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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): September 27, 2005

**Vector Group Ltd.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State of other jurisdiction  
of incorporation)

**1-5759**

(Commission  
File Number)

**65-0949535**

(IRS 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)

**N/A**

(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 (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- 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))
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### **Item 1.01 Entry into a Material Definitive Agreement**

On September 27, 2005, Howard M. Lorber, 57, was named Chief Executive Officer of the Vector Group Ltd. (the "Company"). Mr. Lorber has served as the Company's President and Chief Operating Officer and as a Director since January 2001, and has been a consultant to the Company since 1994. He will continue to serve as President and as a Director. Bennett S. LeBow, 67, who has served as Chief Executive Officer of Vector Group since 1990, has been named Executive Chairman of the Board and will continue to work closely with the Company's management team. These new appointments are effective January 1, 2006.

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

In addition, on September 27, 2005, Mr. Lorber was awarded a restricted stock grant of 500,000 shares of the Company's common stock pursuant to the Company's Amended and Restated 1999 Long-Term Incentive Plan. In connection with the grant, the Company entered into a Restricted Share Award Agreement (the "Restricted Share Agreement") with Mr. Lorber on that date. Pursuant to the Restricted Share Agreement, one-fourth of the shares vest on September 15, 2006, with an additional one-fourth vesting on each of the three succeeding one-year anniversaries of the first vesting date through September 15, 2009. In the event Mr. Lorber's employment with the Company is terminated for any reason other than his death, his disability or a change of control (as defined in the Restricted Share Agreement) of the Company, any remaining balance of the shares not previously vested will be forfeited by Mr. Lorber.

The summary of the foregoing transactions are qualified in their entirety by reference to the text of the Amended Employment Agreement and Restricted Share Agreement, which are included as exhibits hereto and incorporated herein by reference.

### **Item 3.03 Unregistered Sales of Equity Securities**

See Item 1.01, which is incorporated herein by reference.

### **Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.**

See Item 1.01, which is incorporated herein by reference.

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

### **Item 9.01 Financial Statements and Exhibits**

#### **(d) Exhibits**

- 10.1 Amended and Restated Employment Agreement, dated as of September 27, 2005, between Vector Group Ltd. and Bennett S. LeBow.
- 10.2 Restricted Share Award Agreement, dated as of September 27, 2005, between Vector Group Ltd. and Howard M. Lorber.
- 99.1 Press Release dated as of September 27, 2005.

**SIGNATURES**

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

Joselynn D. Van Siclen

Vice President and Chief Financial Officer

Date: September 28, 2005

## AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement is made and entered into as of September 27, 2005 by and between Vector Group Ltd., a Delaware corporation (together with its direct and indirect successors, the "Company"), and Bennett S. LeBow ("Executive").

WHEREAS, Brooke Group Ltd., a predecessor to the Company, previously entered into an Employment Agreement with Executive dated as of February 21, 1992, as amended as of July 20, 1998 (the "Current Employment Agreement"); and

WHEREAS, the Company and Executive desire to amend and restate the Current Employment Agreement, effective as of January 1, 2006 (as so amended and restated, this "Agreement") to provide for a continuing relationship. Prior to January 1, 2006, the Current Employment Agreement will remain in full force and effect.

NOW THEREFORE, the Company and Executive do hereby agree as follows:

1. **EMPLOYMENT.** Effective as of January 1, 2006, the Company agrees to employ Executive as its Executive Chairman of the Board. Executive shall have in such position all of the duties, responsibilities and powers afforded to the Executive Chairman of the Board under the Amended and Restated Certificate of Incorporation and By-laws of the Company, as in effect from time to time. Executive agrees to devote substantial services to the Company and to render the best services and efforts that he is capable of in connection with the performance of such duties and responsibilities. Executive shall at all times comply with Company policies as established by the Board.
2. **PERSONAL ACTIVITIES OF EXECUTIVE.** Notwithstanding anything to the contrary contained in this Agreement, nothing in this Agreement shall preclude Executive from devoting reasonable periods of time to: (i) serving as a director or member of a committee of any organization which does not involve a material conflict of interest with the interests of the Company; (ii) engaging in charitable and community activities; or (iii) managing his personal investments; provided, however, that such activities do not interfere with the performance of his employment duties and responsibilities under this Agreement.
3. **EMPLOYMENT TERM.** The employment relationship created by this Agreement shall commence as of January 1, 2006 and shall continue until December 30, 2008, unless sooner terminated pursuant to the provisions of Section 5 below (the "Employment Term").
4. **EMPLOYMENT COMPENSATION.**
  - (a) In consideration for all employment services rendered to the Company under this Agreement, the Company agrees to pay to Executive an annual salary at a rate of \$3,950,000 minus the base salary paid to Executive for such year under Executive's employment agreement with New Valley Corporation (as in effect from time to time, "Base Salary"). Such annual salary shall be payable in accordance with the Company's regular payroll procedures.
  - (b) During the Employment Term, Executive shall be entitled to participate in any and all employee welfare and health benefit plans (including, but not

limited to, life insurance, medical, dental and disability plans) established by the Company from time to time for the general and overall benefit of executives of the Company. Nothing herein contained shall be construed as requiring the Company to establish or continue any particular benefit plan in discharge of its obligations hereunder.

- (c) The Company will reimburse Executive, upon receipt of appropriate documentation, for reasonable business expenses, including first-class air travel and lodging, which he properly incurs in the performance of his duties hereunder and in accordance with written policies established from time to time by the Company for such reimbursements.
- (d) During the Employment Term, the Executive's principal place of employment shall be New York City or Miami, Florida and the Company shall provide to Executive (i) a furnished office and secretarial assistance comparable to Executive's current arrangements and (ii) a furnished office at the Company's executive offices for the use of personal employees of Executive.
- (e) Executive shall be entitled to five weeks per annum paid vacation during the Employment Term. In addition, Executive shall be entitled to use certain Company-owned aircraft, in the course of discharging his responsibilities and obligations hereunder, and for such other business and personal purposes as Executive, in his sole discretion, shall deem appropriate; provided, however, that Executive shall reimburse the Company for any personal use of such aircraft in accordance with the Company's Corporate Aircraft Policy in effect from time to time.
- (f) With respect to Executive's participation in the Vector Group Ltd. Supplemental Retirement Plan (as in effect on the date hereof or as amended if more favorable to Executive) (the "SERP"): (x) Executive's "normal retirement date" under the SERP shall be the January 1 following Executive's completion of 7 "years of participation" with the Company or an adopting employer (with service from January 1, 2008 through December 30, 2008 constituting a full year of participation); (y) notwithstanding Section 6.2 of the SERP, the Company shall establish a separate trust for the benefit of Executive that is not subject to the claims of the Company's creditors and shall make a contribution to such trust of \$125,000 quarterly during each year of the Employment Term, which contributions shall be invested as determined by the Company; and (z) a proportionate part of each payment to or on behalf of the Executive pursuant to Section 5 of the SERP shall be made from the assets of such trust.

5. TERMINATION OF EMPLOYMENT.

- (a) Method of Termination. The employment relationship created by this Agreement may be terminated prior to December 30, 2008 as follows:
  - (i) Immediately upon the death of Executive.
  - (ii) By the Company, in the event Executive becomes disabled. For the purposes of this Agreement, "disabled" shall mean any mental or physical impairment or incapacity rendering Executive substantially unable to perform his duties under this Agreement for a period of longer than 180 days out of any 360-day period

during the Employment Term. A determination of whether Executive is disabled shall be made by the Board of Directors of Company in its reasonable discretion.

- (iii) By the Company, upon the giving of at least 30 days prior written notice, in the event Executive resigns or refuses or neglects, in any material respect, to attend to the performance of his duties and responsibilities in accordance with the provisions of this Agreement (other than by reason of illness or disability as described in Section 5(a)(ii) above); provided, however, that Executive shall have 30 days after receipt of such notice to cure such refusal or failure, and if such cure is made no termination shall occur.
- (iv) By the Company, for cause (meaning, for purposes hereof, an act of fraud or dishonesty by Executive which constitutes a violation of the penal law of the State of New York and which results in gain or personal enrichment of Executive at the expense of the Company or any entity affiliated therewith), effective immediately.
- (v) By the Company, upon the giving of at least 30 days prior written notice, without cause.
- (vi) By Executive, upon the giving of at least 30 days prior written notice, in the event of a material breach by the Company of any of its material obligations under this Agreement; provided, however, that the Company shall have 30 days after receipt of such notice to cure such breach, and if such cure is made no termination shall occur.
- (vii) By Executive upon a change in control of the Company. For purposes of this Agreement, a "change in control" shall mean the acquisition by any person (other than the Executive) of beneficial ownership of 50% or more of the common stock of the Company or the sale or transfer of 50% or more of the assets of the Company; provided, however, that Executive shall not be entitled to the benefits of this Section 5(a)(vii) in the event that such a change in control is caused directly by Executive through the sale of common stock of which he is the beneficial owner without the approval of the Board of Directors of the Company.

Any termination of Executive's employment pursuant to Sections 5(a)(i), 5(a)(ii), 5(a)(iii), 5(a)(v), 5(a)(vi) or 5(a)(vii) above shall be deemed a "Retirement" for purposes of this Agreement.

- (b) Termination Compensation. The following provisions shall apply in the event of the termination of the employment relationship created by this Agreement:
  - (i) In the event of a termination pursuant to Section 5(a)(i) above, the Company shall pay to Executive's executor or administrator, as the case may be, the annual Base Salary in effect immediately prior to such termination through December 30, 2008, and such additional payments relating to death, retirement or other matters as may be determined to be appropriate by the



Board of Directors of the Company or an authorized committee thereof. In addition, Executive shall have the rights regarding Retirement as described in Section 5(b)(vi) below.

- (ii) In the event of a termination pursuant to Section 5(a)(ii) above, the Company shall pay to Executive (or his legal guardian, as the case may be) the annual Base Salary and provide the employee benefits in effect immediately prior to such termination through December 30, 2008, and such additional payments relating to disability, retirement or other matters as may be determined to be appropriate by the Board of Directors of the Company or an authorized committee thereof. In addition, Executive shall have the rights and obligations regarding Retirement as described in Section 5(b)(vi) below.
- (iii) In the event of a termination pursuant to Sections 5(a)(iii) or 5(a)(iv) above or any termination by Executive other than pursuant to Section 5(a)(vi) above, the Company shall pay to Executive his annual Base Salary and provide the employee benefits in effect immediately prior to such termination through the effective date of such termination. In addition, in the event of a termination pursuant to Section 5(a)(iii) above, the Executive shall have the rights and obligations regarding Retirement as described in Section 5(b)(vi) below.
- (iv) In the event of a termination pursuant to Sections 5(a)(v) or 5(a)(vi) above, the Company shall pay to Executive the annual Base Salary and provide the employee benefits in effect immediately prior to such termination through December 30, 2008. In addition, Executive shall have the rights and obligations regarding Retirement as described in Section 5(b)(vi) below.
- (v) In the event of a termination pursuant to Section 5(a)(vii) above, the Company shall, within 30 days after such termination, pay to Executive a lump sum amount in cash equal to his annual Base Salary in effect immediately prior to such termination through December 30, 2008, and Executive shall have no obligation to consult with the Company pursuant to Section 6(a) below. In addition, Executive shall have the rights and obligations regarding Retirement as described in Section 5(b)(vi) below.
- (vi) If a termination of Executive's employment is deemed a Retirement for purposes of this Agreement, such termination shall constitute one of the following events, as appropriate, under the SERP: in the event of a termination under Section 5(a)(i) above, the death of Executive under Section 4.3 of the SERP; and under Section 5(a)(ii) above, the Disability of Executive under Section 4.2 of the SERP; and under Sections 5(a)(iii), 5(a)(v), 5(a)(vi), 5(a)(vii) above, the termination of Executive without cause under Section 4.4 of the SERP. Any payment required to be made to Executive hereunder upon his termination of employment shall be made promptly after the six month anniversary of Executive's date of termination to the extent necessary to avoid imposition on Executive of any tax penalty imposed under Section 409A of the Internal Revenue Code of 1986, as amended.

(vii) Executive shall not be obligated to mitigate any payments due from the Company under this Agreement or any damages he may suffer as a result of a breach or termination of this Agreement by the Company, and there shall be no set-off to any of the Company's obligations of payment under this Agreement for any reason whatsoever.

6. CONSULTING.

- (a) Consulting. Executive agrees that for a period of five years following his termination of service for any reason other than pursuant to Sections 5(a)(i), 5(a)(ii), 5(a)(iv), 5(a)(vi) or 5(a)(vii) above, (unless such period is extended by the parties hereto, or shortened by Executive's death or his total and permanent inability to provide the services set forth in this Section 6(a)) (such period, as may be so extended or shortened, the "Consulting Term"), when and as requested by the Chief Executive Officer of the Company and subject to his reasonable availability, for up to 15 days per year, he shall provide consulting services and advice to the Company and shall assist and provide testimony in legal proceedings involving the Company or its affiliates.
- (b) Fees and Expenses. In return for Executive's willingness to continue to help create value for the Company's shareholders during his Retirement, and in return for the foregoing commitments by Executive, the Company shall pay Executive, for consulting services performed at the request of the Chief Executive Officer of the Company, a daily fee of \$17,000 for each day, or portion thereof, that Executive so renders services, and, in the course of providing such services, Executive shall be entitled to use certain Company-owned aircraft in accordance with the Company's Corporate Aircraft Policy. The Company shall also reimburse Executive, upon the receipt of appropriate documentation, for reasonable business expenses, including first class air travel and lodging, which he properly incurs in providing such services and in accordance with written policies established by the Company for such reimbursements.
- (c) Status. In providing the services under Section 6(a) above, Executive shall be acting in the capacity of an independent contractor and not as an employee or agent of the Company. During the Consulting Term, Executive shall not be eligible to participate in any employee benefit plan or program maintained by the Company or any of its affiliates for its or their employees.

7. COVENANTS.

- (a) Covenants. During the Employment Term and, except as explicitly provided below, for the five-year period following the end of the Employment Term, Executive agrees to the following covenants:
  - (i) Not to engage in any business in which the Company or its affiliates is engaged (including by performing services for or soliciting to perform services for, directly or indirectly, either personally or as an employee, agent, partner, service member, stockholder, investor, officer or director of, or consultant to, any entity or person) and not to otherwise engage in conduct that is in material competition with the Company or its affiliates; it being understood that (x) for purposes of this Section 7(a)(i), Executive

shall not be deemed to be a stockholder or investor in a competing entity if his record and beneficial ownership amount to not more than 5% of the outstanding capital stock of any company subject to the periodic and other reporting requirements of the Securities Exchange Act of 1934, as amended, and (y) after the end of the Employment Term, the requirements of this Section 7(a)(i) shall apply only to the U.S. tobacco business and to residential real estate brokerage activities in New York;

- (ii) For the 3 years after the end of the Employment Term, not to, directly or indirectly hire or attempt to hire or induce any employee of the Company or its affiliates to be employed or perform services elsewhere (or solicit to perform services elsewhere);
- (iii) Not to engage in conduct that is materially injurious to the Company or its affiliates, monetarily or otherwise; and
- (iv) Not to disclose or misuse any confidential information pertaining to the Company or its affiliates, except as is required to be disclosed by Executive (x) pursuant to judicial process, (y) to any government or agency or department of any government or (z) pursuant to applicable law;

provided, however, that a departure from any of the foregoing covenants where such departure is inadvertent and isolated and is promptly cured upon written notice (if such departure is susceptible to cure) shall not constitute a breach of such covenant for purposes of this Agreement.

- (b) Effect of a Breach. If it is determined that Executive has breached any covenant set forth in Section 7(a) above, then, in addition to any right or remedy that the Company has available, the Company shall have the right to obtain an injunction from any court of competent jurisdiction restraining such breach and to specific performance of such covenant. Executive further agrees that no bond or other security will be required in obtaining such equitable relief, and he hereby consents to the issuance of such injunction and to the ordering of specific performance; provided, however, that such consent shall neither limit the right of Executive to contest the validity or propriety of any such determination nor create any presumption that he has, in fact, breached such covenant.
- (c) Determination of a Breach. For purposes of Section 7(b) above, determination that a breach of any of the covenants set forth in Section 7(a) above has occurred may only be made (x) by the Board of Directors of the Company and (y) after Executive is afforded the opportunity to be heard with counsel.
- (d) Continued Perquisites. In consideration of and subject to Executive's compliance with his commitments set forth in Section 6(a) above and with the covenants set forth in Section 7(a) above, commencing upon Retirement and for the remainder of the Consulting Term, Executive shall have access to and use of each of the following Company facilities and services comparable to those provided to him prior to his Retirement, and on the same basis as such facilities and services were provided to him prior to his Retirement: office (in a location reasonably selected by

the Board of Directors of the Company) and secretarial assistance. The Company's obligations set forth in this Section 7(d) shall apply irrespective of Executive's lack of capacity subsequent to his Retirement to perform services under this Agreement.

8. MISCELLANEOUS.

- (a) Amendment; Entire Agreement. Except as maybe explicitly provided for in any other agreement between the Company and Executive which specifically references this Agreement and explicitly expresses an intention to amend, supplement or clarify this Agreement, this Agreement constitutes the entire understanding between the parties to this Agreement with respect to the subject matter of this Agreement and supersedes all previous oral and written negotiations, commitments, writings and understandings of the parties hereto with respect to the matters described in this Agreement, including, without limitation, the Current Employment Agreement, but excluding to the extent not expressly modified by the provisions of this Agreement, the SERP.
- (b) Governing law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the state of New York (disregarding any choice of law rules which might look to the laws of any other jurisdiction).
- (c) Notices. All notices to be delivered pursuant to the provisions of this Agreement shall be given by notice in writing, hand delivered or sent by registered or certified mail, to the parties hereto at the following addresses:

To the Company:

Vector Group Ltd.  
100 SE Second Street  
Miami, FL 33131

Attention: Office of the General Counsel

To Executive:

Bennett S. LeBow  
[                                 ]  
[                                 ]

Addresses may be changed by notice in writing signed by the addressee and delivered to the other party.

- (d) Severability. Each provision of this Agreement is intended to be severable. If any term or provision of this Agreement shall be determined by a court of competent jurisdiction to be illegal or invalid for any reason whatsoever then such provision shall be severed from this Agreement, shall not affect the validity of the remainder of this Agreement and shall be replaced by a provision reflecting, to the extent legally permissible, the original intent of the parties hereto.

- (e) No Waiver. No course of dealing and no delay on the part of either party hereto in exercising any right, power or remedy under or relating to this Agreement shall operate as a waiver thereof or otherwise prejudice such party's rights, powers and remedies. No single or partial exercise of any rights, powers or remedies under or relating to this Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power or remedy.
- (f) Counterparts. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument, and all signatures need not appear on any one counterpart.
- (g) Legal Fees. The Company shall promptly reimburse Executive for reasonable attorneys' fees and expenses incurred by the Executive in connection with the negotiation and execution of this Agreement, subject to a limit of \$50,000.
- (h) Withholding. All payments required to be made to Executive by the Company hereunder (other than amounts paid pursuant to Section 6(a)) shall be subject to any applicable withholding under any applicable Federal, state or local law.

IN WITNESS WHEREOF, the parties hereto have executed this Amended and Restated Employment Agreement as of the day and year first above written.

/s/Bennett S. LeBow  
\_\_\_\_\_  
Bennett S. LeBow

VECTOR GROUP LTD.  
/s/ Howard M. Lorber  
\_\_\_\_\_  
By: Howard M. Lorber  
Title: President and Chief Operating Officer  
WITNESS  
/s/ Robert J. Eide  
\_\_\_\_\_  
Robert J. Eide

RESTRICTED SHARE AWARD AGREEMENT

PURSUANT TO THE VECTOR GROUP LTD.  
AMENDED AND RESTATED 1999 LONG-TERM INCENTIVE PLAN

THIS RESTRICTED SHARE AWARD AGREEMENT, effective as of September 27, 2005, by and between Vector Group Ltd., a Delaware corporation (the "Company"), and Howard M. Lorber (the "Executive").

WITNESSETH:

A. WHEREAS, the Executive serves as President and Chief Operating Officer of the Company, pursuant to an employment agreement dated as of January 17, 2001 (the "Employment Agreement");

B. WHEREAS, on the date hereof, the Board of Directors of the Company has elected the Executive to serve as President and Chief Executive Officer of the Company effective January 1, 2006; and

C. WHEREAS, the Company wishes to retain the Executive by awarding him a proprietary interest in the Company through ownership of an equity interest therein, which interest shall be subject to the restrictions on vesting and transferability hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, the Company and the Executive hereby agree as follows:

1. Share Award.

Subject to the terms and conditions of this Agreement, the Company hereby grants to the Executive 500,000 shares (collectively, the "Award Shares") of its Common Stock, \$.10 par value per share (the "Common Stock"), pursuant to the Company's Amended and Restated 1999 Long-Term Incentive Plan as in effect and amended from time to time (the

“Plan”). Except to the extent otherwise provided herein, the Award Shares shall vest in the Executive to the extent of 125,000 shares on September 15, 2006 and an additional 125,000 shares shall so vest on each of the three succeeding one-year anniversaries thereof through and including September 15, 2009.

2. Issuance; Transfer Restrictions.

Certificates for the Award Shares shall be issued in the name of the Executive as soon as practicable after the date hereof, provided the Executive has (i) executed appropriate blank stock powers and any other documents which the Company may reasonably require and (ii) delivered to the Company a check for \$50,000.00, representing the par value of the Award Shares. The certificates for the unvested Award Shares shall be deposited, together with the stock powers, or other documents required by the Company, with the Company. Except to the extent provided in Section 7 hereof or as otherwise provided by the terms of this Agreement, upon deposit of such unvested Award Shares with the Company, the Executive shall have all of the rights of a shareholder with respect to such shares, including the right to vote the shares and to receive all dividends or other distributions, if any, paid or made with respect to such shares. Upon vesting of any portion of the Award Shares, the Company shall cause a stock certificate for such shares to be delivered to the Executive. No interest in this Agreement or in any portion of the Award Shares may be sold, transferred, assigned, pledged, encumbered or otherwise alienated or hypothecated, nor shall certificates for any Award Shares be delivered to the Executive, except to the extent of any portion of the Award Shares that has vested in the Executive in accordance with the terms hereof.

3. Certificates Legended.

In addition to any legend required by Section 8.1 of the Plan, the Executive acknowledges that certificates for the Award Shares shall bear a legend to the following effect:

“THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THEY MAY NOT BE OFFERED OR SOLD IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SUCH ACT, AN AVAILABLE EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION THAT SUCH REGISTRATION IS NOT REQUIRED.”

The Company shall enter in its records a notation of the foregoing legend and of the restrictions on transfer provided therein.

4. Termination of Employment.

Except to the extent provided in Section 5 hereof, in the event the Executive's employment with the Company is terminated for any reason, any remaining balance of the Award Shares not theretofore vested shall be forfeited by the Executive and transferred back to the Company, without payment of any consideration by the Company.

5. Vesting.

In the event of (i) the death or Disability of the Executive or (ii) the occurrence of a Change of Control of the Company, any remaining balance of the Award Shares not theretofore vested in the Executive shall vest immediately in the Executive. For purposes of this Agreement, the term "Change of Control" is as defined in Section 6(f) of the Employment Agreement, other than any Change of Control arising by reason of a testamentary bequest by Bennett S. LeBow to or for the benefit of his surviving spouse of any or all securities of the Company beneficially owned by him as of his date of death so long as, following the bequest, the event referenced in Section 6(f)(ii) of the Employment Agreement shall not have occurred.

6. Adjustment of Award Shares.

In the event of any change in the outstanding shares of the same class of shares of the Company as the Award Shares by reason of a stock dividend, recapitalization, merger, consolidation, split-up, subdivision, contribution or exchange of shares, or the like, the aggregate number and kind of Award Shares shall be proportionately adjusted by the Company.



7. Dividend Payments.

With respect to any unvested portion of the Award Shares, the Executive shall be entitled to receive a payment equal to the amount that would otherwise have been paid on or after the date hereof as dividends or other distributions on the Award Shares had such unvested portion been vested in the Executive as of the record date for such dividend or other distribution, provided such payment shall only be made to the Executive at the time of vesting of the unvested portion of the Award Shares on which such dividend or other distribution was paid.

8. Limitations.

Nothing in this Agreement shall be construed to provide the Executive any rights whatsoever with respect to the Award Shares except as specifically provided herein, or constitute evidence of any agreement or understanding, express or implied, that the Company shall employ the Executive other than as provided in the Employment Agreement.

9. Investment Intent.

The Executive is acquiring the Award Shares solely for his own account for investment and not with a view to or for sale in connection with any distribution of the Award Shares or any portion thereof and not with any present intention of selling, offering to sell or otherwise disposing of or distributing the Award Shares or any portion thereof in any transaction other than a transaction registered under or exempt from registration under the Securities Act of 1933, as amended. The Executive further represents that the entire legal and beneficial interest of the Award Shares shall be held (subject to the terms hereof) for the Executive's account only and neither in whole or in part for any other person.

10. Tax Withholding.

The Company may, in its discretion, require the Executive to pay to the Company, at the time any portion of the Award Shares vests in the Executive or any amounts are paid under Section 7, an amount that the Company deems necessary to satisfy its obligations to withhold federal, state or local income or other taxes incurred by reason thereof.

11. Incorporation by Reference; Plan Document Receipt.

This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly intended not to apply to the award provided hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if they were expressly set forth herein. Any capitalized term not defined in this Agreement shall have the same meaning as is ascribed thereto in the Plan. The Executive hereby acknowledges receipt of a true copy of the Plan and that the Executive has read the Plan carefully and fully understands its content. In the event of a conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control.

12. Miscellaneous.

a. The parties agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

b. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or overnight delivery service or mailed within the continental United States by first class, certified mail, return receipt requested, to the applicable party and addressed as follows:

if to the Company:

Vector Group Ltd.  
100 S.E. Second Street, 32nd Floor  
Miami, Florida 33131

Attn: Vice President  
and General Counsel

if to the Executive:

Howard M. Lorber  
[                             ]  
[                             ]  
[                             ]

Addresses may be changed by notice in writing signed by the addressee.

c. This Agreement shall not entitle the Executive to any preemptive rights to subscribe to any securities of any kind hereinafter issued by the Company.

d. This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on the Executive herein set forth, be binding upon and inure to the benefit of the Executive, his heirs, executors, administrators, successors and assigns.

e. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Board or the Committee shall have the right, in its sole discretion, to modify or amend this Agreement from time to time in accordance with and as provided in the Plan; provided, however, that no such modification or amendment shall materially adversely affect the rights of the Executive under this Agreement without the consent of the Executive. The Company shall give notice to the Executive of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof. This Agreement may also be modified or amended by a writing signed by both the Company and the Executive.

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

VECTOR GROUP LTD.

By: /s/ Richard J. Lampen

Richard J. Lampen  
Executive Vice President

/s/ Howard M. Lorber

Howard M. Lorber

FOR IMMEDIATE RELEASE

Contact: Paul Caminiti/Brandy Bergman/Carrie Bloom  
Citigate Sard Verbinnen  
212/687 — 8080

**VECTOR GROUP NAMES HOWARD M. LORBER CHIEF EXECUTIVE OFFICER;  
BENNETT S. LEBOW BECOMES EXECUTIVE CHAIRMAN**

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**MIAMI, FL, September 27, 2005** — Vector Group Ltd. (NYSE: VGR) today announced that Howard M. Lorber, 57, has been named Chief Executive Officer of Vector Group. Mr. Lorber has served as the Company's President and Chief Operating Officer and as a Director since January 2001, and has been a consultant to the Company since 1994. He will continue to serve as President and as a Director.

Bennett S. LeBow, 67, who has served as Chief Executive Officer of Vector Group since 1990, has been named Executive Chairman of the Board and will continue to work closely with the Company's management team. Mr. LeBow has signed a new three-year contract with the Company, running through the end of 2008. These new appointments are effective January 1, 2006.

"I am extremely pleased with Howard's appointment to the Chief Executive position and believe he is the ideal person to lead the Company going forward," said Bennett S. LeBow. "Through his work over the years and his ever-increasing role in the day-to-day operations of the Company, Howard possesses a unique understanding of the opportunities and challenges facing Vector Group. I look forward to continuing to collaborate with Howard and the rest of the management team and have a great deal of confidence in the Company's prospects under Howard's leadership."

Howard Lorber said, "I am honored and excited about the opportunity to serve the Company and our investors in this expanded capacity. I am also gratified to continue working alongside my colleague and friend, Ben LeBow."

Vector Group is a holding company that indirectly owns Liggett Group Inc., Vector Tobacco Inc. and a controlling interest in New Valley Corporation. Additional information concerning the company is available on the company's website, [www.VectorGroupLtd.com](http://www.VectorGroupLtd.com).

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