



November 14, 2012

## **VECTOR ANNOUNCES PROPOSED OFFERING OF VARIABLE INTEREST CONVERTIBLE SENIOR NOTES**

**MIAMI, FL, November 14, 2012** -- Vector Group Ltd. (NYSE: VGR) ("Vector" or the "Company") today announced that it intends to offer and sell, subject to market and other conditions, \$150.0 million aggregate principal amount (or up to an aggregate of \$172.5 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") in a registered public offering (the "Notes Offering").

The Company intends to use the net proceeds received from the 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 Company may also consider using a portion of the proceeds of the Notes Offering to address upcoming debt maturities.

Concurrently with the Notes Offering, the Company intends to lend to Jefferies (in such capacity the "Share Borrower"), pursuant to a share lending agreement, initially up to 7,000,000 shares of the Company's common stock (the "Borrowed Shares"). Jefferies intends to offer in a registered public offering (i) up to 3,500,000 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 3,500,000 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, up to 3,500,000 shares, thus reducing the number of shares outstanding under the share lending agreement by up to 3,500,000 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 7,000,000 shares, but will be increased by 1,000,000 shares in the event any Supplemental Shares are to be sold in subsequent offerings. The Company is entering into the share lending agreement to facilitate hedging transactions related to the Notes Offering. 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 for the use of the Borrowed Shares, which the Company intends to use for general corporate purposes.

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.

Jefferies will act as underwriter for the Notes Offering and the Borrowed Shares Offering. Each of the Notes Offering and the Borrowed Shares Offering may be made only by means of a prospectus supplement and an accompanying prospectus. When available, copies of a preliminary prospectus supplement and the accompanying prospectus relating to the Notes Offering and the Borrowed Shares Offering may be obtained from Jefferies & Company, Inc., Attention: "Equity Syndicate Prospectus Department, 520 Madison Avenue, 12th Floor, New York, NY 10022, by email at [Prospectus\\_Department@Jefferies.com](mailto:Prospectus_Department@Jefferies.com), or by telephone at (877) 547-6340.

This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the Notes, the Borrowed Shares or any other securities, nor will there be any sale of the Notes, the Borrowed Shares or any other securities in any state or jurisdiction in which such an offer, solicitation or sale is not permitted. A registration statement relating to these securities has been filed with the Securities and Exchange Commission (the "SEC") and is effective.

### **Cautionary Note Regarding Forward-Looking Statements**

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Company has tried, whenever possible, to identify these forward-looking statements using words such as "anticipates", "believes", "estimates", "expects", "plans", "intends" and similar expressions. These statements reflect the Company's current beliefs and are based upon information currently available to it. Accordingly, such forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause the Company's actual results, performance or achievements to differ materially from those expressed in, or implied by, such statements.

All information set forth in this press release is as of November 14, 2012. Vector does not intend, and undertakes no duty, to

update this information to reflect future events or circumstances. Risk factors and uncertainties that may cause actual results to differ materially from expected results include, among others, our ability to successfully complete the proposed Notes Offering and Borrowed Shares Offering. Information about certain other potential factors that could affect our business and financial results and cause actual results to differ materially from those expressed or implied in any forward-looking statements are included from time to time in our filings with the SEC, including Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2011 and Part II, Item 1A "Risk Factors" of our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2012, June 30, 2012 and September 30, 2012.

Vector has filed a registration statement (including a prospectus) with the SEC for the offerings to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents Vector has filed with the SEC for more complete information about Vector and these offerings. You may obtain these documents for free by visiting EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov).

Vector Group is a holding company that indirectly owns Liggett Group LLC and Vector Tobacco Inc. and directly owns New Valley LLC.

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