counsel for the Company, dated as of such date, in form and substances satisfactory to the Representative and the Borrower.

(f) ***Opinion of Special Litigation Counsel for the Company.*** On each applicable Closing Date, the Underwriters and the Borrower shall have received an opinion of Kasowitz, Benson, Torres & Friedman LLP, special litigation counsel for the Company, dated as of such date, in form and substances satisfactory to the Representative and the Borrower.

(g) ***Opinion of Counsel for the Underwriters and the Borrower.*** On each applicable Closing Date, the Underwriters and the Borrower shall have received the opinion of Latham & Watkins LLP, counsel for the Underwriters and the Borrower in connection with the offer and sale of the Fixed Price Shares and the Variable Price Shares, in form and substance satisfactory to the Underwriters and the Borrower, dated as of such date.

(h) ***Officers' Certificate*****.** On each applicable Closing Date, the Underwriters and the Borrower shall have received a certificate executed by the Chairman, the President, the Executive Vice President or the General Counsel and the Chief Financial Officer of the Company, dated as of such date, to the effect set forth in Section 6(b)(ii) and further to the effect that:

(i) for the period from and including the date of this Agreement through and including such date, there has not occurred any Material Adverse Effect;

(ii) the representations and warranties of the Company set forth in Section 1 of this Agreement that are qualified as to materiality or Material Adverse Effect are true and correct and the representations and warranties of the Company set forth in Section 1 of this Agreement that are not so qualified are true and correct in all material respects; and

(iii) the Company has complied with all the agreements hereunder and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to such date.

(i) ***Good Standing Certificates***. The Company shall have furnished to the Representative certificates evidencing the good standing of the Company and each of its material Subsidiaries from the state of organization of each Person as of a date within five business days prior to each applicable Closing Date.

(j) ***Bring-down Comfort Letter*****.** On each applicable Closing Date the Underwriters and the Borrower shall have received from PricewaterhouseCoopers LLP, independent registered public accountants for the Company, letters dated such date, in form and substance satisfactory to the Underwriters and the Borrower, which letters shall: (i) reaffirm the statements made in the letters furnished by them pursuant to Section 6(a), except that the specified date referred to therein for the carrying out of procedures shall be no more than three business days prior to the applicable Closing Date, as the case may be; and (ii) cover certain financial information contained in the Prospectus.

(k) ***Lock-Up Agreements.*** On or prior to the date hereof, the Company shall have furnished to the Representative an agreement in the form of **Exhibit A** to the Notes Underwriting Agreement from each of the persons listed on **Exhibit B** to the Notes Underwriting Agreement, and each such agreement shall be in full force and effect on each applicable Closing Date.

(l) ***Rule 462(b) Registration Statement***. In the event that a Rule 462(b) Registration Statement is filed in connection with the offering contemplated by this Agreement, such Rule 462(b) Registration Statement shall have been filed with the Commission on the date of this Agreement and shall have become effective automatically upon such filing.

(m) ***Fixed Price Shares and the Variable Price Shares***. The Borrower shall have received from the Company the number of Fixed Price Shares and the Variable Price Shares requested under any Borrowing Notice prior to 8:00 a.m. New York City time on the applicable Closing Date.

(n) ***Share Lending Agreement***. The Company shall have entered into the Share Lending Agreement as of the date hereof, and the Borrower shall have received executed copies thereof.

(o) ***Structuring Fee***. Upon the initial Closing Date only, the Company shall have paid to Jefferies, or shall pay contemporaneously with the initial Closing Date, the Structuring Fee.

(p) ***Insolvency***. The Company shall not be "insolvent" (as such term is defined under Section 101(32) of Title 11 of the United States Code), and the Company would be able to purchase a number of shares of Common Stock equal to the Maximum Number of Borrowed Shares in compliance with the corporate law of the Company's jurisdiction of incorporation.

(q) ***Additional Documents***. The Company shall have furnished to the Representative and counsel to the Underwriters and the Borrower such other certificates, opinions or other documents as they may have reasonably requested and as are customary in the transactions contemplated by this Agreement.

If any condition specified in this Section 6 is not satisfied when and as required to be satisfied, this Agreement may be terminated by the Representative or the Borrower by notice from the Representative or the Borrower to the Company at any time on or prior to the applicable Closing Date, which termination shall be without liability on the part of any party to any other party, except that Section 4, Section 7, Section 9 and Section 10 shall at all times be effective and shall survive such termination.

Section 7. **Reimbursement of Underwriters' and the Borrower's Expenses**. If this Agreement is terminated by the Representative or the Borrower pursuant to Section 6 or Section 12, or if the sale to the Underwriters of the Fixed Price Shares and the Variable Price Shares on the applicable Closing Date is not consummated because of any refusal, inability or failure on the part of the Company to perform any agreement herein or to comply with any provision hereof, the Company agrees to reimburse the Representative and the other Underwriters (or such Underwriters as have terminated this Agreement with respect to themselves), severally, upon demand for all out-of-pocket documented expenses that shall have been reasonably incurred by the Representative, the Underwriters and the Borrower in connection with the proposed purchase and the offering and sale of the Fixed Price Shares and the Variable Price Shares, including but not limited to fees and disbursements of counsel, printing expenses, travel expenses, postage, facsimile and telephone charges.

Section 8. **Effectiveness of this Agreement**. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

Section 9. Indemnification.

(a) ***Indemnification of the Underwriters and the Borrower*.** The Company agrees to indemnify and hold harmless each Underwriter and the Borrower, their respective affiliates, directors, officers, employees and agents, and each person, if any, who controls any Underwriter or the Borrower within the meaning of the Securities Act or the Exchange Act against any loss, claim, damage, liability or expense, as incurred, to which such Underwriter, the Borrower or such affiliate, director, officer, employee, agent or controlling person may become subject, under the Securities Act, the Exchange Act, other federal or state statutory law or regulation, or the laws or regulations of foreign jurisdictions where Fixed Price Shares and the Variable Price Shares have been offered or sold or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of the Company), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based upon (A) (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; or (ii) any untrue statement or alleged untrue statement of a material fact included in any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus that the Company has used, referred to or filed, or is required to file, pursuant to Rule 433(d) of the Securities Act, or the Prospectus (or any amendment or supplement to the foregoing), or the omission or alleged omission to state therein a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading; or (B) the violation of any laws or regulations of foreign jurisdictions where the Fixed Price Shares and the Variable Price Shares have been offered or sold; and subject to Section 9(c), to reimburse each Underwriter, the Borrower and each of their respective affiliates, directors, officers, employees, agents and controlling persons for any and all expenses (including the fees and disbursements of counsel) as such expenses are incurred by such Underwriter, the Borrower or their respective affiliates, directors, officers, employees, agents or controlling persons in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action; *provided, however*, that the foregoing indemnity agreement shall not apply to any loss, claim, damage, liability or expense to the extent, but only to the extent, arising out of or based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information relating to any Underwriter or the Borrower furnished to the Company by the Representative or the Borrower in writing expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any such free writing prospectus or the Prospectus (or any amendment or supplement thereto), it being understood and agreed that the only such information consists of the information described in Section 9(b) below. The indemnity agreement set forth in this Section 9(a) shall be in addition to any liabilities that the Company may otherwise have.

(b) ***Indemnification of the Company, its Directors and Officers***. Each Underwriter and the Borrower agrees, severally and not jointly, to indemnify and hold harmless the Company, each of its directors, each of its officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, against any loss, claim, damage, liability or expense, as incurred, to which the Company, or any such director, officer or controlling person may become subject, under the Securities Act, the Exchange Act, or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Underwriter or the Borrower), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) any untrue statement or alleged untrue statement of a material fact included in any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus that the Company has used, referred to or filed, or is required to file, pursuant to Rule 433 of the Securities Act, or the Prospectus (or any such amendment or supplement) or the omission or alleged omission to state therein a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, such preliminary prospectus, the Time of Sale Prospectus, such free writing prospectus, or the Prospectus (or any such amendment or supplement), in reliance upon and in conformity with information relating to such Underwriter furnished to the Company by the Representative in writing expressly for use therein; and to reimburse the Company, or any such director, officer or controlling person for any and all expenses (including the fees and disbursements of counsel) as such expenses are incurred by the Company, or any such director, officer or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. The Company hereby acknowledges that the only information that the Representative and the Borrower have furnished to the Company expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) of the Securities Act or the Prospectus (or any amendment or supplement to the foregoing) are the statements set forth in the second sentence of the third paragraph and the eighth paragraph under the caption “Underwriting; Conflicts of Interest” and the second and fourth paragraphs in under the caption “Underwriting; Conflicts of Interest --Share Lending Agreement” in the Preliminary Prospectus Supplement and the Final Prospectus Supplement. The indemnity agreement set forth in this Section 9(b) shall be in addition to any liabilities that each Underwriter may otherwise have.

(c) ***Notifications and Other Indemnification Procedures.*** Promptly after receipt by an indemnified party under this Section 9 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 9, notify the indemnifying party in writing of the commencement thereof, but the omission so to notify the indemnifying party will not relieve the indemnifying party from any liability which it may have to any indemnified party to the extent the indemnifying party is not materially prejudiced as a proximate result of such failure and shall not in any event relieve the indemnifying party from any liability that it may have otherwise than on account of this indemnity agreement. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from an indemnifying party, the indemnifying party will be entitled to participate in, and, to the extent that it shall elect, jointly with all other indemnifying parties similarly notified, by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; *provided, however*, that if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that a conflict may arise between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of such indemnifying party's election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 9 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the fees and expenses of more than one separate counsel (together with local counsel), representing the indemnified parties who are parties to such action), which counsel (together with any local counsel) for the indemnified parties shall be selected by Jefferies (in the case of counsel for the indemnified parties referred to in Section 9 (a) above) or by the Company (in the case of counsel for the indemnified parties referred to in Section 9 (b) above)) or (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action or (iii) the indemnifying party has authorized in writing the employment of counsel for the indemnified party at the expense of the indemnifying party, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying party and shall be paid as they are incurred.

(d) ***Settlements*.** The indemnifying party under this Section 9 shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party against any loss, claim, damage, liability or expense by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by Section 9(c) hereof, the indemnifying party shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and the indemnifying party has not objected to the terms of such settlement and (ii) such indemnifying party shall not have reimbursed the indemnified party all amounts owed in accordance with the request pursuant to Section 9(c) prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity was or could have been sought hereunder by such indemnified party, unless such settlement, compromise or consent includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding and does not include an admission of fault or culpability or a failure to act by or on behalf of such indemnified party.

Section 10. Contribution. If the indemnification provided for in Section 9 is for any reason held to be unavailable to or otherwise insufficient to hold harmless an indemnified party in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount paid or payable by such indemnified party, as incurred, as a result of any losses, claims, damages, liabilities or expenses referred to therein (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, from the offering of the Fixed Price Shares and the Variable Price Shares pursuant to this Agreement and the Share Lending Agreement or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the Underwriters, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, in connection with the offering of the Fixed Price Shares and the Variable Price Shares pursuant to this Agreement and the Share Lending Agreement shall be deemed to be in the same respective proportions as under Section 10 of the Notes Underwriting Agreement. The relative fault of the Company, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or the Underwriters, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 9(c), any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim. The provisions set forth in Section 9(c) with respect to notice of commencement of any action shall apply if a claim for contribution is to be made under this Section 10; *provided, however,* that no additional notice shall be required with respect to any action for which notice has been given under Section 9(c) for purposes of indemnification.

The Company, the Underwriters and the Borrower agree that it would not be just and equitable if contribution pursuant to this Section 10 were determined by pro rata allocation (even if the Underwriters and the Borrower were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 10.

Notwithstanding the provisions of this Section 10, neither any Underwriter nor the Borrower shall be required to contribute any amount in excess of the underwriting discounts and commissions received by such Underwriter in connection with the Fixed Price Shares and the Variable Price Shares underwritten by it and distributed to the public. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 10, each affiliate, director, officer, employee and agent of an Underwriter or the Borrower and each person, if any, who controls an Underwriter or the Borrower within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as the Company.

Section 11. Intentionally Omitted.

Section 12. Termination of this Agreement. Prior to the lending of any Fixed Price Shares and the Variable Price Shares to the Borrower on the applicable Closing Date, this Agreement may be terminated by the Representative or the Borrower by notice given to the Company if at any time: (i) trading or quotation in any of the Company's securities shall have been suspended or limited by the Commission or by the NYSE, or trading in securities generally on either the NASDAQ or the NYSE shall have been suspended or limited, or minimum or maximum prices shall have been generally established on any of such stock exchanges; (ii) a general banking moratorium shall have been declared by any of U.S. federal, New York or Delaware authorities; (iii) there shall have occurred any outbreak or escalation of national or international hostilities or any crisis or calamity, or any change in the United States or international financial markets, or any substantial change or development involving a prospective substantial change in United States' or international political, financial or economic conditions, as in the judgment of Jefferies is material and adverse and makes it impracticable to market the Fixed Price Shares and the Variable Price Shares in the manner and on the terms described in the Time of Sale Prospectus or the Prospectus or to enforce contracts for the sale of securities; (iv) the Company shall have failed, refused or been unable to perform in any material respect any agreement on its part to be performed hereunder or (v) any other condition to the obligations of the Underwriters hereunder as provided in Section 6 of this Agreement is not fulfilled when and as required unless waived by the Representative or the Borrower. Any termination pursuant to this Section 12 shall be without liability on the part of (a) the Company to any Underwriter or the Borrower, except that the Company shall be obligated to reimburse the expenses of the Representative, the Underwriters and the Borrower pursuant to Section 4 or Section 7 hereof or (b) any Underwriter or Borrower to the Company; *provided, however,* that the provisions of Section 9 and Section 10 shall at all times be effective and shall survive such termination.

Section 13. No Advisory or Fiduciary Relationship. The Company acknowledges and agrees that (a) the offering of the Fixed Price Shares and the Variable Price Shares pursuant to this Agreement is an arm's-length commercial transaction between the Company, on the one hand, and the Borrower and the several Underwriters, on the other hand, (b) in connection with the offering contemplated hereby and the process leading to such transaction, the Borrower and each Underwriter is and has been acting solely as a principal and is not the agent or fiduciary of the Company, or its stockholders, or its creditors, employees or any other party, (c) neither the Borrower or any Underwriter has assumed or will assume an advisory or fiduciary responsibility in favor of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether the Borrower or any Underwriter has advised or is currently advising the Company on other matters) and neither the Borrower or any Underwriter has any obligation to the Company with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement, (d) the Underwriters and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company, and (e) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate.

Section 14. Representations and Indemnities to Survive Delivery. The respective indemnities, agreements, representations, warranties and other statements of the Company, of its officers and of the several Underwriters and the Borrower set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter, the Borrower or the Company or any of its or their partners, officers or directors or any controlling person, as the case may be, and, anything herein to the contrary notwithstanding, will survive delivery of and payment for the Fixed Price Shares and the Variable Price Shares sold hereunder and any termination of this Agreement.

Section 15. Notices. All communications hereunder shall be in writing and shall be mailed, hand delivered or sent by facsimile transmission and confirmed to the parties hereto as follows:

If to the Representative:
Jefferies & Company, Inc.
520 Madison Avenue
New York, New York 10022
Attention: General Counsel

with a copy to:
Latham & Watkins LLP
355 South Grand Avenue
Los Angeles, California 90071
Facsimile: (213) 891-8763
Attention: Cynthia A. Rotell

If to the Borrower:
Jefferies & Company, Inc.
520 Madison Avenue
New York, New York 10022
Attention: General Counsel

with a copy to:
Latham & Watkins LLP
355 South Grand Avenue
Los Angeles, California 90071
Facsimile: (213) 891-8763
Attention: Cynthia A. Rotell

If to the Company:
Vector Group Ltd.
100 S. E. 2nd Street, 32nd Floor
Miami, Florida 33131
Facsimile: (305) 579-8016
Attention: Marc. N. Bell

with a copy to:
O'Melveny & Myers LLP
400 S. Hope Street
Los Angeles, CA 90071
Facsimile: (213) 430-6407
Attention: Eric R. Reimer and John-Paul Motley

Any party hereto may change the address for receipt of communications by giving written notice to the others.

Section 16. **Successors**. This Agreement will inure to the benefit of and be binding upon the parties hereto and to the benefit of the affiliates, directors, officers, employees, agents and controlling persons referred to in Section 9 and Section 10, and in each case their respective successors, and no other person will have any right or obligation hereunder. The term "**successors**" shall not include any purchaser of the Fixed Price Shares and the Variable Price Shares as such from any of the Underwriters merely by reason of such purchase.

Section 17. **Partial Unenforceability**. The invalidity or unenforceability of any section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other section, paragraph or provision hereof. If any section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

Section 18. **Governing Law Provisions**. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York applicable to agreements made and to be performed in such state. Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("**Related Proceedings**") may be instituted in the federal courts of the United States of America located in the Borough of Manhattan in the City of New York or the courts of the State of New York in each case located in the Borough of Manhattan in the City of New York (collectively, the "**Specified Courts**"), and each party irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a "**Related Judgment**"), as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or other proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such suit, action or other proceeding brought in any such court has been brought in an inconvenient forum.

Section 19. General Provisions. This Agreement and the Share Lending Agreement constitute the entire agreement of the parties to this Agreement and the Share Lending Agreement supersede all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may be executed in two or more counterparts, each one of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. The section headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement. Each of the parties hereto acknowledges that it is a sophisticated business person who was adequately represented by counsel during negotiations regarding the provisions hereof, including, without limitation, the indemnification provisions of Section 9 and the contribution provisions of Section 10, and is fully informed regarding said provisions. Each of the parties hereto further acknowledges that the provisions of Section 9 and Section 10 hereof fairly allocate the risks in light of the ability of the parties to investigate the Company, its affairs and its business in order to assure that adequate disclosure has been made in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, each free writing prospectus and the Prospectus (and any amendments and supplements to the foregoing), as contemplated by the Securities Act and the Exchange Act.

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If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

VECTOR GROUP LTD.

By: /s/ J. Bryant Kirkland III
Name: J. Bryant Kirkland III
Title: Vice President, Treasurer and
Chief Financial Officer

The foregoing Underwriting Agreement is hereby confirmed and accepted by the Representative in New York, New York as of the date first above written.

JEFFERIES & COMPANY, INC.
Acting individually and as Representative
of the several Underwriters named in
the attached **Schedule A**.

JEFFERIES & COMPANY, INC.

By: /s/ Ashley L. Delp
Name: Ashley L. Delp
Title: Managing Director

SCHEDULE A

Underwriters

Jefferies & Company, Inc.	6,114,000 Shares

SCHEDULE B

Free Writing Prospectuses

Pricing Term Sheet dated November 15, 2012 attached hereto.

Pricing Term Sheet
dated November 15, 2012

Filed pursuant to Rule 433
Registration Statement No. 333-184878
Supplementing the Preliminary
Prospectuses each dated November 14, 2012

Vector Group Ltd.
Concurrent Offerings of

$200,000,000 principal amount of
Variable Interest Convertible Senior Notes due 2019
(the "Convertible Senior Notes Offering")

and

6,114,000 Shares of Common Stock
(the "Common Stock Offering")

The information in this pricing term sheet relates only to the Convertible Senior Notes Offering and the Common Stock Offering and should be read together with (i) the preliminary prospectus supplement dated November 14, 2012 relating to the Convertible Senior Notes Offering, including the documents incorporated by reference therein and the related base prospectus dated November 9, 2012, and (ii) the preliminary prospectus supplement dated November 14, 2012 relating to the Common Stock Offering, including the documents incorporated by reference therein and the related base prospectus dated November 9, 2012, each filed pursuant to Rule 424(b) under the Securities Act of 1933, as amended. This pricing term sheet supplements and, to the extent of a conflict, supersedes the information in the foregoing prospectuses with respect to the Convertible Senior Notes Offering and Common Stock Offering, respectively.

Both Offerings

Issuer:	Vector Group Ltd., a Delaware corporation
Ticker / Exchange for Common Stock:	VGR / The New York Stock Exchange ("NYSE")
Trade Date:	November 15, 2012
Settlement Date:	November 20, 2012
Underwriting:	The Sole Book-Running Manager will receive a structuring fee of $611,400 in connection with the Convertible Senior Notes Offering and the Common Stock Offering
Offerings Contingent:	The Common Stock Offering is contingent upon the closing of the Convertible Senior Notes Offering, and the Convertible Senior Notes Offering is contingent upon the closing of the offering of the Common Stock Offering

Convertible Senior Notes Offering

Convertible Senior Notes:	Variable Interest Convertible Senior Notes due 2019 (the "Notes")
Aggregate Principal Amount Offered:	$200,000,000 principal amount of the Notes (or a total of $230,000,000 principal amount of the Notes if the underwriter exercises in full its over-allotment option to purchase additional Notes)
Public Offering Price:	100% of principal amount

Maturity:	January 15, 2019, unless earlier converted or repurchased
Annual Interest Rate:	2.50%, with an additional amount of cash interest payable on each Interest Payment Date based on the amount of cash dividends per share paid by the Issuer on the Common Stock during the prior three-month period ending on the Record Date for such interest payment multiplied by the total number of shares of the Common Stock into which the Notes are convertible on such Record Date (together, the "Total Interest"). Notwithstanding the foregoing, however, the interest payable on each Interest Payment Date shall be the higher of (a) the Total Interest and (b) 7.50% per annum. In addition, if the Notes would otherwise constitute "applicable high yield discount obligations" within the meaning of Section 163(i)(1) of the Internal Revenue Code of 1986, on each Interest Payment Date on or after January 15, 2018, the Issuer will pay additional interest on a Note in an amount equal to the amount required to be paid to prevent such Note from being treated as an applicable high yield discount obligation
Comparable Yield:	8.00%
Interest Payment Dates and Record Dates:	Interest will accrue from the Settlement Date or from the most recent date to which interest has been paid or duly provided for, and will be payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, to the person in whose name the Note is registered at the close of business on January 1, April 1, July 1 or October 1, as the case may be, immediately preceding the relevant Interest Payment Date
Last Reported Sale Price of Common Stock on NYSE on November 14, 2012:	$15.20 per share of Common Stock
Reference Price:	$14.80 per share of Common Stock, the Public Offering Price per share in the Common Stock Offering
Conversion Premium:	Approximately 25.00% above the Reference Price
Initial Conversion Price:	Approximately $18.50 per share of Common Stock
Initial Conversion Rate:	54.0541 shares of Common Stock per $1,000 principal amount of the Notes, subject to adjustment
Use of Proceeds:	The Issuer estimates that the net proceeds from the Convertible Senior Notes Offering will be approximately $190.2 million (or approximately $219.0 million if the underwriter exercises its over-allotment option to purchase additional Notes in full), after deducting the underwriter's discount and estimated fees and expenses payable by the Issuer. The Issuer plans to use the net proceeds from the Convertible Senior Notes Offering for general corporate purposes, including in its existing tobacco business and in additional investments in real estate through its wholly owned subsidiary, New Valley LLC. The Issuer may also consider using a portion of the proceeds of the Convertible Senior Notes Offering to address upcoming debt maturities. Pending the use of the net proceeds from the Convertible Senior Notes Offering, the Issuer may invest the proceeds in short-term securities

Sole Book-Running Manager:	Jefferies & Company, Inc.
CUSIP Number:	92240M AY4
ISIN Number:	US92240MAY49
Fundamental Change:	If the Issuer undergoes certain corporate transactions or events that constitute a “fundamental change” (as defined in the preliminary prospectus supplement dated November 14, 2012 for the Convertible Senior Notes Offering), a holder will have the option to require the Issuer to repurchase all or any portion of the holder’s Notes in integral multiples of $1,000 principal amount. The fundamental change repurchase price will be 100% of the principal amount of the Notes to be repurchased plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date. The Issuer will pay cash for all convertible notes so repurchased
Adjustment to Shares Delivered Upon Make-Whole Fundamental Change:	The following table sets forth the number of additional shares of Common Stock that will be added to the conversion rate per $1,000 principal amount of the Notes for each stock price and effective date set forth below in certain circumstances in connection with a “make-whole fundamental change” (as defined in the preliminary prospectus supplement dated November 14, 2012 for the Convertible Senior Notes Offering):

	Stock Price									
Effective Date	$14.80	$15.25	$16.00	$17.00	$18.50	$21.00	$25.00	$30.00	$37.00	$45.00
November 20, 2012	13.5135	13.4186	13.2015	12.8479	9.4826	5.9015	3.0047	1.4945	0.6119	0.1678
January 15, 2013	13.5135	13.3522	13.0826	12.5380	9.2666	5.7306	2.9083	1.4426	0.5869	0.1567
January 15, 2014	13.5135	13.2001	12.7737	12.0413	8.7458	5.2339	2.5343	1.2189	0.4855	0.1195
January 15, 2015	13.5135	12.9067	12.4034	11.3216	8.0145	4.5687	2.0682	0.9597	0.3742	0.0795
January 15, 2016	13.5135	12.5915	11.9348	10.2654	6.9764	3.6770	1.5021	0.6740	0.2590	0.0403
January 15, 2017	13.5135	12.2584	11.3548	8.8487	5.5858	2.5351	0.8685	0.3930	0.1553	0.0143
January 15, 2018	13.5135	11.8981	10.0267	7.0263	3.7156	1.0849	0.2357	0.1231	0.0484	0.0022
January 15, 2019	13.5135	11.5197	8.4459	4.7695	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The exact stock price and effective date may not be set forth in the table above, in which case:

- If the stock price is between two stock prices in the table or the effective date is between two effective dates in the table, the number of additional shares will be determined by a straight-line interpolation between the number of additional shares set forth for the higher and lower stock prices and the earlier and the later effective dates, as applicable, based on a 365-day year.
- If the stock price is greater than $45.00 (subject to adjustment in the same manner as the stock prices set forth in the column headings of the table above), no additional shares will be added to the conversion rate.
- If the stock price is less than $14.80 (subject to adjustment in the same manner as the stock prices set forth in the column headings of the table above), no additional shares will be added to the conversion rate.

Notwithstanding the foregoing, in no event will the conversion rate be increased as a result of this section to exceed 67.5676 shares of Common Stock per $1,000 principal amount of the Notes, subject to adjustment in the same manner, at the same time and for the same events for which the Issuer must adjust the conversion rate as set forth under “Description of Notes—Conversion Rights—Conversion Rate Adjustments” in the preliminary prospectus supplement dated November 14, 2012 for the Convertible Senior Notes Offering.

Common Stock Offering

Title of Securities:	Common stock, par value $0.10 per share, of the Issuer (the “Common Stock”)
Shares Offered:	Up to 6,114,000 shares of Common Stock, which we will lend to Jefferies & Company, Inc. (the “Share Borrower”) to offer and sell. The Share Borrower will initially offer and sell to the public, concurrently with the Convertible Senior Notes Offering, the Fixed Price Shares at the Public Offering Price for settlement on the Settlement Date. From time to time after the completion of the offering of the Fixed Price Shares, the Share Borrower will offer and sell to the public the Variable Price Shares at prices prevailing in the market at the time of sale or at negotiated prices. The Variable Price Shares will be sold from time to time in transactions, including block sales, on NYSE, in the over-the-counter market, in negotiated transactions or otherwise. In connection with the sale of the Variable Price Shares, the Share Borrower, or its affiliates, may effect such transactions in subsequent offerings by selling the Variable Price Shares to or through dealers, and these dealers may receive compensation in the form of discounts, concessions or commissions from the Share Borrower and/or from purchasers of Variable Price Shares for whom the dealers may act as agents or to whom they may sell as principals. Over the same period that the Share Borrower, or its affiliates, sells the Variable Price Shares, it or its affiliates may, in their discretion, purchase an equal number of shares of our Common Stock on the open market

Fixed Price Shares:	Up to 3,057,000 shares of Common Stock
Variable Price Shares:	Up to 3,057,000 shares of Common Stock
Last Reported Sale Price of Common Stock on NYSE on November 14, 2012:	$15.20 per share of Common Stock
Public Offering Price:	$14.80 per share of Common Stock
Use of Proceeds:	The Issuer will not receive any proceeds from the Common Stock Offering, other than a nominal loan fee from the Share Borrower equal to $0.10 per share of Common Stock loaned to the Share Borrower. The Issuer expects to use those proceeds for general corporate purposes. The Share Borrower or its affiliates will receive all the proceeds from the Common Stock Offering
Sole Book-Running Manager:	Jefferies & Company, Inc.
CUSIP Number:	92240M108
ISIN Number:	US92240M1080
Underwriting:	*Ladenburg Thalmann & Co. Inc. ("Ladenburg") will be a member of the selling group in the Common Stock Offering. Ladenburg is an affiliate of the Issuer and would be deemed to have a "conflict of interest" as defined in Rule 5121 (Public Offerings of Securities with Conflicts of Interest) of the Financial Industry Regulatory Authority, Inc. ("Rule 5121"). Accordingly, this offering will be made in compliance with the applicable provisions of Rule 5121. In accordance with Rule 5121, Ladenburg will not make sales to discretionary accounts without the prior written consent of the customer*

The Issuer has filed a registration statement (including preliminary prospectus supplements each dated November 14, 2012 and an accompanying prospectus dated November 9, 2012) with the Securities and Exchange Commission, or SEC, for the offerings to which this communication relates. Before you invest, you should read the relevant preliminary prospectus supplement, the accompanying prospectus and the other documents the Issuer has filed with the SEC for more complete information about the Issuer and the offerings. You may get these documents for free by visiting EDGAR on the SEC web site at www.sec.gov. Alternatively, copies may be obtained from Vector Group Ltd., 100 S.E. Second Street, Miami, Florida 33131, Telephone Number: (305) 579-8000.

This communication should be read in conjunction with the preliminary prospectus supplements dated November 14, 2012 and the accompanying prospectus. The information in this communication supersedes the information in the relevant preliminary prospectus supplement and the accompanying prospectus to the extent inconsistent with the information in such preliminary prospectus supplement and the accompanying prospectus.

ANY DISCLAIMERS OR OTHER NOTICES THAT MAY APPEAR BELOW ARE NOT APPLICABLE TO THIS COMMUNICATION AND SHOULD BE DISREGARDED. SUCH DISCLAIMERS OR OTHER NOTICES WERE AUTOMATICALLY GENERATED AS A RESULT OF THIS COMMUNICATION BEING SENT VIA BLOOMBERG OR ANOTHER EMAIL SYSTEM.

EXECUTION VERSION

SHARE LENDING AGREEMENT

Dated as of November 15, 2012

between

VECTOR GROUP LTD. ("**Lender**")

and

JEFFERIES & COMPANY, INC. ("**Borrower**")

This SHARE LENDING AGREEMENT (the "**Agreement**") sets forth the terms and conditions under which Borrower may, from time to time, borrow from Lender shares of Common Stock.

The parties hereto agree as follows:

Section 1. *Certain Definitions*. The following capitalized terms shall have the following meanings:

"**Business Day**" means a day on which regular trading occurs in the principal trading market for the Common Stock.

"**Cash**" means any coin or currency of the United States as at the time shall be legal tender for payment of public and private debts.

"**Clearing Organization**" means The Depository Trust Company, or, if agreed to by Borrower and Lender, such other Securities Intermediary at which Borrower and Lender maintain accounts.

"**Closing Price**" on any day means, with respect to the Common Stock, (i) if the Common Stock is listed on a national or regional U.S. securities exchange or is included in the OTC Bulletin Board Service (operated by the Financial Industry Regulatory Authority, Inc.) or any successor thereto, the last reported sale price, regular way, in the principal trading session on such day on such market or service on which the Common Stock is then listed or is included, as the case may be (or, if the day of determination is not a Business Day, the immediately preceding Business Day), and (ii) if the Common Stock is not so listed or included or if the last reported sale price is not obtainable (even if the Common Stock is listed on such market or included in such service), the average of the bid prices for the Common Stock obtained from as many dealers in the Common Stock (which may include Borrower or its affiliates), but not exceeding three, as shall furnish bid prices to Borrower (which bid prices shall be made available to Lender by Borrower upon request by Lender).

"**Collateral**" means any Cash or Non-Cash Collateral transferred by Borrower to Custodian pursuant to Sections 3 or 4 and credited to the Collateral Account, including any Collateral received in substitution of the foregoing and any proceeds of the foregoing. Each of the parties to this Agreement hereby agrees that Cash and each item within the definition of Non-Cash Collateral shall be treated as a "financial asset" as defined by Section 8-102(a)(9) of the UCC.

"**Collateral Account**" means the securities account of Borrower maintained on the books of Custodian and designated "Jefferies & Company, Inc. f/b/o Vector Group Ltd.".

"**Common Stock**" means the shares of common stock, par value $0.10 per share, of Lender; *provided* that, if the Common Stock shall be exchanged for or converted into any other security, assets and/or other consideration (including cash) as the result of any merger, consolidation, other business combination, reorganization, reclassification, recapitalization or other corporate action (including, without limitation, a reorganization in bankruptcy), then, effective upon such exchange or conversion, the amount of such other security, assets and/or other consideration received in exchange for one share of Common Stock shall be deemed to become one share of Common Stock. For purposes of the foregoing, where a share of Common Stock may be converted into or exchanged for more than a single type of consideration based upon any form of stockholder election, such consideration will be deemed to be the weighted average of the types and amounts of consideration received by the holders of the Common Stock that affirmatively make such an election.

"**Control Agreement**" has the meaning given to such term in Section 10(d).

"**Convertible Notes**" means (i) up to $200,000,000 aggregate principal amount of Variable Interest Convertible Senior Notes due 2019 issued by Lender and (ii) up to $230,000,000 aggregate principal amount of such securities to the extent the option to purchase such additional securities (the "**Over-Allotment Option**") is exercised as set forth in the underwriting agreement relating to the Convertible Notes.

"**Custodian**" has the meaning given to such term in Section 10(d).

"**Cutoff Time**" shall mean 10:00 a.m. in the jurisdiction of the Clearing Organization, or such other time on a Business Day by which a transfer of Loaned Shares, cash, securities or other property must be made by Borrower or Lender to the other, as shall be determined in accordance with market practice, in which case such other time will be the "**Cutoff Time**."

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Facility Termination Date**" means the earliest to occur of (i) the date as of which Lender has notified Borrower in writing of its intention to terminate this Agreement at any time after the entire principal amount of Convertible Notes ceases to be outstanding and Lender has settled all payments or deliveries in respect of such Convertible Notes (as such settlement may be extended pursuant to market disruption events or otherwise pursuant to the Supplemental Indenture), whether as a result of conversion, repurchase, cancellation, at maturity or otherwise; (ii) the termination of the underwriting agreement relating to the Convertible Notes without issuance of the Convertible Notes or the failure of the initial offering of the Convertible Notes to close, in each case pursuant to the terms of such purchase agreement and the Supplemental Indenture; (iii) the date, if any, on which all Loans hereunder are terminated; and (iv) the date, if any, on which this Agreement is terminated.

"**Loaned Shares**" means shares of Common Stock transferred in a Loan hereunder until such Common Stock (or identical Common Stock) is transferred back to Lender hereunder; *provided* that, to the extent Borrower subsequently transfers to another transferee shares of Common Stock initially transferred to Borrower hereunder, "**Loaned Shares**" means an equivalent number of identical shares of Common Stock. If, as the result of a stock dividend, stock split or reverse stock split, the number of outstanding shares of Common Stock is increased or decreased, then the number of outstanding Loaned Shares shall, effective as of the payment or delivery date of any such event, be proportionately increased or decreased, as the case may be. If the outstanding shares of Common Stock shall be exchanged for or converted into any new or different security or securities, assets and/or other consideration, as described in the definition of "Common Stock," such new or different security or securities, assets and/or other consideration shall, effective upon such exchange or conversion, as the case may be, be deemed to become a Loaned Share in substitution for the former Loaned Share for which such exchange is made and in the same proportions as described in the definition of "Common Stock." For purposes of return of Loaned Shares by Borrower or purchase or sale of securities pursuant to Section 6 or 12, Borrower may return securities of the same issuer, class and quantity as the Loaned Shares as adjusted pursuant to the two preceding sentences.

"**Margin Percentage**" means:

(a) in the case of Treasury Obligations having an original maturity at issuance of not more than one year, 101%;

(b) in the case of Treasury Obligations having an original maturity at issuance of more than one year but not more than five years, 103%;

(c) in the case of Treasury Obligations having an original maturity at issuance of more than five years but not more than ten years, 105%; and

(d) in the case of all other Collateral, 100%.

"**Margin Value**" means the amount obtained by *dividing* the Market Value of the Collateral *by* the applicable Margin Percentage.

"**Market Value**" on any day means (i) with respect to Common Stock, the most recent Closing Price of the Common Stock, and (ii) with respect to any Collateral that is (a) Cash, the face amount thereof and (b) any other security or property, the market value thereof determined in accordance with market practice for such securities or property, based on the bid price for such security or property as of the most recent close of trading obtained from a principal market maker for such security as selected by Borrower in good faith and in a commercially reasonable manner or obtained from a generally recognized source, or the closing bid quotation at the most recent close of trading obtained from such source, plus accrued interest to the extent not included therein, unless market practice with respect to the valuation of such securities or property in connection is to the contrary.

"**Maximum Number of Shares**" means 6,114,000 shares of Common Stock as of the date of this Agreement, and thereafter subject to adjustment as follows:

(a) If, as the result of a stock dividend, stock split or reverse stock split, the number of outstanding shares of Common Stock is increased or decreased, the Maximum Number of Shares shall, effective as of the payment or delivery date of any such event, be proportionally increased or decreased, as the case may be.

(b) If any Convertible Notes are surrendered to Lender for conversion or redeemed or repurchased in accordance with the terms of the Supplemental Indenture and Lender notifies Borrower in writing of such surrender, redemption or repurchase and the conversion settlement date of such Convertible Notes, the Maximum Number of Shares shall be reduced on the date on which such settlement actually occurs by a number of shares of Common Stock (rounded down to the nearest whole share) equal to the *product of* (i) the Maximum Number of Shares immediately prior to such conversion, *and* (ii) a fraction (x) the numerator of which is the principal amount of Convertible Notes surrendered for conversion, redeemed or repurchased and (y) the denominator of which is the principal amount of Convertible Notes outstanding as of their initial issuance *plus* any amount of Convertible Notes issued pursuant to the exercise of the Over-Allotment Option.

(c) Upon the termination (including a partial termination) of any Loan pursuant to Section 6(a) below, the Maximum Number of Shares shall be reduced by the number of Loaned Shares surrendered by Borrower to Lender.

(d) The Maximum Number of Shares shall be reduced to 3,057,000 shares of Common Stock on the Business Day immediately following the "Issue Date" (as defined in the Supplemental Indenture) of the Convertible Notes if on or before such date the Maximum Number of Shares is not or has not been reduced to or below such number pursuant to clause (c) above.

(e) The Maximum Number of Shares shall be increased by 1,000,000 shares of Common Stock if Lender and Borrower shall have entered into an underwriting agreement for the purpose of effecting a subsequent offering and sale of shares of Common Stock, as contemplated by the Underwriting Agreement.

"**Non-Cash Collateral**" means (i) any negotiable debt obligations issued by the United States Treasury Department having an original maturity at issuance of not more than ten years ("**Treasury Obligations**"); (ii) Loaned Shares; (iii) any property that Borrower and Lender from time to time agree in writing shall be acceptable collateral; and (iv) all proceeds of the foregoing.

"**Registration Blackout Period**" means (i) the period beginning at 11:59 p.m. on the fourteenth calendar day preceding the last day of each fiscal quarter of Lender and ending at 11:59 p.m. on the second Business Day following the day on which Lender's quarterly earnings with respect to such fiscal quarter are publicly announced (or, in the case of the fourth fiscal quarter, if no quarterly earnings are announced, Lender's annual earnings), and (ii) if, after February 15, 2013, Lender is in possession of material non-public information about Lender or the Common Stock, the disclosure of which Lender reasonably believes would not be in its best interests, and notifies Borrower of that fact, the period beginning on the day on which Lender provides such notice to Borrower and ending on the 60th Business Day thereafter; *provided* that the aggregate duration of such Registration Blackout Period under clause (ii) above shall not exceed 120 Business Days during the term of this Agreement.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Securities Intermediary**" means a "securities intermediary" as defined in Section 8-102(a)(14) of the UCC.

"**Supplemental Indenture**" means the supplemental indenture, to be dated as of November 20, 2012, to be entered into between Lender and Wells Fargo Bank, National Association, a national banking association, as trustee (the "**Trustee**"), to provide for the form, terms and other provisions of the Convertible Notes and which shall supplement the base indenture, to be dated as of November 20, 2012, to be entered into between Lender and the Trustee.

"**UCC**" means the Uniform Commercial Code as in effect in the State of New York on the date hereof and as it may be amended from time to time.

"**Underwriting Agreement**" means the Underwriting Agreement, dated November 15, 2012, entered into between Lender and Jefferies & Company, Inc. as representative of the several underwriters named therein, providing for the public offering of the Common Stock, and any subsequent underwriting agreement between such parties entered into for the purpose of effecting a subsequent offering and sale of shares of Common Stock, as contemplated by the Underwriting Agreement.

Section 2. *Loans of Shares; Transfers of Loaned Shares.*

(a) Subject to the terms and conditions of this Agreement, Lender hereby agrees to make available for borrowing by Borrower shares of Common Stock up to, in the aggregate, the Maximum Number of Shares. For the avoidance of doubt, any Loaned Shares that are returned by Borrower to Lender upon termination of a Loan (including a partial termination pursuant to Section 6(a)) shall not be available for future borrowing under this Agreement by Borrower (it being understood that the pledge of Non-Cash Collateral consisting of Loaned Shares shall not be considered a return of such Loaned Securities or a termination (in whole or in part) of the related Loan by Borrower).

(b) Subject to the terms and conditions of this Agreement, Borrower may, from time to time, by not less than one Business Day's written notice to Lender substantially in the form of Exhibit A to this Agreement (a "**Borrowing Notice**") initiate one or more transactions in which Lender will lend Loaned Shares to Borrower through the issuance by Lender of such Loaned Shares to Borrower upon the terms, and subject to the conditions, set forth in this Agreement (each such issuance and loan, a "**Loan**"); *provided* that Borrower may not initiate a Loan by delivering a Borrowing Notice to Lender (i) during any Registration Blackout Period or (ii) after the date as of which the Maximum Number of Shares shall have been sold pursuant to the Underwriting Agreement. Such Loan shall be confirmed through the book-entry settlement system of the Clearing Organization. The records maintained by the Clearing Organization shall constitute conclusive evidence with respect to a Loan, including the number of shares of Common Stock that are the subject of such Loan to which the applicable records relate.

(c) On the date of this Agreement, Borrower shall deliver a Borrowing Notice to Lender specifying a number of shares of Common Stock to be borrowed equal to the Maximum Number of Shares as of such date; *provided* that such Borrowing Notice shall be automatically rescinded without further action of Borrower if the Facility Termination Date occurs prior to Lender's transfer of Loaned Shares to Borrower in respect of such Borrowing Notice.

(d) Notwithstanding anything to the contrary in this Agreement, Borrower shall not be permitted to borrow or have any right to take delivery of, or otherwise receive or be deemed to have received, and may not initiate a Loan hereunder with respect to, any shares of Common Stock at any time to the extent (in the case of clause (i) below or to the extent that Borrower determines in its sole discretion (in the case of clause (ii) below)) that after receipt of any shares of Common Stock in connection with such Loan, (i) the Section 16 Percentage would exceed 8.0% or (ii) the Share Amount would exceed the Applicable Share Limit. The "**Section 16 Percentage**" as of any day is the fraction, expressed as a percentage, (A) the numerator of which is the number of shares of Common Stock that Borrower and each person subject to aggregation of shares of Common Stock with Borrower under Section 13 or Section 16 of the Exchange Act and the rules and regulations promulgated thereunder directly or indirectly beneficially own (as defined under Section 13 or Section 16 of the Exchange Act and the rules and regulations promulgated thereunder) as of such day and (B) the denominator of which is the number of shares of Common Stock outstanding as of such day. The "**Share Amount**" as of any day is the number of shares of Common Stock that a Borrower Person under any law, rule, regulation, regulatory order or organizational documents or contracts of Lender that are, in each case, applicable to ownership of shares of Common Stock (the "**Applicable Restrictions**") owns, beneficially owns, constructively owns, controls, holds the power to vote or otherwise meets a relevant definition of ownership under any Applicable Restriction, as determined by Borrower in its reasonable discretion. A "**Borrower Person**" is Borrower and any person whose ownership position would be aggregated with that of Borrower. The "**Applicable Share Limit**" is, as of any day, a number of shares of Common Stock equal to (A) the minimum number of shares of Common Stock that could give rise to materially adverse reporting obligations, materially adverse registration obligations or other materially adverse requirements (including obtaining prior approval from any person or entity) of a Borrower Person, or could result in an adverse effect on a Borrower Person, under any Applicable Restriction, as determined by Borrower in its reasonable discretion, *minus* (B) 1% of the number of shares of Common Stock outstanding as of such day. If, notwithstanding the foregoing, any delivery of Common Stock is erroneously made to Borrower or Borrower otherwise receives or is deemed to have received Common Stock in excess of the foregoing limitation contrary to the first sentence of this Section 2(d), such Common Stock shall remain the property of Lender and Borrower shall be deemed to hold the same as bailee of Lender and shall have no voting, dispositive control or pecuniary interest with respect thereto. Notwithstanding anything to the contrary in this Agreement, Lender shall not be liable to Borrower for any delivery of Common Stock in contravention of this Section 2(d) pursuant to a Borrower Notice delivered by Borrower.

(e) Lender shall transfer Loaned Shares to Borrower on or before the Cutoff Time on the date specified in the Borrowing Notice for the commencement of the relevant Loan, which date shall be no later than the third Business Day following the receipt by Lender of the Borrowing Notice. Delivery of the Loaned Shares to Borrower shall be made in the manner set forth under Section 13 below.

Section 3. *Collateral*.

(a) Unless otherwise agreed by Borrower and Lender, Borrower shall, prior to or concurrently with the transfer of the Loaned Shares to Borrower, but in no case later than the close of business on the day of such transfer, transfer to Custodian, for credit to the Collateral Account, Collateral selected by Borrower with a Margin Value at least equal to the Market Value of the Loaned Shares as of the close of business on the Business Day immediately preceding the date of such transfer.

(b) Any Collateral transferred by Borrower to Custodian pursuant to Sections 3 or 4 and credited to the Collateral Account shall be security for Borrower's obligations in respect of the Loaned Shares and for any other obligations of Borrower to Lender hereunder. Borrower hereby pledges with, assigns to, and grants Lender a continuing first priority security interest in, and a lien upon, the Collateral, which shall attach upon the transfer of the Loaned Shares by Lender to Borrower and which shall cease upon the transfer of the Loaned Shares by Borrower to Lender or upon the transfer of any such Collateral to Borrower in accordance with the terms of this Agreement. In addition to the rights and remedies given to Lender hereunder, Lender shall have all the rights and remedies of a secured party under the UCC. Except as expressly provided for in Section 12, Lender may not use or invest the Collateral and shall not deliver any instruction to Custodian regarding the use or investment of Collateral, unless Lender has delivered a Notice of Exclusive Control to Custodian (with a copy to Borrower) in accordance with the terms of the Control Agreement.

(c) Except as otherwise provided herein, upon the transfer to Lender of Loaned Shares pursuant to Section 6, Collateral selected by Borrower with a Margin Value equal to the Market Value of the Loaned Shares so transferred shall be released to Borrower, but only to the extent that immediately following such transfer of Collateral no Collateral Deficit would exist; *provided* that Loaned Shares pledged as Collateral may, at Borrower's instruction, be released from the Collateral Account and transferred to Lender as provided in Section 6(e). Such transfer of Collateral shall be made no later than the Cutoff Time on the day the Loaned Shares are transferred, or if such day is not a day on which a transfer of such Collateral may be effected under Section 13, or if the transfer of Loaned Shares by Lender to Borrower occurs after the Cutoff Time on such day, then in each case the next day on which such a transfer may be effected. Notwithstanding anything to the contrary herein, if all Loans are terminated by Borrower pursuant to Section 6 (whether upon the occurrence of a Lender Default or otherwise), all Collateral shall be immediately released to Borrower upon the transfer to Lender of the Loaned Shares; *provided* that Loaned Shares pledged as Collateral may, at Borrower's instruction, be released from the Collateral Account and transferred to Lender as provided in Section 6(e).

(d) If Borrower transfers Collateral to Custodian, as provided in this Section 3, and Lender does not transfer the relevant Loaned Shares to Borrower, Borrower shall have the absolute right to the return of the Collateral; and if Lender transfers the relevant Loaned Shares to Borrower and Borrower does not transfer Collateral to Custodian as provided in this Section 3, Lender shall have the absolute right to the return of the relevant Loaned Shares.

(e) Borrower may, upon notice to Lender and Custodian, substitute Cash or Non-Cash Collateral for Collateral securing any Loan or Loans; *provided* that such substituted Collateral shall have a Margin Value such that the aggregate Margin Value of such substituted Collateral, together with all other Collateral, shall equal or exceed the Market Value of the Loaned Shares as of the date of such substitution; and *provided further* that Borrower may not substitute Cash or Non-Cash Collateral other than Loaned Shares for Collateral securing any Loan or Loans if at the time of such substitution a Borrower Default has occurred and is continuing.

Section 4. *Mark-to Market*.

(a) If the aggregate Margin Value of all Collateral at the close of trading on any Business Day shall be less than the Market Value of all the outstanding Loaned Shares (a "**Collateral Deficit**"), Borrower shall transfer to Custodian no later than the Business Day following the date of such Collateral Deficit for credit to the Collateral Account, additional Collateral selected by Borrower so that the Margin Value of such additional Collateral, when added to the Margin Value of all other Collateral, shall equal or exceed the Market Value of the Loaned Shares on such Business Day of determination.

(b) If the aggregate Margin Value of all Collateral at the close of trading on any Business Day shall be greater than the Market Value of all the outstanding Loaned Shares (a "**Collateral Excess**"), Borrower may, by notice to Lender and Custodian, demand that Custodian transfer to Borrower, no later than the following Business Day, such amount of the Collateral selected by Borrower so that the Margin Value of the Collateral, after deduction of such amounts, shall thereupon be at least equal to the Market Value of the Loaned Shares on such Business Day of determination; *provided* that no Collateral Excess shall be returned to Borrower if Lender has delivered a Notice of Exclusive Control to Custodian (with a copy to Borrower) in accordance with the terms of the Control Agreement.

Section 5. *Loan Fee.* Borrower agrees to pay Lender a single loan fee per Loan (a "**Loan Fee**") equal to $0.10 per Loaned Share included in such Loan. Such Loan Fee shall be paid by Borrower on or before the time of transfer of the Loaned Shares pursuant to Section 2(e) on a delivery-versus-payment basis through the facilities of the Clearing Organization.

Section 6. *Loan Terminations.*

(a) Borrower may terminate all or any portion of a Loan on any Business Day by giving written notice thereof to Lender and transferring the corresponding number of Loaned Shares to Lender no later than the third Business Day following the date of such notice, without any consideration being payable in respect thereof by Lender to Borrower; *provided* that such termination shall not relieve Borrower from the obligation to make such other payments and/or deliveries required to be made by it to Lender hereunder, including any such payments and/or deliveries pursuant to Section 7 hereof. Any such loan termination shall be effective immediately upon delivery of the Loaned Shares in accordance with the terms hereof.

(b) Subject to Section 12 below, all outstanding Loans, if any, shall terminate on the Facility Termination Date, and all Loaned Shares, if any, then outstanding shall be delivered by Borrower to Lender, without any consideration being payable in respect thereof by Lender to Borrower, no later than the third Business Day following the Facility Termination Date; *provided* that such termination shall not relieve Borrower from the obligation to make such other payments and/or deliveries required to be made by it to Lender hereunder, including any such payments and/or deliveries pursuant to Section 7 hereof.

(c) Subject to Section 12 below, if a Loan is terminated upon the occurrence of a Default as set forth in Section 11, the Loaned Shares in respect of such Loan shall be delivered by Borrower to Lender, without any consideration being payable in respect thereof by Lender to Borrower, no later than the third Business Day following the termination date of such Loan as provided in Section 11; *provided* that such termination shall not relieve Borrower from the obligation to make such other payments and/or deliveries required to be made by it to Lender hereunder, including any such payments and/or deliveries pursuant to Section 7 hereof.

(d) If at any time the aggregate number of Loaned Shares outstanding under this Agreement exceeds the Maximum Number of Shares, then the outstanding Loans (or portions thereof) to the extent of such excess shall immediately terminate and, subject to Section 12 below, such excess number of Loaned Shares in respect of such terminated Loans (or portions thereof) shall be delivered by Borrower to Lender, without any consideration being payable in respect thereof by Lender to Borrower, no later than the third Business Day following the first date as of which such excess exists; *provided* that such termination shall not relieve Borrower from the obligation to make such other payments and/or deliveries required to be made by it to Lender hereunder, including any such payments and/or deliveries pursuant to Section 7 hereof.

(e) To effect any termination (in whole or in part) of a Loan and the transfer or delivery of Loaned Shares to Lender, Borrower may instruct Custodian to release from the Collateral Account any Loaned Shares pledged as Collateral at the time of such termination and transfer such released Loaned Shares to Lender as provided in Sections 6(a) through (d) above.

Section 7. *Distributions.*

(a) If, at any time when there are Loaned Shares outstanding under this Agreement, Lender pays a cash dividend or makes a cash distribution in respect of all its outstanding shares of Common Stock, Borrower shall pay to Lender (whether or not Borrower is a holder of any or all of the outstanding Loaned Shares at such time), on the second Business Day immediately following the day such dividend or distribution is paid, an amount in cash equal to the *product of* (i) the amount per share of Common Stock of such dividend or distribution, as the case may be, *and* (ii) the number of Loaned Shares outstanding at such time; *provided* that if Borrower returns any Loaned Shares to Lender following a record date for such a dividend or distribution on such Loaned Shares but prior to the payment of such dividend or distribution on such Loaned Shares, notwithstanding the return of such Loaned Shares Borrower shall nonetheless pay to Lender the amount of such dividend or distribution, as the case may be, on the Business Day immediately following the day such dividend or distribution is paid.

(b) If, at any time when there are Loaned Shares outstanding under this Agreement, Lender makes a distribution in respect of all its outstanding shares of Common Stock (other than a distribution upon liquidation or a reorganization in bankruptcy) in property or securities, including any spin-off securities or assets, options, warrants, rights or privileges in respect of securities (other than a distribution of Common Stock, but including any spin-off securities or assets, options, warrants, rights or privileges exercisable for, convertible into or exchangeable for Common Stock) (a "**Non-Cash Distribution**"), Borrower shall deliver to Lender in kind (whether or not Borrower is a holder of any or all of the outstanding Loaned Shares), on the Business Day that is one customary settlement cycle for the property or securities distributed in the relevant Non-Cash Distribution following the date of such Non-Cash Distribution, the property or securities so distributed in an amount (the "**Delivery Amount**") equal to the *product of* (i) the amount per share of Common Stock of such Non-Cash Distribution, *and* (ii) the number of Loaned Shares outstanding at such time; *provided* that if Borrower returns any Loaned Shares to Lender following a record date for such a Non-Cash Distribution on such Loaned Shares but prior to the settlement of such Non-Cash Distribution on such Loaned Shares, notwithstanding the return of such Loaned Shares Borrower shall nonetheless deliver to Lender the Delivery Amount in respect of such Non-Cash Distribution on the Business Day that is one customary settlement cycle for the property or securities distributed in the relevant Non-Cash Distribution following the date of such Non-Cash Distribution.

(c) Any interest, cash distribution or cash dividend made on or in respect of any Collateral for any Loan hereunder, shall, subject to (e) below, be delivered to Borrower on the date such interest, cash distribution or cash dividend is received by Custodian.

(d) Any non-cash distributions or dividend made on or in respect of any Collateral for any Loan hereunder shall, subject to (e) below, be delivered to Borrower on the date such non-cash distribution or dividend is received by Custodian.

(e) To the extent that a transfer of cash or other property to Borrower under the provisions of this Section 7 would give rise to a Collateral Deficit, no transfer of cash or other property to the extent of any such Collateral Deficit shall be made in accordance with this Section 7, but in lieu of such transfer shall immediately be credited to the Collateral Account. No transfer of cash or other property shall be made to Borrower under the provisions of this Section 7 if at the time of such transfer a Borrower Default has occurred and is continuing.

Section 8. *Rights in Respect of Loaned Shares.* Subject to the terms of this Agreement, including Borrower's obligation to return the Loaned Shares in accordance with the terms of this Agreement, and except as otherwise agreed by Borrower and Lender or Borrower and any subsequent transferee of Loaned Shares, insofar as such person is the record owner of any such Loaned Shares, such person shall have all of the incidents of ownership in respect of any such Loaned Shares, including the right to transfer the Loaned Shares to others.

Section 9. *Representations and Warranties.*

(a) Each of Borrower and Lender represent and warrant to the other that:

(i) it has full power to execute and deliver this Agreement, to enter into any Loans contemplated hereby and to perform its obligations hereunder;

(ii) it has taken all necessary action to authorize such execution, delivery, entry and performance;

(iii) this Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity) and except that rights to indemnification and contribution hereunder may be limited by federal or state securities laws or public policy relating thereto;

(iv) the execution, delivery and performance of this Agreement does not and will not violate, contravene, or constitute a default under, (A) its certificate of incorporation, bylaws or other governing documents, (B) any laws, rules or regulations of any governmental authority to which it is subject, (C) any contracts, agreements or instrument to which it is a party or (D) any judgment, injunction, order or decree by which it is bound; and

(v) (A) this Agreement is not unsuitable for it in light of such party's financial situation, investment objectives and needs and (B) it is entering into this Agreement in reliance upon such tax, accounting, regulatory, legal and financial advice as it deems necessary and not upon any view expressed by the other party.

(b) Lender represents and warrants to Borrower, as of the date hereof, and as of the date any Loaned Shares are transferred to Borrower in respect of any Loan hereunder, that the Loaned Shares in respect of such Loan and all other outstanding shares of Common Stock of Lender have been duly authorized and, upon the issuance (if necessary) and delivery of such Loaned Shares to Borrower in accordance with the terms and conditions hereof, and subject to the contemporaneous or prior receipt of the applicable Loan Fee by Lender, will be duly authorized, validly issued, fully paid nonassessable shares of Common Stock, and the stockholders of Lender have no preemptive rights with respect to such Loaned Shares.

(c) Lender represents and warrants to Borrower, as of the date hereof, and as of the date any Loaned Shares are transferred to Borrower in respect of any Loan hereunder, that all of the outstanding shares of Common Stock are listed on the New York Stock Exchange ("**NYSE**") and the Loaned Shares in respect of such Loan have been approved for listing on the NYSE, subject to official notice of issuance.

(d) Borrower represents to Lender that it has, or at the time of transfer to Custodian shall have, the right to grant to Lender, and that Lender shall acquire, a continuing first priority security interest in the Collateral.

(e) Lender represents and warrants to Borrower, as of the date hereof and the date any Loaned Shares are transferred to Borrower in respect of any Loan hereunder, that Lender is not "insolvent" (as such term is defined under Section 101(32) of Title 11 of the United States Code (the "**Bankruptcy Code**") and Lender would be able to purchase (i) as of the date hereof, a number of shares of Common Stock equal to the Maximum Number of Shares and (ii) as of the date any Loaned Shares are transferred to Borrower in respect of any Loan hereunder, such number of Loaned Shares, in each case in compliance with the corporate law of Lender's jurisdiction of incorporation.

(f) Lender represents and warrants to Borrower that, as of the date hereof, and as of the date any Loaned Shares are transferred to Borrower in respect of any Loan hereunder, Lender is not, and will not be required to register as, an "investment company" (as such term is defined in the Investment Company Act of 1940, as amended).

(g) Lender represents and warrants to Borrower that Lender (i) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities; (ii) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (iii) has total assets of at least $50 million as of the date hereof.

(h) Borrower represents and warrants to Lender that it (and any successor entity) is, and at any time during which a Loan made pursuant to this Agreement is outstanding will be, a United States person within the meaning of Section 7701(a)(30) of the U.S. Internal Revenue Code of 1986, as amended.

(i) Borrower represents and warrants to Lender that any shares of Common Stock that Borrower transfers to Lender in respect of any Loan Termination, and any property or securities comprising any Non-Cash Distribution that Borrower transfers to Lender, in each case, shall be made free from any lien, charge, claim or other encumbrance or restrictions (other than (x) a lien, charge, claim or other encumbrance or restriction routinely imposed on all securities by the relevant Clearance System and (y) any lien, charge, claim or other encumbrance or restriction (i) in the case of any shares of Common Stock, that exists in respect to all outstanding shares of Common Stock and (ii) in the case of any property or securities comprising any Non-Cash Distribution, that exists in respect of all such property or securities so distributed).

(j) The representations and warranties of Borrower and Lender under this Section 9 shall remain in full force and effect at all times during the term of this Agreement and shall survive the termination for any reason of this Agreement.

Section 10. *Covenants.*

(a) The parties hereto further acknowledge and agree that (i) each Loan hereunder is intended to be a "securities contract," as such term is defined in Section 741(7) of the Bankruptcy Code; (ii) each and every transfer of funds, securities and other property under this Agreement is intended to be a "transfer" and a "settlement payment" or a "margin payment," as such terms are used in Section 546(e) of the Bankruptcy Code; and (iii) Borrower is intended to be entitled to the protections afforded by, among other sections, Sections 362(b)(6), 546(e), 555 and 561 of the Bankruptcy Code.

(b) Lender shall, no later than five Business Days prior to any repurchase of Common Stock, give Borrower a written notice of such repurchase (a "**Repurchase Notice**") if, following such repurchase, the Outstanding Borrow Percentage as determined on such day after giving effect to such repurchase would be greater than 8.0% or, after the first such Repurchase Notice, greater by 0.5% than the Outstanding Borrow Percentage included in the immediately preceding Repurchase Notice; *provided* that, in the event that the amount of Loaned Shares provided pursuant to the initial Borrowing Notice causes the Outstanding Borrow Percentage to exceed 8.0%, then the first Repurchase Notice shall be deemed to have been given in connection with such initial Borrowing Notice. The "**Outstanding Borrow Percentage**" as of any day is the fraction (A) the numerator of which is the aggregate number of Loaned Shares outstanding on such day and (B) the denominator of which is the number of shares of Common Stock outstanding on such day, including such Loaned Shares.

(c) Borrower covenants and agrees with Lender that Borrower has entered into this Agreement and the Loans hereunder for the purpose of directly or indirectly facilitating the sale of the Convertible Notes and hedging activities (including short sales of Loaned Shares) relating to the Convertible Notes by the holders thereof.

(d) The parties hereto shall use good faith efforts to enter into a collateral account control agreement among Borrower, Lender and The Bank of New York Mellon ("**Custodian**") on or before December 15, 2012 (or such other date as the parties may otherwise agree) in form and substance reasonably satisfactory to the parties thereto with respect to the Collateral Account and the Collateral (the "**Control Agreement**"), and to make such changes and amendments to this Agreement as the parties, acting in good faith, may reasonably deem necessary and appropriate to effectuate the purposes of and entry into the Control Agreement.

Section 11. *Events of Default.*

(a) All Loans, and any further obligation to make Loans under this Agreement, may, at the option of Lender by a written notice to Borrower (which option shall be deemed exercised, even if no notice is given, immediately on the occurrence of an event specified in Section 11(a)(v) or 11(a)(vi) below), be terminated (1) immediately on the occurrence of any of the events set forth in Section 11(a)(v) or 11(a)(vi) below or (2) two Business Days following such notice on the occurrence of any of the other events set forth below (each, a "**Borrower Default**"):

(i) Borrower fails to deliver Loaned Shares to Lender as required by Section 6;

(ii) Borrower fails to deliver or pay to Lender when due any cash, securities or other property as required by Section 7;

(iii) Borrower fails to pay Lender a Loan Fee when due as required by Section 5;

(iv) Borrower fails to pay Lender any amount when due as required by Section 12;

(v) the filing by or on behalf of Borrower of a voluntary petition or an answer seeking reorganization, arrangement, readjustment of its debts or for any other relief under any bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, dissolution, moratorium, delinquency, winding-up or liquidation or similar act or law, of any state, federal or other applicable foreign jurisdictions, now or hereafter existing ("**Bankruptcy Law**"), or any action by such party for, or consent or acquiescence to, the appointment of a receiver, trustee, conservatory, custodian or similar official of such party, or of all or a substantial part of its property; or the making by such party of a general assignment for the benefit of creditors; or the admission by such party in writing of its inability to pay its debts as they become due;

(vi) the filing of any involuntary petition against Borrower in bankruptcy or seeking reorganization, arrangement, readjustment of its debts or for any other relief under any Bankruptcy Law and an order for relief by a court having jurisdiction in the premises shall have been issued or entered therein; or any other similar relief shall be granted under any applicable federal or state law or law of any other applicable foreign jurisdictions; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee or other officer having similar powers over such party or over all or a part of its property shall have been entered; or the involuntary appointment of an interim receiver, trustee or other custodian of such party or of all or a substantial part of its property or the issuance of a warrant of attachment, execution or similar process against any substantial part of the property of such party; and continuance of any such event for 15 consecutive calendar days unless dismissed, bonded to the satisfaction of the court having jurisdiction in the premises or discharged;

(vii) Borrower fails to transfer Collateral within one Business Day of the time when such transfer is due in accordance with Section 3 and Section 4;

(viii) Borrower notifies Lender of its inability to or intention not to perform Borrower's obligations hereunder or otherwise disaffirms, fails to perform, rejects or repudiates any of its obligations hereunder; or

(ix) any representation made by Borrower under this Agreement in connection with any Loan or Loans hereunder shall be incorrect or untrue in any material respect when made or Borrower fails to comply in any material respect with any of its covenants under this Agreement; *provided* that Borrower shall have the right to dispute in good faith any such notice from Lender of Borrower's Default under this Section 11(a)(ix).

(b) All Loans, and any further obligation to make Loans under this Agreement, may, at the option of Borrower by a written notice to Lender (which option shall be deemed exercised, even if no notice is given, immediately on the occurrence of an event specified in Section 11(b)(i) or 11(b)(ii) below), be terminated (1) immediately on the occurrence of any of the events set forth in Section 11(b)(i) or 11(b)(ii) below or (2) two Business Days following such notice on the occurrence of any of the other events set forth below (each, a "**Lender Default**", and any Lender Default or Borrower Default, a "**Default**"):

(i) the filing by or on behalf of Lender of a voluntary petition or an answer seeking reorganization, arrangement, readjustment of its debts or for any other relief under any Bankruptcy Law, or any action by such party for, or consent or acquiescence to, the appointment of a receiver, trustee, conservatory, custodian or similar official of such party, or of all or a substantial part of its property; or the making by such party of a general assignment for the benefit of creditors; or the admission by such party in writing of its inability to pay its debts as they become due;

(ii) the filing of any involuntary petition against Lender in bankruptcy or seeking reorganization, arrangement, readjustment of its debts or for any other relief under any Bankruptcy Law and an order for relief by a court having jurisdiction in the premises shall have been issued or entered therein; or any other similar relief shall be granted under any applicable federal or state law or law of any other applicable foreign jurisdictions; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee or other officer having similar powers over such party or over all or a part of its property shall have been entered; or the involuntary appointment of an interim receiver, trustee or other custodian of such party or of all or a substantial part of its property or the issuance of a warrant of attachment, execution or similar process against any substantial part of the property of such party; and continuance of any such event for 15 consecutive calendar days unless dismissed, bonded to the satisfaction of the court having jurisdiction in the premises or discharged; or

(iii) Lender fails to provide any indemnity as required by Section 14; *provided* that Borrower may waive such Default by Lender in its sole discretion.

Section 12. *Right to Extend; Lender's Remedies.*

(a) Except to the extent a Loan is terminated pursuant to Section 6(c) as a result of a Borrower Default, Borrower may, following the termination of any Loan pursuant to Section 6, delay the date on which the related Loan Shares are due to Lender (the "**Settlement Due Date**", as so delayed to the extent applicable), with respect to some or all (as the case may be) of such Loaned Shares, if Borrower reasonably determines in good faith based on the advice of outside counsel that such extension with respect to some or all (as the case may be) of such Loan Shares is reasonably necessary to enable Borrower (or any of its affiliates) to effect purchases of Common Stock related to the delivery of Loan Shares due to Lender in connection with this Agreement in a manner that would be in compliance with legal and regulatory requirements (i) applicable to Borrower or such affiliates in purchasing such shares of Common Stock or (ii) if Borrower were deemed to be Lender or an affiliated purchaser of Lender, that would be applicable to Lender in purchasing such shares of Common Stock.

(b) If, upon the termination of any Loan as a result of a Borrower Default or pursuant to Section 6(c) on any Settlement Due Date, the purchase of Common Stock in an amount equal to all or any portion of the Loaned Shares to be delivered to Lender by Borrower in accordance with Section 6(c) of this Agreement (i) shall be prohibited by any law, rules or regulation of any governmental authority to which it is or would be subject, (ii) shall violate, or would upon such purchase reasonably likely violate, any order or prohibition of any court, tribunal or other governmental authority, (iii) shall require the prior consent of any court, tribunal or governmental authority prior to any such repurchase, (iv) would subject Borrower, based on the advice of outside counsel to the Borrower, to any liability or potential liability under any applicable federal securities laws (including, without limitation, Section 16 of the Exchange Act), or (v) shall be commercially impracticable in the time period required by Section 6(c), in the commercially reasonable judgment of Borrower as a result of a demonstrable legal or regulatory impediment (including regulations of self-regulatory organizations) to such purchases (each of (i), (ii), (iii), (iv) and (v), a "**Legal Obstacle**"), then, in each case, Borrower shall immediately notify Lender of the Legal Obstacle and the basis therefor, whereupon Borrower's obligations under Section 6(c) shall be suspended until such time as no Legal Obstacle with respect to such obligations shall exist (a "**Repayment Suspension**"). Upon notification of a Repayment Suspension and for so long as the Repayment Suspension shall continue, Lender shall have the right, exercisable in its sole discretion, upon written request (with a copy to Borrower) to direct Custodian to release to Lender an amount of Collateral with a Margin Value equal to the Market Value of all (or such fewer number as Lender may specify) of the Loaned Shares that are the subject of the Repayment Suspension, whereupon Borrower's obligation to return such number of Loaned Shares to Lender shall automatically be extinguished; *provided* that if following the termination of any Loan as a result of a Borrower Default Lender shall have delivered a Notice of Exclusive Control to Custodian (with a copy to Borrower) and notified Borrower of its intent to exercise its rights and remedies pursuant to Section 12(c) below, the provisions of this Section 12(b) shall not apply. Following the occurrence of and during the continuation of any Repayment Suspension, Borrower shall use commercially reasonable efforts to remove or cure the Legal Obstacle as promptly as reasonably practicable, including, in the case of clause (iii), Borrower using its commercially reasonable efforts to obtain the prior consent of the relevant court, tribunal or governmental authority in order to make any such repurchase; *provided* that (except in circumstances where the Legal Obstacle resulted from the failure by Borrower to comply with applicable securities laws or regulations) Lender shall promptly reimburse all reasonable out-of-pocket costs and expenses (including of legal counsel to Borrower) incurred or, at Borrower's election, provide reasonably adequate surety or guarantee for any such costs and expenses that may be incurred by Borrower, in each case, in removing or curing such Legal Obstacle; and *provided further* that, if Borrower cannot remove or cure the Legal Obstacle within five Business Days, then Lender shall have the right at any time thereafter to notify Borrower of its election that Borrower pay to Lender, in lieu of the delivery of Loaned Shares in accordance with Section 6(c), an amount in immediately available funds (the "**Replacement Cash**") equal to the *product of* (A) the average Closing Price (the "**Average Closing Price**") during the ten consecutive Business Day period ending on the Business Day immediately preceding the date Borrower makes such payment, *multiplied* by (B) the number of Loaned Shares then outstanding.

(c) If Borrower shall fail to pay the Replacement Cash to Lender in accordance with Section 12(b) above or the provisions of Section 12(b) do not apply, then, in addition to any other remedies available to Lender under this Agreement or under applicable law, Lender shall have the right (upon prior written notice to Borrower) to (i) purchase a like number of Loaned Shares ("**Replacement Shares**") in the principal market for such securities in a commercially reasonable manner in compliance with applicable securities laws (and Lender shall promptly notify Borrower of the aggregate purchase price of the Replacement Shares upon the exercise of such right), (ii) sell any Collateral in the principal market for such Collateral in a commercially reasonable manner and (iii) apply and set off the Collateral and any proceeds thereof against the payment of the purchase price for such Replacement Shares and any amounts due to Lender under this Agreement; *provided* that Lender shall not be permitted to exercise its right to purchase Replacement Shares if Borrower has delivered Loaned Shares to Lender in accordance with Section 6(d) or Section 6(e); and *provided further* that if any Repayment Suspension or failure to deliver shall exist and be continuing, Lender shall not be permitted to exercise its right to purchase Replacement Shares unless Borrower shall fail to deliver the Loaned Shares or pay the Replacement Cash to Lender when due in accordance with Section 12(a) above. To the extent Lender shall exercise such right, Borrower's obligation to return a like number of Loaned Shares or to pay the Replacement Cash, as applicable, shall terminate, and Borrower shall be liable to Lender for the purchase price of Replacement Shares (plus all other amounts, if any, due to Lender hereunder). In the event that the purchase price of Replacement Shares (plus all other amounts, if any, due to Lender hereunder) exceeds the amount of the Collateral, Borrower shall be liable to Lender for the amount of such excess. The purchase price of Replacement Shares purchased under this Section 12(c) shall include, and the proceeds of any sale of Collateral shall be determined after deduction of, broker's fees and commissions and all other reasonable costs, fees and expenses related to such purchase and sale. In the event Lender exercises its rights under this Section 12, Lender may elect in its sole discretion, in lieu of purchasing all or a portion of the Replacement Shares, to be deemed to have made such purchase of Replacement Shares for an amount equal to the Closing Price of Common Stock on the date Lender elects to exercise this remedy. Upon the satisfaction of all Borrower's obligations hereunder, any remaining Collateral shall be returned to Borrower.

Section 13. *Transfers.*

(a) All transfers of Loaned Shares to Borrower hereunder shall be made by the crediting by a Clearing Organization of such Loaned Shares to Borrower's "securities account" (within the meaning of Section 8-501 of the UCC) designated in the relevant Borrowing Notice maintained with such Clearing Organization. All transfers of Loaned Shares to Lender hereunder shall be made by the crediting by a Clearing Organization of such Loaned Shares to such "securities account" (within the meaning of Section 8-501 of the UCC) maintained with such Clearing Organization as Lender may designate from time to time. All transfers of Collateral to Custodian by Borrower shall be made by crediting the Collateral Account. All transfers of Collateral to Lender by Custodian shall be made in the manner directed by Lender. In every transfer of "financial assets" (within the meaning of Section 8-102 of the UCC) hereunder, the transferor shall take all steps necessary (a) to effect a delivery to the transferee under Section 8-301 of the UCC, or to cause the creation of a security entitlement in favor of the transferee under Section 8-501 of the UCC, (b) to enable the transferee to obtain "control" (within the meaning of Section 8-106 of the UCC), and (c) to provide the transferee with comparable rights under any applicable foreign law or regulation that is applicable to such transfer.

(b) All transfers of cash hereunder to Borrower or Lender shall be by wire transfer in immediately available, freely transferable funds.

(c) A transfer of securities or cash may be effected under this Section 13 on any day except (i) a day on which the transferee is closed for business at its address set forth in Section 18 or (ii) a day on which a Clearing Organization or wire transfer system is closed, if the facilities of such Clearing Organization or wire transfer system are required to effect such transfer, in which case under clause (i) or (ii), such transfer shall be made on the immediately following day on which such exceptions are not in effect.

(d) To the extent permitted by law, neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party; *provided* that Borrower may, without the consent of Lender, transfer or assign all or any part of its rights or obligations under this Agreement to any affiliate of Borrower that is a wholly owned affiliate of Jefferies Group, Inc. organized or incorporated in the United States and provides Collateral to Lender in accordance with the terms of this Agreement and the Control Agreement (x) if such a transfer is required by or under any law, rule, regulation or regulatory order or (y) if, absent such transfer, Borrower or any of its affiliates would incur a materially increased cost or other materially increased expense (compared to such cost or expense as of the date hereof) or would experience any other material adverse effect. Subject to the foregoing, this Agreement shall be binding upon and shall inure to the benefit of Borrower, Lender and their respective successors and permitted assigns. Any purported transfer that is not in compliance with this Section 13(d) shall be null and void.

Section 14. *Indemnities.*

(a) Lender hereby agrees to indemnify and hold harmless Borrower and its affiliates and its former, present and future directors, officers, employees from and against any and all liabilities, judgments, claims, settlements, losses, damages, fees, liens, taxes, penalties, obligations and other expenses (including, without limitation, any losses relating to Borrower's market activities as a consequence of becoming subject to Section 16(b) under the Exchange Act, and including, without limitation, any forbearance from market activities or cessation of market activities and any losses in connection therewith or with respect to this Agreement) (collectively, "**Losses**") incurred or suffered by any such person or entity directly or indirectly arising from, by reason of, or in connection with, (i) any breach by Lender of any of its representations or warranties contained in Section 9 or (ii) any breach by Lender of any of its covenants or agreements in this Agreement; *provided*, *however*, that Lender shall not be liable for any Losses arising from (i) any breach by Borrower of any of its representations or warranties contained in Section 9 or (ii) any breach by Borrower of any of its covenants or agreements in this Agreement.

(b) Borrower hereby agrees to indemnify and hold harmless Lender and its affiliates and its former, present and future directors, officers, employees from and against any and all Losses incurred or suffered by any such person or entity directly or indirectly arising from, by reason of, or in connection with, (i) any breach by Borrower of any of its representations or warranties contained in Section 9 or (ii) any breach by Borrower of any of its covenants or agreements in this Agreement; *provided*, *however*, that Borrower shall not be liable for any Losses arising from (i) any breach by Lender of any of its representations or warranties contained in Section 9 or (ii) any breach by Lender of any of its covenants or agreements in this Agreement.

(c) In case any claim or litigation which might give rise to any obligation of a party under this Section 14 (the "**Indemnifying Party**") shall come to the attention of the party seeking indemnification hereunder (the "**Indemnified Party**"), the Indemnified Party shall within five Business Days notify the Indemnifying Party in writing of the existence and amount thereof; *provided* that the failure of the Indemnified Party to give such notice shall not adversely affect the right of the Indemnified Party to indemnification under this Agreement, except to the extent the Indemnifying Party is materially prejudiced thereby. The Indemnifying Party shall promptly notify the Indemnified Party in writing if it accepts such claim or litigation as being within its indemnification obligations under this Section 14. Such response shall be delivered no later than 30 days after the initial notification from the Indemnified Party; *provided* that, if the Indemnifying Party reasonably cannot respond to such notice within 30 days, the Indemnifying Party shall respond to the Indemnified Party as soon thereafter as reasonably possible.

(d) An Indemnifying Party shall be entitled to participate in and, if (i) in the good faith judgment of the Indemnified Party such claim can properly be resolved by money damages alone and the Indemnifying Party has the financial resources to pay such damages and (ii) the Indemnifying Party admits that this indemnity fully covers the claim or litigation, the Indemnifying Party shall be entitled to direct the defense of any claim at its expense, but such defense shall be conducted by legal counsel reasonably satisfactory to the Indemnified Party. An Indemnified Party shall not make any settlement of any claim or litigation under this Section 14 without the written consent of the Indemnifying Party. Nothing in this clause (d) shall be deemed to limit, or be a waiver of either party in respect of, this Section 14.

Section 15. *Termination Of Agreement.*

(a) This Agreement may be terminated (i) at any time by the written agreement of Lender and Borrower or (ii) by Lender or Borrower upon the occurrence of a Default by the other party.

(b) Unless otherwise agreed by Borrower and Lender, the provisions of Section 14 shall survive the termination of this Agreement.

Section 16. *Registration Provisions.* If, following the initial Loan hereunder and registration of the initial Loaned Shares in respect of such Loan, Borrower determines, based upon reasonable advice of counsel to Borrower, with respect to any legal, regulatory or self-regulatory requirements or related policies and procedures adopted by Borrower and designed to achieve compliance with such legal, regulatory or self-regulatory requirements, that any subsequent Loan and public sale of the Loaned Shares in respect of such subsequent Loan would require registration under the Securities Act, Lender agrees to register such sale of shares of Common Stock as and to the extent provided in the Underwriting Agreement.

Section 17. *Amendments*. No amendment or modification in respect of this Agreement shall be effective unless it shall be in writing and signed by the parties hereto.

Section 18. *Notices.*

(a) All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when received.

(b) All such notices and other communications shall be directed to the following address:

(i) If to Borrower to:
Jefferies & Company, Inc.
520 Madison Avenue
New York, New York 10022
Attention: General Counsel
Telephone: (212) 284-2300

(ii) If to Lender to:
Vector Group Ltd.
100 S.E. 2nd Street, 32nd Floor
Miami, Florida 33131
Attention: Marc N. Bell, Vice President & General Counsel
Telephone: (305) 579-8000
Facsimile: (305) 579-8016

(c) In the case of any party, at such other address as may be designated by written notice to the other parties.

Section 19. *Governing Law; Submission To Jurisdiction; Severability.*

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of New York, but excluding any choice of law provisions that would require the application of the laws of a jurisdiction other than New York.

(b) EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY (A) SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK CITY, AND ANY APPELLATE COURT FROM ANY SUCH COURT, SOLELY FOR THE PURPOSE OF ANY SUIT, ACTION OR PROCEEDING BROUGHT TO ENFORCE ITS OBLIGATIONS HEREUNDER OR RELATING IN ANY WAY TO THIS AGREEMENT OR ANY LOAN HEREUNDER AND (B) WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, ANY DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT AND ANY RIGHT OF JURISDICTION ON ACCOUNT OF ITS PLACE OF RESIDENCE OR DOMICILE.

(c) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY RIGHT THAT IT MAY HAVE TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(d) To the extent permitted by law, the unenforceability or invalidity of any provision or provisions of this Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

Section 20. *Single Agreement.* Borrower and Lender acknowledge that, and have entered into this Agreement in reliance on the fact that, all Loans hereunder constitute a single business and contractual relationship and have been entered into in consideration of each other. Accordingly, Borrower and Lender hereby agree that payments, deliveries and other transfers made by either of them in respect of any Loan shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any other Loan hereunder, and the obligations to make any such payments, deliveries and other transfers may be applied against each other and netted. In addition, Borrower and Lender acknowledge that, and have entered into this Agreement in reliance on the fact that, all Loans hereunder have been entered into in consideration of each other. Accordingly, Borrower and Lender hereby agree that (a) each shall perform all of its obligations in respect of each Loan hereunder, and that a default in the performance of any such obligation by Borrower or by Lender (the "**Defaulting Party**") in any Loan hereunder shall constitute a default by the Defaulting Party under all such Loans hereunder, and (b) the non-defaulting party shall be entitled, subject to the provisions of this Agreement, to set off claims and apply property held by it in respect of any Loan hereunder against obligations owing to it in respect of any other Loan with the Defaulting Party.

Section 21. *Counterparts.* This Agreement may be executed in any number of counterparts, and all such counterparts taken together shall be deemed to constitute one and the same agreement.

[*Signature page follows*.]

IN WITNESS WHEREOF, the parties hereto have executed this Share Lending Agreement as of the date and year first above written.

VECTOR GROUP LTD.,
as Lender

By: /s/ J. Bryant Kirkland III
Name: J. Bryant Kirkland III
Title: Vice President, Treasurer and Chief Financial Officer

JEFFERIES & COMPANY, INC.,
as Borrower

By: /s/ Ashley L. Delp
Name: Ashley L. Delp
Title: Managing Director

[*Signature Page to Share Lending Agreement*]

EXHIBIT A
FORM OF BORROWING NOTICE

BORROWING NOTICE

[*date*]

To: Vector Group Ltd.
100 S.E. 2nd Street, 32nd Floor
Miami, Florida 33131
Attention: Marc N. Bell, Vice President & General Counsel
Telephone: (305) 579-8000
Facsimile: (305) 579-8016

From: Jefferies & Company, Inc.
520 Madison Avenue
New York, New York 10022

Re: Share Lending Agreement

Ladies and Gentlemen:

Reference is made to the Share Lending Agreement, dated as of November 15, 2012 (as amended, modified or supplemented from time to time, the "**Agreement**"), between Vector Group Ltd. ("**Lender**") and Jefferies & Company, Inc. ("**Borrower**"). Any capitalized term used but not otherwise defined herein shall have the meaning given to such term in the Agreement.

Pursuant to Section 2(b) of the Agreement, Borrower desires that Lender make, in accordance with the terms, and subject to the conditions, set forth in the Agreement, the following Loan(s) to Borrower of the number of shares of Common Stock set forth below for transfer to Borrower's account designated below on [*specify date*]:

Loan: [*specify number of Loaned Shares*]
Account: [*specify Borrower's account*]

Very truly yours,

Jefferies & Company, Inc.