

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): AUGUST 4, 2000

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)

BROOKE GROUP LTD.

-----  
(Former name or former address, if changed since last report)

## ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On August 4, 2000, Brooke (Overseas) Ltd., a wholly-owned subsidiary of Vector Group Ltd., completed the sale to Gallaher Overseas (Holdings) Ltd. of all of the membership interests of Western Tobacco Investments LLC. Brooke (Overseas) held its 99.9% equity interest in Liggett-Ducat Ltd., one of Russia's leading cigarette producers, through Western Tobacco Investments.

The purchase price for the sale consisted of \$334.1 million in cash and \$64.4 million in assumed debt and capital commitments. The proceeds generated from the sale were divided among Brooke (Overseas) and Western Realty Development LLC, a joint venture of New Valley Corporation and Apollo Real Estate Investment Fund III, L.P., in accordance with the terms of a participating loan. Of the cash proceeds from the transaction after expenses, Brooke (Overseas) received approximately \$200 million. New Valley, in which Vector owns a 55.9% interest, received \$57.2 million in cash proceeds from the sale and Apollo received \$68.4 million in cash proceeds from the sale. These amounts are subject to adjustment based on final closing expenses.

On August 4, 2000, with the proceeds of the sale, BGLS Inc., a wholly-owned subsidiary of Vector, repurchased \$24.9 million principal amount of its 15.75% Senior Secured Notes, together with accrued interest of \$11.5 million, for \$36.4 million. On that date, BGLS called the remaining notes for redemption on September 5, 2000. On the redemption date, all of these notes will be redeemed for 100% of the principal amount thereof plus accrued interest. BGLS will use approximately \$105 million of the proceeds of the sale to retire the notes.

The sale of Western Tobacco Investments was effected pursuant to a Purchase and Sale Agreement dated as of June 14, 2000, as amended, between Gallaher Overseas and Brooke (Overseas). The sale was negotiated on an arm's length basis between Gallaher Overseas and Brooke (Overseas). The purchaser is not affiliated with Brooke (Overseas) or any of its affiliates, or any director or officer of Brooke (Overseas), or any affiliate or associate of any such director or officer.

Gallaher Overseas has also agreed to purchase for \$1.5 million additional land adjacent to Liggett-Ducat manufacturing facility outside Moscow, Russia. The seller is an affiliate of Western Realty Development.

The foregoing summary of the sale of Western Tobacco Investments is qualified in its entirety by reference to the text of the Purchase and Sale Agreement, as amended, and related agreements, which are included as exhibits hereto and are incorporated herein by reference.

## ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(b) Pro Forma Financial Information.

The Unaudited Pro Forma Condensed Consolidated Statements of Operations for the year ended December 31, 1999 and the six months ended June 30, 2000 have been prepared giving effect to the following transactions:

- o the Philip Morris brand transaction in May 1999 and the application of the proceeds to retire a portion of the BGLS notes;
- o the New Valley recapitalization in June 1999 and the sale of New Valley's shopping centers and the Thinking Machines assets during 1999; and
- o the sale of Western Tobacco Investments in August 2000 and the application of the proceeds to retire the remaining BGLS notes.

The Unaudited Pro Forma Condensed Consolidated Statements of Operations give effect to these transactions as if they had occurred on January 1, 1999.

The Unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2000 has been prepared giving effect to the sale of Western Tobacco Investments and the retirement of the BGLS notes as if they had occurred on June 30, 2000.

The unaudited pro forma financial information should be read in conjunction with Vector's historical Consolidated Financial Statements and the related notes thereto contained in Vector's Annual Report on Form 10-K for the year ended December 31, 1999 and its quarterly reports on Form 10-Q for the quarters ended March 31, 2000 and June 30, 2000.

The unaudited pro forma financial information does not purport to be indicative of what Vector's financial position or results of operations would actually have been had such transactions been completed on the dates indicated or to project Vector's results of operations for any future date.

## VECTOR GROUP LTD. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31, 1999					
	PRO FORMA ADJUSTMENTS					
	HISTORICAL	NEW VALLEY	PHILIP MORRIS BRAND TRANSACTION	SALE OF WESTERN TOBACCO INVESTMENTS	BGLS NOTES RETIREMENT	PRO FORMA
<b>Revenues:</b>						
Tobacco*	\$ 522,807	\$	\$ (21,930)(a)	\$(100,059)(b)	\$	\$ 400,818
Broker-dealer transactions	40,852	36,323				77,175
Real estate leasing	3,386	52				3,438
<b>Total revenues</b>	<b>567,045</b>	<b>36,375</b>	<b>(21,930)</b>	<b>(100,059)</b>		<b>481,431</b>
<b>Expenses:</b>						
Cost of goods sold*	189,865		(5,453)(a)	(78,680)(b)		105,732
Operating, selling, administrative and general expense	305,177	41,083	(3,648)(a)	(15,805)(b)		326,807
<b>Operating income</b>	<b>72,003</b>	<b>(4,708)</b>	<b>(12,829)</b>	<b>(5,574)</b>		<b>48,892</b>
<b>Other income (expenses):</b>						
Interest and dividend income	2,840	(62)				2,778
Interest expense	(54,378)	(1,550)	10,546(c)	13,209(b)	24,158(c)	(8,015)
Recognition of deferred gain	7,050					7,050
Equity in loss of affiliate	(11,315)	7,545				(3,770)
Loss in joint venture	(12,082)	(1,955)		781(b)		(13,256)
Gain on sale of investments, net	741	1,632				2,373
Sale of assets	12,172	(7,400)				4,772
Gain on brand transaction	294,078		(294,078)(a)			
Gain on currency translation	1,179			(1,179)(b)		
Other, net	787	1,927		155 (b)		2,869
<b>Income (loss) from continuing operations before provision (benefit) for income taxes and minority interests</b>	<b>313,075</b>	<b>(4,571)</b>	<b>(296,361)</b>	<b>7,392</b>	<b>24,158</b>	<b>43,693</b>
Provision (benefit) for income taxes	82,458	42	(73,319)	(874)	8,576	16,883
Minority interests	5,467	7,091		(353)		12,205
<b>Income (loss) from continuing operations</b>	<b>\$ 236,084</b>	<b>\$ 2,478</b>	<b>\$ (223,042)</b>	<b>\$ 7,913</b>	<b>\$15,582</b>	<b>\$ 39,015</b>
<b>Earnings per share of Common Stock from continuing operations:</b>						
Basic	\$ 10.74					\$ 1.77
Diluted	\$ 8.81					\$ 1.46
<b>Weighted average number of shares outstanding:</b>						
Basic	21,989,782					21,989,782
Diluted	26,811,273					26,811,273

\* Revenues and cost of goods sold include excise taxes of \$66,698 for the year ended December 31, 1999.

(a) To eliminate sales and expenses associated with the three brands involved in the Philip Morris brand transaction.

(b) To record sale of Western Tobacco Investments by Brooke (Overseas).

(c) To eliminate interest expense and original issue discount associated with the BGLS notes.

## VECTOR GROUP LTD. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	SIX MONTHS ENDED JUNE 30, 2000			
	PRO FORMA ADJUSTMENTS			
	HISTORICAL	SALE OF WESTERN TOBACCO INVESTMENTS	BGLS NOTES RETIREMENT	PRO FORMA
Revenues:				
Tobacco*	\$ 334,792	\$ (89,329) (a)	\$	\$ 245,463
Broker-dealer transactions	48,596			48,596
Real estate leasing	1,591			1,591
Total revenues	384,979	(89,329)		295,650
Expenses:				
Cost of goods sold*	154,142	(77,008) (a)		77,134
Operating, selling, general and administrative expense	210,914	(10,406) (a)		200,508
Operating income	19,923	(1,915)		18,008
Other income (expenses):				
Interest and dividend income	3,182			3,182
Interest expense	(23,570)	7,310 (a)	10,655 (b)	(5,605)
Equity in loss of affiliate	(2,913)			(2,913)
Foreign currency gain	1,535	(1,535) (a)		
Gain in joint venture	153	941 (a)		1,094
Gain on sale of investments, net	6,191			6,191
Other, net	1,261	(193) (a)		1,068
Income from continuing operations before provision for income taxes and minority interests	5,762	4,608	10,655	21,025
Provision for income taxes	2,314	1,993	3,783	8,089
Minority interests	144	(422)		(278)
Income from continuing operations	\$ 3,592	\$ 2,194	\$ 6,872	\$ 12,658
Earnings per share of Common Stock from continuing operations:				
Basic	\$ 0.16			\$ 0.58
Diluted	\$ 0.14			\$ 0.48
Weighted average number of shares outstanding:				
Basic	21,989,782			21,989,782
Diluted	26,281,801			26,281,801

\* Revenues and cost of goods sold include excise taxes of \$57,161 for the six months ended June 30, 2000.

(a) To record sale of Western Tobacco Investments by Brooke (Overseas).

(b) To eliminate interest expense and original issue discount associated with the BGLS notes.

## VECTOR GROUP LTD. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	JUNE 30, 2000				
	PRO FORMA ADJUSTMENTS				
	HISTORICAL	NEW VALLEY	SALE OF WESTERN TOBACCO INVESTMENTS	BGLS NOTES RETIREMENT	PRO FORMA
<b>ASSETS:</b>					
Cash and cash equivalents .....	\$ 33,046	\$ 57,208(a)	\$194,886(a)(c)	\$(113,053)(d)	\$ 172,087
Receivables from clearing broker .....	13,594				13,594
Investment securities available for sale ..	36,756				36,756
Trading securities owned .....	13,589				13,589
Accounts receivable - trade .....	20,773		(11,743)(a)		9,030
Other receivables .....	1,993				1,993
Inventories .....	55,683		(21,226)(a)		34,457
Restricted assets .....	787				787
Deferred income taxes .....	59,268		(53,748)(a)		5,520
Other current assets .....	5,600		(2,784)(a)		2,816
<b>Total current assets .....</b>	<b>241,089</b>	<b>57,208</b>	<b>105,385</b>	<b>(113,053)</b>	<b>290,629</b>
Property, plant and equipment, net .....	166,765		(121,571)(a)		45,194
Investments in real estate, net .....	54,665				54,665
Long-term investments, net .....	7,794				7,794
Investment in joint venture .....	41,316	(4,983)(a)			36,333
Restricted assets .....	4,101				4,101
Deferred income taxes .....	9,216				9,216
Other assets .....	5,984		(1,653)(a)		4,331
<b>Total assets .....</b>	<b>\$ 530,930</b>	<b>\$ 52,225</b>	<b>\$ (17,839)</b>	<b>\$(113,053)</b>	<b>\$ 452,263</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT):</b>					
<b>Current liabilities:</b>					
Current portion of notes payable and long-term debt .....	\$ 161,347		(48,093)(a)	(102,501)(d)	10,753
Margin loan payable .....	5,397				5,397
Accounts payable .....	49,229		(40,938)(a)		8,291
Securities sold, not yet purchased .....	976				976
Accrued promotional expenses .....	24,561				24,561
Accrued taxes payable .....	50,172		(2,558)(a)		47,614
Deferred income taxes .....	2,364				2,364
Accrued interest .....	8,118		(339)(a)	(7,775)(d)	4
Prepetition claims and restructuring accruals .....	11,951				11,951
Other accrued liabilities .....	45,778		(3,174)(a)(c)		42,604
<b>Total current liabilities .....</b>	<b>359,893</b>		<b>(95,102)</b>	<b>(110,276)</b>	<b>154,515</b>
Notes payable, long-term debt and other obligations, less current portion .....	48,060		(10,221)(a)(c)		37,839
Noncurrent employee benefits .....	14,106				14,106
Deferred income taxes .....	117,230				117,230
Other liabilities .....	88,937		(42,653)(a)		46,284
Minority interests .....	41,745	23,162(a)			64,907
<b>Commitments and contingencies</b>					
<b>Stockholders' equity (deficit):</b>					
Common stock, par value \$0.10 per share, authorized 100,000,000 shares, issued 27,822,779 shares, outstanding 21,989,782 .....	2,199				2,199
Additional paid-in capital .....	185,511				185,511
Deficit .....	(298,793)	29,063(b)	130,137(b)	(2,777)(d)	(142,370)
Accumulated other comprehensive income ....	3,258				3,258
Other .....	(3,743)				(3,743)
Less treasury stock .....	(27,473)				(27,473)
<b>Total stockholders' equity (deficit) ..</b>	<b>(139,041)</b>	<b>29,063</b>	<b>130,137</b>	<b>(2,777)</b>	<b>17,382</b>
<b>Total liabilities and stockholders' equity (deficit) .....</b>	<b>\$ 530,930</b>	<b>\$ 52,225</b>	<b>\$ (17,839)</b>	<b>\$(113,053)</b>	<b>\$ 452,263</b>

- (a) To record sale of Western Tobacco Investments by Brooke (Overseas).  
(b) To record gain on sale of Western Tobacco Investments.  
(c) To record payment of various liabilities of Brooke (Overseas) Ltd.  
(d) To record retirement of BGLS notes, eliminate accrued interest and original issue discount associated with the notes.



(c) The following Exhibits are provided in accordance with the provisions of Item 601 of Regulation S-K and are filed herewith unless otherwise noted.

EXHIBIT INDEX

- 10.1 Purchase and Sale Agreement, dated as of June 14, 2000, between Gallaher Overseas and Brooke (Overseas) (incorporated by reference to Exhibit 10.1 in Vector's Form 8-K dated June 14, 2000).
- 10.2 Guaranty, dated as of June 14, 2000, by Vector in favor of Gallaher Overseas (incorporated by reference to Exhibit 10.2 in Vector's Form 8-K dated June 14, 2000).
- 10.3 Amendment to Purchase and Sale Agreement, dated as of August 4, 2000, between Gallaher Overseas and Brooke (Overseas).



SIGNATURE

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

VECTOR GROUP LTD.

By: /s/ JOSELYNN D. VAN SICLEN

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Joselynn D. Van Siclen  
Vice President and Chief Financial Officer

Date: August 18, 2000

## AMENDMENT TO PURCHASE AND SALE AGREEMENT

THIS AMENDMENT TO PURCHASE AND SALE AGREEMENT, dated as of August 4, 2000 (this "Amendment"), between GALLAHER OVERSEAS (HOLDINGS) LIMITED, a private limited company incorporated under the laws of England ("Buyer"), and BROOKE (OVERSEAS) LTD., a Delaware corporation ("Seller").

## W I T N E S S E T H:

WHEREAS, pursuant to a Purchase and Sale Agreement dated as of June 14, 2000 (the "Agreement") between Buyer and Seller, Seller has agreed to sell, and Buyer has agreed to purchase, all of the issued and outstanding membership interests (the "Membership Interests") of Western Tobacco Investments LLC, a Delaware limited liability company (the "Company"); and

WHEREAS, Seller and Buyer desire to amend certain provisions of the Agreement as hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements hereinafter contained, the parties hereto do hereby agree as follows:

1. REFERENCES TO AGREEMENT; DEFINED TERMS. Unless the context requires otherwise, every reference in the Agreement to the term "this Agreement" shall be deemed to mean the Agreement as amended by this Amendment thereto. Except as otherwise defined herein, the capitalized terms used herein shall have the meanings set forth in the Agreement.

2. PURCHASE PRICE OF THE MEMBERSHIP INTERESTS. Section 1.01 of the Agreement is amended by deleting the second, third and fourth sentences thereof and substituting the following text in their place:

"A portion of the Purchase Price equal to the Seller Indebtedness Payment (as defined in Section 1.03) shall be paid at the Closing to the Collateral Agent (as defined in Section 1.03). The portion of the Purchase Price payable at the Closing to Seller, and the remainder thereof payable to the Collateral Agent, shall be paid by Buyer by wire transfer in immediately available funds to accounts designated by Seller and the Collateral Agent to Buyer in writing at least one business day prior to the Closing. Seller shall deliver to Buyer at the Closing certificates for all the Membership Interests duly endorsed or with duly executed stock powers attached."

3. THE CLOSING. Section 1.02 of the Agreement is amended by deleting the words "July 31, 2000" and substituting therefor the words "August 4, 2000".

4. SELLER INDEBTEDNESS PAYMENT. Section 1.03 of the Agreement is hereby deleted in its entirety and the following text is hereby inserted in its place:

"(a) For purposes of this Agreement, "Seller Indebtedness Payment" means all amounts necessary to redeem all issued and outstanding Securities (as defined in the Indenture dated as of January 1, 1996 (the "Indenture") between BGLS Inc. ("BGLS") and State Street Bank and Trust Company, as successor to Fleet National Bank of Massachusetts (the "Trustee")) secured by the Pledged Membership Interests on the 30th day following the Closing Date or if such day is not a business day, then on the next following business day (the "Redemption Date"). For the purposes of this Agreement, the "Pledged Membership Interests" shall mean the 50.1% of the Membership Interests that are pledged pursuant to the Amended and Restated Pledge Agreement dated as of February 9, 1999 between Seller, U.S. Bank Trust National Association (the "Collateral Agent") and the other parties thereto.

(b) Not later than three business days prior to the Closing, Seller shall deliver to Buyer a statement setting forth the amount of the Seller Indebtedness Payment. On or prior to the Closing Date, Seller shall cause BGLS to give such notice to the Trustee and the Holders (as defined in the Indenture) and to take such other action as may be required by the Indenture for the redemption of the Securities to take place on the Redemption Date. For Purposes of this Agreement, a "business day" shall mean any day other than a Saturday, Sunday or other day on which commercial banks located in New York City and London are authorized or required to be closed."

5. REPRESENTATIONS AND WARRANTIES OF SELLER. (a) Section 2.23 of the Agreement is amended by deleting in the first sentence thereof the dollar amount "\$8,800,000" and substituting therefor the dollar amount "\$10,800,000".

(b) Section 2.28 of the Agreement is amended by deleting in the second sentence thereof the words "materially adversely affect" and substituting therefor the words "have resulted in a Material Adverse Effect".

6. CONDUCT OF BUSINESS. Section 5.01 of the Agreement is amended by deleting in Subsections (iv), (vi) and (ix) thereof the dollar amount "\$8,800,000" and substituting therefor the dollar amount "\$10,800,000".

7. INDEMNIFICATION FOR THE TRADEMARK CLAIMS. (a) Article IX of the Agreement is amended by renumbering Section 9.05 thereof as Section 9.06 thereof.

(b) Article IX of the Agreement is amended by adding a new Section 9.05 thereto immediately following Section 9.04 thereof and immediately preceding Section 9.06 thereof, such Section 9.05 to read as follows:

9.05. INDEMNIFICATION AND PROCEDURES FOR THE TRADEMARK CLAIMS.

In addition to, and not by way of limitation of, the other provisions of this Article (which shall be deemed superseded to the extent inconsistent herewith) regarding indemnification for third party claims, with respect to any claims, proceedings, actions or settlements related to the matters identified in Exhibit E hereto (the "Trademark Claims"), Seller and Buyer agree that (a) from and after the Closing Buyer will assume the defense of the Trademark Claims, and will have the right to settle any and all such matters; PROVIDED, HOWEVER, that Seller will be advised promptly of all developments and no settlement of the Trademark Claims shall be made by Buyer without the prior written consent of Seller, which consent shall not be unreasonably withheld or delayed; and (b) Seller shall indemnify Buyer and Buyer's Affiliates for Losses incurred or sustained by Buyer and Buyer's Affiliates which shall arise out of or result from the Trademark Claims, including any and all amounts that are accrued or paid by the Company or any of the Subsidiaries in respect of the Trademark Claims and the defense or settlement thereof (including all fees and expenses of legal counsel to the Company or any of the Subsidiaries), whether incurred prior to or subsequent to the Closing, and any such Losses will be treated in all respects as if they were Losses recoverable under Section 9.01(a) after the \$7,000,000 threshold amount referred to therein is exceeded by such Losses aggregated with any other Losses covered under Section 9.01(a).

8. AMENDMENTS TO SCHEDULES. (a) Schedule 2.10 is amended by deleting in the last sentence thereof the dollar amount "\$8.8 million" and substituting therefor the dollar amount "\$10.8 million";

(b) Each of Schedules 2.14 and 2.17 is amended by including the matters set forth in Exhibit E hereto;

(c) Schedule 2.14 is further amended by deleting and adding the matters set forth in Part A of the Schedule Supplement attached hereto.

(d) Schedule 2.16(xiv)(a) is amended in its entirety by substitution therefor of Schedule 2.16(xiv)(a) attached hereto.

(e) Schedule 2.20 is amended by adding the matters set forth in Part B of the Schedule Supplement attached hereto.

(f) Schedule 2.22 is amended in its entirety by substitution therefor of Schedule 2.22 attached hereto.

(g) Schedule 2.23 is amended by adding the matters set forth in Part C of the Schedule Supplement attached hereto.

(h) Exhibit E, attached hereto, is added to the Agreement.

9. GOVERNING LAW. This Amendment shall be construed and interpreted in accordance with and governed by the internal laws of the State of New York without regard to conflicts of laws principles.

10. COUNTERPARTS. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

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11. FULL FORCE AND EFFECT. Except as amended hereby, the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective officers thereunto duly authorized as of the date first above written.

GALLAHER OVERSEAS (HOLDINGS) LIMITED

By /s/ NIGEL P. BULPITT

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Name: Nigel P. Bulpitt  
Title: Director

BROOKE (OVERSEAS) LTD.

By /s/ RICHARD J. LAMPEN

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Name: Richard J. Lampen  
Title: Executive Vice President