

VECTOR GROUP LTD
Form DEF 14A
April 07, 2014
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SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

Vector Group Ltd.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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VECTOR GROUP LTD.

4400 Biscayne Blvd.

Miami, Florida 33137

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 16, 2014

To the Stockholders of Vector Group Ltd.:

The Annual Meeting of Stockholders of Vector Group Ltd., a Delaware corporation (the "Company"), will be held at 4400 Biscayne Boulevard, Miami, FL 33137 on Friday, May 16, 2014 at 10:00 a.m., and at any postponement or adjournment thereof, for the following purposes:

1. To elect seven directors to hold office until the next annual meeting of stockholders and until their successors are elected and qualified;
2. To hold an advisory vote on executive compensation (the "say on pay vote");
3. To approve the Vector Group Ltd. 2014 Management Incentive Plan (the "2014 Plan");
4. To amend the Company's Certificate of Incorporation to increase the authorized shares of Common Stock of the Company from 150,000,000 to 250,000,000; and
5. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered certified public accounting firm for the year ending December 31, 2014;
6. To transact such other business as properly may come before the meeting or any adjournments or postponements of the meeting.

Every holder of record of Common Stock of the Company at the close of business on March 24, 2014 is entitled to notice of the meeting and any adjournments or postponements thereof and to vote, in person or by proxy, one vote for each share of Common Stock held by such holder. A list of stockholders entitled to vote at the meeting will be available to any stockholder for any purpose germane to the meeting during ordinary business hours from May 2, 2014 to May 16, 2014, at the headquarters of the Company located at 4400 Biscayne Boulevard, 10th Floor, Miami, Florida 33137. A proxy statement, form of proxy and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 are enclosed herewith.

By Order of the Board of Directors,
HOWARD M. LORBER
President and Chief Executive Officer

Miami, Florida

April 7, 2014

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON, PLEASE SIGN AND RETURN THE ENCLOSED PROXY AS SOON AS POSSIBLE IN THE ENCLOSED POSTAGE PRE-PAID ENVELOPE.

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VECTOR GROUP LTD.
4400 Biscayne Boulevard
Miami, Florida 33137

PROXY STATEMENT

INTRODUCTION

The enclosed proxy is solicited on behalf of the board of directors of Vector Group Ltd., a Delaware corporation (the “Company”). The proxy is solicited for use at the annual meeting of stockholders to be held at 4400 Biscayne Boulevard, Miami, FL 33137 on Friday, May 16, 2014, at 10:00 a.m., and at any postponement or adjournment. The Company’s offices are located at 4400 Biscayne Boulevard, 10th Floor, Miami, Florida 33137, and its telephone number is (305) 579-8000.

VOTING RIGHTS AND SOLICITATION OF PROXIES

Every holder of record of Common Stock of the Company at the close of business on March 24, 2014 is entitled to notice of the meeting and any adjournments or postponements and to cast, in person or by proxy, one vote for each share of Common Stock held by such holder. At the record date, the Company had outstanding 99,711,494 shares of Common Stock. This proxy statement, accompanying notice and proxy and the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013 are first being mailed to stockholders on or about April 10, 2014.

Any stockholder who has given a proxy has the power to revoke the proxy prior to its exercise. A proxy can be revoked by an instrument of revocation delivered at, or prior to the annual meeting, to Marc N. Bell, the secretary of the Company, by a duly executed proxy bearing a date or time later than the date or time of the proxy being revoked, or at the annual meeting if the stockholder is present and elects to vote in person. Mere attendance at the annual meeting will not serve to revoke a proxy. A stockholder whose shares are held in a brokerage or bank account will need to obtain a legal proxy from the broker, bank or other intermediary in order to vote at the meeting.

The presence, in person or represented by proxy, of the holders of a majority of the issued and outstanding shares of Common Stock will constitute a quorum for the transaction of business at the annual meeting. The affirmative vote of holders of a majority of the shares represented and entitled to vote is required for the election of each director, for the advisory approval of the say on pay vote, for the adoption of the 2014 Plan, the amendment of the Certificate of Incorporation and for the ratification of the appointment of PricewaterhouseCoopers LLP as the Company’s independent registered certified public accounting firm. Abstentions will have the effect of votes against the advisory say on pay proposal, the 2014 Plan, the amendment of the Certificate of Incorporation and the ratification of the appointment of our auditors.

Except for the ratification of the auditors, shares that are held by brokers in retail accounts may only be voted if the broker receives voting instructions from the beneficial owner of the shares. Otherwise, the “broker non-votes” may only be counted toward a quorum and, in the broker’s discretion, voted regarding the ratification of auditors. Broker non-votes will have no effect on any of the other matters presented at the annual meeting.

All proxies received and not revoked will be voted as directed. If no directions are specified, proxies which have been signed and returned will be voted “FOR” the election of the board’s nominees as directors, “FOR” the advisory say on pay vote, “FOR” the adoption of the 2014 Plan, “FOR” the amendment of the Certificate of Incorporation and “FOR” the ratification of PricewaterhouseCoopers LLP as the Company’s independent registered certified public accounting firm.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of the record date, the beneficial ownership of the Company's Common Stock, the only class of voting securities, by:

- each person known to the Company to own beneficially more than five percent of the Common Stock;
- each of the Company's directors and nominees;
- each of the Company's named executive officers shown in the Summary Compensation Table below; and
- all directors and executive officers as a group.

Unless otherwise indicated, each person possesses sole voting and investment power with respect to the shares indicated as beneficially owned.

Name and Address of Beneficial Owner	Number of Shares	Percent of Class	
Dr. Phillip Frost(1) 4400 Biscayne Boulevard Miami, FL 33137	17,031,964	16.7	%
Bennett S. LeBow(2)(4) 667 Madison Avenue; 14th Floor New York, NY 10065	10,785,115	10.8	%
Howard M. Lorber(3)(4)(5)	4,769,905	4.7	%
Stanley S. Arkin(4)	17,850	(*)	
Henry C. Beinstein(4)(6)	90,098	(*)	
Jeffrey S. Podell(4)	84,177	(*)	
Jean E. Sharpe(4)	94,549	(*)	
Richard J. Lampen(5) (7) (8)	491,299	(*)	
J. Bryant Kirkland III(5) (9)	194,480	(*)	
Marc N. Bell (5) (9)	129,073	(*)	
Ronald J. Bernstein(4)(5)(10)(11)	274,197	(*)	
All directors and executive officers as a group (10 persons)	16,930,743	16.7	%

(*) The percentage of shares beneficially owned does not exceed 1% of the outstanding Common Stock.

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Based upon a Form 4 filed by Dr. Frost on March 17, 2014, which reports ownership of 12,776,245 shares of Common Stock owned by Frost Gamma Investments Trust ("Frost Gamma Trust"), a trust organized under Florida law, 2,121,479 shares held by Frost Nevada Investments Trust ("Frost Nevada Trust"), a trust organized under Florida law and \$25,000,000 principal amount of the Company's 6.75% Variable Interest Senior Convertible Note due 2014 held by Frost Nevada Trust. The note is convertible into 2,121,479 shares of Common Stock. Dr. Frost is the sole trustee of Frost Gamma Trust and Frost Nevada Trust. As the sole trustee, Dr. Frost may be deemed the beneficial owner of all shares owned by Frost Gamma Trust and Frost Nevada Trust, by virtue of his power to vote (1) or direct the vote of such shares or to dispose or direct the disposition of such shares owned by these trusts. Frost Gamma Limited Partnership ("Frost Gamma LP") is the sole and exclusive beneficiary of Frost Gamma Trust. Dr. Frost is one of two limited partners of Frost Gamma LP. The general partner of Frost Gamma LP is Frost Gamma, Inc. The sole shareholder of Frost Gamma, Inc. is Frost-Nevada Corporation. Frost-Nevada Limited Partnership ("Frost Nevada LP") is the sole and exclusive beneficiary of the Frost Nevada Trust. Dr. Frost is one of five limited partners of Frost-Nevada LP. The general partner of Frost Nevada LP is Frost-Nevada Corporation. Dr. Frost is the sole shareholder of Frost-Nevada Corporation. Includes 12,761 shares owned by Dr. Frost's spouse, as to which shares Dr. Frost disclaims beneficial ownership.

Includes 1,475,958 shares held directly by Mr. LeBow, 5,699,391 shares of Common Stock held by LeBow Gamma Limited Partnership, a Delaware limited partnership, 3,245,115 shares of Common Stock held by LeBow Epsilon 2001 Limited Partnership, a Delaware limited partnership, and 364,651 shares of Common Stock held by LeBow Alpha LLLP, a Delaware limited liability limited partnership. LeBow 2011 Management Trust is the managing member of LeBow Holdings LLC, a Delaware limited liability company, which is the sole stockholder (2) of LeBow Gamma, Inc., a Nevada corporation, which is the general partner of LeBow Gamma Limited Partnership. LeBow Holdings LLC is the general partner of LeBow Alpha LLLP, which is the controlling member of LeBow Epsilon 2001 LLC, which is the general partner of LeBow Epsilon 2001 Limited Partnership. Mr. LeBow is trustee of LeBow 2011 Management Trust, a director and officer of LeBow Gamma, Inc. and a manager of LeBow Epsilon 2001 LLC.

Includes 807,773 shares of Common Stock held directly by Mr. Lorber, 2,740,531 shares held by Lorber Alpha II Limited Partnership, a Nevada limited partnership, 249,177 shares held by Lorber Gamma Limited Partnership, a Nevada limited partnership, and 19 shares in an Individual Retirement Account. Mr. Lorber's beneficial ownership also includes 972,405 shares of Common Stock that may be acquired by him within 60 days upon exercise of options. There are 2,170,000 shares owned by Lorber Alpha II Limited Partnership that are pledged to collateralize a bank line of credit. Mr. Lorber exercises sole voting power and sole dispositive power over the shares of Common Stock held by the partnerships and by himself. Lorber Alpha (3) II, Inc., a Nevada corporation, is the general partner of Lorber Alpha II Limited Partnership. Lorber Gamma, Inc., a Nevada corporation, is the general partner of Lorber Gamma Limited Partnership. Mr. Lorber is a director, officer and controlling shareholder of each of Lorber Alpha II, Inc. and Lorber Gamma, Inc. Mr. Lorber disclaims beneficial ownership of 17,591 shares of Common Stock held by Lorber Charitable Fund, which are not included. Lorber Charitable Fund is a New York not-for-profit corporation, of which family members of Mr. Lorber serve as directors and executive officers.

(4) The named individual is a director of the Company.

(5) The named individual is an executive officer of the Company.

(6) Includes 658 shares beneficially owned by Mr. Beinstein's spouse, as to which shares Mr. Beinstein disclaims beneficial ownership.

(7) Includes 45,000 shares held by Mr. Lampen's spouse, as to which Mr. Lampen disclaims beneficial ownership.

(8) Includes 194,481 shares issuable upon exercise of outstanding options to purchase Common Stock exercisable within 60 days of the record date.

(9) Includes 97,240 shares issuable upon exercise of outstanding options to purchase Common Stock exercisable within 60 days of record date.

(10)

Includes 200,328 shares issuable upon exercise of outstanding options to purchase Common Stock exercisable within 60 days of the record date.

(11) The named individual is an executive officer of the Company's subsidiaries Liggett Vector Brands LLC and Liggett Group LLC.

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The by-laws of the Company provide, among other things, that the board, from time to time, shall determine the number of directors of the Company. The size of the board is presently set at seven. The present term of office of all directors will expire at the 2014 annual meeting. Seven directors are to be elected at the 2014 annual meeting to serve until the next annual meeting of stockholders and until their respective successors are duly elected and qualified or until their earlier resignation or removal.

It is intended that proxies received will be voted “FOR” election of the nominees named below unless marked to the contrary. In the event any such person is unable or unwilling to serve as a director, proxies may be voted for substitute nominees designated by the present board. The board has no reason to believe that any of the persons named below will be unable or unwilling to serve as a director if elected.

The affirmative vote of a majority of the shares represented at the annual meeting and entitled to vote on the election of directors is required to elect each director.

The Board of Directors recommends that stockholders vote “FOR” election of the nominees named below.

Information with Respect to Nominees

The following table sets forth certain information, as of the record date, with respect to each of the nominees. Each nominee is a citizen of the United States.

Name and Address	Age	Principal Occupation
Bennett S. LeBow	76	Chairman of the Board; Private Investor
Howard M. Lorber	65	President and Chief Executive Officer
Ronald J. Bernstein	60	President and Chief Executive Officer, Liggett Group LLC and Liggett Vector Brands LLC
Stanley S. Arkin	76	Founding and Senior Partner, Arkin Solbakken LLP and Chairman of The Arkin Group LLC
Henry C. Beinstein	71	Partner, Gagnon Securities LLC
Jeffrey S. Podell	73	Private Investor
Jean E. Sharpe	67	Private Investor

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Business Experience and Qualifications of Nominees

The Company believes that the combination of the various qualifications, skills and experiences of its directors contribute to an effective and well-functioning board and that individually and, as a whole, the directors possess the necessary qualifications to provide effective oversight of the business, and provide quality advice to the Company's management. Details regarding the experience and qualifications of the directors are set forth below.

Bennett S. LeBow is the Chairman of the Company's Board of Directors and has been a director of the Company since October 1986. Mr. LeBow, currently a private investor, served as Executive Chairman from January 2006 until his retirement on December 30, 2008 and served as Chairman of the Board of Directors of Borders Group Inc. from May 2010 until January 2012 and Chief Executive Officer of Borders Group Inc. from June 2010 until January 2012. In February 2011, Borders Group Inc. filed for protection under Chapter 11 of Title 11 of the United States Bankruptcy Code. He served as the Chairman and Chief Executive Officer of the Company from June 1990 to December 2005.

Mr. LeBow was Chairman of the Board of New Valley Corporation from January 1988 to December 2005 and served as its Chief Executive Officer from November 1994 to December 2005. New Valley Corporation was a majority-owned subsidiary of the Company until December 2005, when the Company acquired the remaining minority interest, engaged in the real estate business and seeking to acquire additional operating companies and real estate properties. Mr. LeBow's pertinent experience, qualifications, attributes and skills include his decades of experience as an investor and the knowledge and experience in the cigarette industry he has attained through his service as the Company's Chief Executive Officer from 1990 to 2005 and as Chairman of the Board since 1990.

Howard M. Lorber has been President and Chief Executive Officer of the Company since January 2006. He served as President and Chief Operating Officer of the Company from January 2001 to December 2005 and has served as a director of the Company since January 2001. From November 1994 to December 2005, Mr. Lorber served as President and Chief Operating Officer of New Valley, where he also served as a director. Mr. Lorber was Chairman of the Board 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. He has also served as Chairman of the Board of Directors since 1987 and Chief Executive Officer from November 1993 to December 2006 of Nathan's Famous, Inc., a chain of fast food restaurants; Chairman of the Board of Ladenburg Thalmann Financial Services from May 2001 to July 2006 and Vice Chairman since July 2006. Mr. Lorber was a Director of Borders Group Inc. from May 2010 until January 2012 and has been a director since 1991 of United Capital Corp., a real estate investment and diversified manufacturing company, which ceased to be a public reporting company in 2011. He is also a trustee of Long Island University.

Ronald J. Bernstein has served as President and Chief Executive Officer of Liggett Group LLC since September 1, 2000 and of Liggett Vector Brands LLC since March 2002 and has been a director of the Company since March 2004. From July 1996 to December 1999, Mr. Bernstein served as General Director and, from December 1999 to September 2000, as Chairman of Liggett-Ducat Ltd., the Company's former Russian tobacco business sold in 2000. Prior to that time, Mr. Bernstein served in various positions with Liggett commencing in 1991, including Executive Vice President and Chief Financial Officer. Mr. Bernstein's pertinent experience, qualifications, attributes and skills include the knowledge and experience in the cigarette industry he has attained through his employment by our tobacco and real estate subsidiaries since 1991.

Stanley S. Arkin has been a director since November 2011. Mr. Arkin is the founding member and the senior partner of the law firm of Arkin Solbakken LLP and is Chairman of The Arkin Group, a private intelligence agency. Mr. Arkin was a member of the Board of Directors of Authentic Fitness Corp from 1995 to 1998. He is a member of the Council on Foreign Relations, and has served on or chaired numerous committees in other professional organizations, such as the American College of Trial Lawyers, the Judicial Conference of the State of New York, the Association of the Bar of the City of New York, the American Bar Association, the New York State Bar Association, and the New York County Lawyers Association. Mr. Arkin's pertinent experience, qualifications, attributes and skills include his managerial experience, financial literacy and the knowledge and experience he has attained through his career in the legal profession as well as his service as a director of a publicly-traded corporation.

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Henry C. Beinstein has been a director of the Company since March 2004. Since January 2005, Mr. Beinstein has been a partner of Gagnon Securities LLC, a broker-dealer and FINRA member firm, and has been a money manager and registered representative at such firm since August 2002. He retired in August 2002 as the Executive Director of Schulte Roth & Zabel LLP, a New York-based law firm, a position he had held since August 1997. Before that, Mr. Beinstein had served as the Managing Director of Milbank, Tweed, Hadley & McCloy LLP, a New York-based law firm, commencing November 1995. Mr. Beinstein was the Executive Director of Proskauer Rose LLP, a New York-based law firm, from April 1985 through October 1995. Mr. Beinstein is a certified public accountant in New York and New Jersey and prior to joining Proskauer was a partner and National Director of Finance and Administration at Coopers & Lybrand. Mr. Beinstein also serves as a director of Ladenburg Thalmann Financial Services Inc. and Castle Brands Inc. Mr. Beinstein has been licensed as a Certified Public Accountant in the state of New York since 1968. Mr. Beinstein's pertinent experience, qualifications, attributes and skills include financial literacy and expertise, managerial experience through his years at Coopers & Lybrand, Proskauer Rose LLP, Milbank, Tweed, Hadley & McCloy LLP and Schulte Roth & Zabel LLP, and the knowledge and experience he has attained through his service as a director of the Company and other publicly-traded corporations.

Jeffrey S. Podell has been a director of the Company since November 1993 and is a private investor. Mr. Podell also serves as a director of Ladenburg Thalmann Financial Services Inc. Mr. Podell was a member of the New York State Bar Association from 1965 until March 2010. Mr. Podell's pertinent experience, qualifications, attributes and skills include managerial experience and the knowledge and experience he has attained through his service as a director of the Company and other publicly-traded corporations.

Jean E. Sharpe has been a director of the Company since May 1998. Ms. Sharpe is a private investor and has engaged in various philanthropic activities since her retirement in September 1993 as Executive Vice President and Secretary of the Company and as an officer of various of its subsidiaries. Ms. Sharpe previously served as a director of the Company from July 1990 until September 1993. Ms. Sharpe has been a member of the New York State Bar Association since 1979. Ms. Sharpe's pertinent experience, qualifications, attributes and skills include the knowledge and managerial experience she has attained as serving as our general counsel from 1988 until 1993 and her service as a director of the Company.

Board of Directors and Committees

The board of directors, which held nine meetings in 2013, currently has seven members. Each director attended at least 75% of the aggregate number of meetings of the board and of each committee on which the director served as a member, during such period. To ensure free and open discussion and communication among the independent directors of the board, the independent directors meet in executive sessions periodically, with no members of management present. The chair of the corporate governance and nominating committee presides at the executive sessions.

The Company's Corporate Governance Guidelines provide that the board shall be free to choose its chair in any way it deems best for the Company at any time. The board believes that it is desirable to have the flexibility to decide whether the roles of Chairman of the Board and Chief Executive Officer should be combined or separate in light of the Company's circumstances from time to time. The roles of Chief Executive Officer and Chairman of the Board are presently held by two different directors. The Chief Executive Officer is responsible for setting the strategic direction of the Company and the day-to-day leadership and performance of the Company, while the Chairman of the Board provides guidance to the Chief Executive Officer, reviews the agenda for board meetings and presides over meetings of the full board.

The board of directors oversees the risks that could affect the Company through its committees and reports of officers responsible for particular risks within the Company.

The board of directors has four committees established in accordance with the Company's bylaws: an executive committee, an audit committee, a compensation committee, and a corporate governance and nominating committee. The board has determined that the Company's non-employee directors (Stanley S. Arkin, Henry C. Beinstein, Bennett S. LeBow, Jeffrey S. Podell and Jean E. Sharpe) have no material relationship with the Company and meet the New York Stock Exchange listing standards for independence. Each of the members of the audit committee, compensation committee, and corporate governance and nominating committee meets the New York Stock Exchange listing standards for independence.

The executive committee, whose members are presently Messrs. LeBow, chairman and Lorber, did not meet in 2013. The executive committee exercises, in the intervals between meetings of the board, all the powers of the board in the management and affairs of the Company, except for matters expressly reserved by law for board action.

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The audit committee, whose members are presently Messrs. Beinstein, chairman, and Podell and Ms. Sharpe, met 10 times in 2013. The committee is governed by a written charter which requires that it discuss policies and guidelines to govern the process by which risk assessment and risk management are handled and that it meet periodically with management to review and assess the Company's major financial risk exposures and the manner in which such risks are being monitored and controlled. Accordingly, in addition to its other duties, the audit committee periodically reviews the Company's risk assessment and management, including in the areas of legal compliance, internal auditing and financial controls. In this role, the audit committee considers the nature of the material risks the Company faces, and the adequacy of the Company's policies and procedures designed to respond to and mitigate these risks and receives reports from management and other advisors. Although the board's primary risk oversight has been assigned to the audit committee, the full board also receives regular reports from members of senior management on areas of material risk to the Company, including operational, financial, competitive and legal risks. In addition to an ongoing compliance program, the board encourages management to promote a corporate culture that understands risk management and incorporates it into the overall corporate strategy and day-to-day business operations. The Company's board of directors and its audit committee regularly discuss with management the Company's major risk exposures, their potential financial impact on the Company, and the steps (both short-term and long-term) the Company takes to manage them. The audit committee oversees the Company's financial statements, system of internal controls, and auditing, accounting and financial reporting processes and risks related thereto; the audit committee appoints, compensates, evaluates and, where appropriate, replaces the Company's independent accountants; reviews annually the audit committee charter; and reviews and pre-approves audit and permissible non-audit services. See "Audit Committee Report" on page 28. Each of the members of the audit committee is financially literate as required of audit committee members by the New York Stock Exchange and independent as defined by the rules of the New York Stock Exchange and the Securities and Exchange Commission. The board of directors has determined that Mr. Beinstein is an "audit committee financial expert" as defined by the rules of the Securities and Exchange Commission.

The compensation committee, whose members are presently Messrs. Podell, chairman, and Beinstein, and Ms. Sharpe, met 12 times in 2013. The committee is governed by a written charter. The compensation committee is responsible for risks relating to employment policies and the Company's compensation and benefits systems. To aid the compensation committee with its responsibilities, the compensation committee retains an independent consultant, as necessary, to understand the implications of compensation decisions being made. See "Compensation Discussion and Analysis" beginning on page 9 for a discussion of the consulting services provided to the compensation committee by GK Partners. The compensation committee has assessed the independence of GK Partners pursuant to Securities and Exchange Commission and New York Stock Exchange rules and concluded that GK Partners' work for the compensation committee does not raise any conflict of interest. The compensation committee reviews, approves and administers management compensation and executive compensation plans. The compensation committee also administers the Company's 1998 Long-Term Incentive Plan, the Amended and Restated 1999 Long-Term Incentive Plan (the "1999 Plan") and the Senior Executive Incentive Compensation Plan. See "Compensation Discussion and Analysis" on page 9. In March 2009, the compensation committee formed a Performance-Based Compensation Subcommittee (the "Subcommittee"), consisting of Messrs. Beinstein and Podell, and delegated to the Subcommittee the authority to grant compensation to executive officers that is intended to qualify as "performance-based compensation" exempt from the \$1,000,000 deduction limitation of Section 162(m) of the Internal Revenue Code. The Subcommittee administers the participation of named executive officers in the Senior Executive Incentive Compensation Plan, the 1999 Plan and will administer participation of those executive officers in the 2014 Plan upon approval by stockholders.

The corporate governance and nominating committee, whose members are presently Ms. Sharpe, chair, and Messrs. Arkin and Beinstein, met two times in 2013. The committee is governed by a written charter. This committee is responsible for the oversight of risks relating to the management and board succession planning. The committee assists the board of directors in identifying individuals qualified to become board members and recommends to the board the nominees for election as directors at the next annual meeting of stockholders, develops and recommends to the board the corporate governance guidelines applicable to the Company, and oversees the evaluation of the board and management. In recommending candidates for the board, the committee takes into consideration the following

criteria established by the board in the Company's corporate governance guidelines:

- personal qualities and characteristics, accomplishments and reputation in the business community;
- current knowledge and contacts in the communities in which the Company does business and in the Company's industry or other industries relevant to the Company's business;
- ability and willingness to commit adequate time to board and committee matters;
- the fit of the individual's skills and personality with those of other directors and potential directors in building a board that is effective, collegial and responsive to the needs of the Company; and
- diversity of viewpoints, background, experience and other demographics.

The committee also considers such other factors as it deems appropriate, including judgment, skill, diversity, experience with businesses and other organizations of comparable size, the interplay of the candidate's experience with the experience of other board members, and the extent to which the candidate would be a desirable addition to the board and any committees of the

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board. The committee does not assign specific weights to particular criteria and no particular criteria is necessarily applicable to all nominees. The Company believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the board to fulfill its responsibilities. The committee will consider nominees recommended by stockholders, which nominations should be submitted by directing an appropriate letter and resume to Marc N. Bell, the secretary of the Company, 4400 Biscayne Boulevard, 10th Floor, Miami, Florida 33137. If the Company were to receive recommendations of candidates from the Company's stockholders, the committee would consider such recommendations in the same manner as all other candidates.

Corporate Governance Materials

The Company's Corporate Governance Guidelines, Codes of Business Conduct and Ethics, Equity Retention and Hedging Policy, Stock Ownership Guidelines, Executive Compensation Clawback Policy and current copies of the charters of the Company's audit committee, compensation committee, and corporate governance and nominating committee are all available in the investor relations section of the Company's website (www.vectorgroupltd.com/invest.asp) and are also available in print to any stockholder who requests them.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Objectives

The primary objectives of the compensation committee of the board of directors with respect to executive compensation are:

- to base management's pay, in part, on achievement of the Company's goals;
- to provide incentives to enhance stockholder value;
- to provide competitive levels of compensation;
- to recognize individual initiative and achievement; and
- to assist the Company in attracting talented executives to a challenging and demanding environment and to retain such executives for the benefit of the Company and its subsidiaries.

The Company attempts to achieve these objectives through its compensation plans that put a substantial portion of the executives' overall compensation at risk so that compensation is only paid if the Company's financial performance goals are met. While the compensation of the Company's executives is largely the result of negotiated agreements, which are reviewed annually, the Company's compensation philosophy is intended to reward its executives with competitive compensation, while rewarding outstanding performance with above-average total compensation.

The Company has recently taken measures to discourage excessive risk-taking by adopting a Clawback Policy and prohibition on hedging and has increased the long-term focus by adopting an Equity Retention Policy and Stock Ownership Guidelines as well as by awarding stock options with four-year cliff vesting as a substantial portion of 2013 and 2014 direct compensation. Under the 2014 Plan, the Company will be able to make vesting of equity awards contingent upon corporate performance.

Independent compensation consultants may be retained by the compensation committee from time to time for advice and guidance in assessing whether our compensation program is reasonable and competitive. The compensation committee engaged GK Partners to render advice as to the award of options in February 2013, restricted stock in October 2013 and options in February 2014. The compensation committee also engaged GK Partners to render advice related to the drafting of the Vector Group Ltd. Equity Retention and Hedging Policy, which was adopted in January 2013, the amendment of the terms of Mr. Bernstein's employment agreement in October 2013, the adoption of the 2014 Plan as well as the Executive Compensation Clawback Policy and Stock Ownership Guidelines adopted in March 2014. See "Base Salary" on page 10, "Equity Compensation" on page 11 and the policies described on Page 13. GK Partners only provides services to the compensation committee.

Most Recent Say on Pay Vote Results

At the 2013 annual meeting of stockholders, the Company held its third stockholder advisory (say on pay) vote on the compensation of its named executive officers. The Company considered the results of the 2013 vote. The Company has recently undertaken several governance initiatives referred to above and believes that, as a result, its core compensation practices closely align pay and performance. See the discussion of this year's say on pay vote beginning on Page 31 for further discussion.

Compensation Components

The key components of the Company's executive compensation program consist of a base salary, an annual performance-based bonus pursuant to the Senior Executive Incentive Compensation Plan (the "Bonus Plan"), equity awards under the 1999 Amended and Restated Long-Term Incentive Plan (the "1999 Plan") and various benefits, including the Company's Supplemental Retirement Plan, the Liggett Vector Brands Inc. 401(k) plan and the use of corporate aircraft by the President and Chief Executive Officer. The employment agreements with the Company's named executive officers also provide for severance compensation in the event of termination other than for cause during the term of the agreement or, in certain cases, following a change in control of the Company during the term of the agreements.

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Base Salary

Base salaries for the Company's named executive officers are established based on their overall business experience and managerial competence in their respective executive roles, as well as their personal contributions to the Company and are intended to provide a competitive level of fixed compensation. The compensation committee believes that executive base salaries should be targeted at competitive levels while rewarding long-term outstanding performance with above-average total compensation. Base salaries are reviewed annually, based on recommendations by the Company's Chief Executive Officer with respect to the salaries of executive officers other than himself, and may be increased from time to time based on review of Company and individual executive performance. Automatic cost of living adjustments to base salary are included under the terms of the employment agreements of Messrs. Lorber and Bernstein (until January 1, 2014).

On October 29, 2013, Mr. Bernstein's employment agreement was amended to increase his base salary to \$1,000,000 per annum and terminate the cost of living adjustment, effective January 1, 2014. Effective January 1, 2014, as a result of the cost of living provision, the base salary of Mr. Lorber was increased to \$3,100,398. The compensation committee did not adjust the salaries of the other named executive officers in 2014 as part of the annual compensation review process.

Annual Incentive Bonus Awards

The Company's executive officers are eligible to participate each year in the Bonus Plan which was adopted by the board of directors in January 2011, and approved by the Company's stockholders at the annual meeting in May 2011. Future awards will be made under the 2014 Plan which is subject to approval at the annual meeting of stockholders. The compensation committee has delegated to the Subcommittee, consisting of Messrs. Beinstein and Podell, the authority to grant compensation to executive officers under the Bonus Plan that is intended to qualify as "performance-based compensation" exempt from the \$1,000,000 deduction limitation of Section 162(m) of the Internal Revenue Code. Thus, with respect to these officers, the Subcommittee selects participants in the Bonus Plan, determines the amount of their award opportunities, selects the performance criteria and the performance goals for each year, determines whether the performance goals have been met and administers and interprets the Bonus Plan. An eligible executive may (but need not) be selected to participate in the Bonus Plan each year.

In 2013, each of the Company's named executive officers participated in the Bonus Plan. The Bonus Plan performance criteria for 2013 varied among the participants depending upon the entity that employed the participant. For Messrs. Lorber, Lampen, Kirkland and Bell, as in 2012, the criteria for 2013 were based on: 37.5% on adjusted earnings before interest and taxes, or Adjusted EBIT, of Liggett; 37.5% on distributions to stockholders of the Company; and 25% on adjusted earnings before interest, taxes and amortization, or Adjusted EBITA, of Douglas Elliman Realty, LLC. For Mr. Bernstein, 100% is based on Liggett Adjusted EBIT. These measures were chosen because Adjusted EBIT is commonly used as a measure of performance in the tobacco industry and Adjusted EBITA is commonly used to measure performance in the real estate brokerage industry and are, in each case, the drivers of the business and stockholder value in those industries.

Under the terms of their respective employment agreements, for 2013, Messrs. Lorber, Lampen, Kirkland, Bell and Bernstein were eligible to receive a target bonus of 100%, 50%, 25%, 25% and 100% of their respective base salaries. Depending on the level of achievement of the performance criteria, the actual amounts of incentive bonuses could also exceed the target bonus amounts (see "Grants of Plan-Based Awards in 2013" on page 17). The Subcommittee may exercise negative discretion with respect to any award to reduce any amount that would otherwise be payable under the Bonus Plan.

The 2013 performance necessary for Messrs. Lorber, Lampen, Kirkland, Bell and Bernstein to receive bonuses at the target level were set at levels which were believed to be reasonably achievable based on internal corporate plans. For Messrs. Lorber, Lampen, Kirkland and Bell, the performance necessary to achieve the minimum, target or maximum bonus in 2013 was as follows:

percentages of target bonus based on Liggett Adjusted EBIT were \$156,000,000 (50%), \$184,000,000 (100%), and \$192,000,000 and above (125%); the actual Liggett Adjusted EBIT for 2013 were \$192,829,000;

percentages of target bonus based on cash dividends per share of the Company were \$1.40 (50%), \$1.60 (100%), and \$1.80 and above (125%); the actual cash dividends paid in 2013 were \$1.60 per share; and, percentages of target bonus based on Douglas Elliman Adjusted EBITA were \$36,000,000 (50%), \$41,000,000 (100%), and \$46,000,000 and above (125%); the actual Douglas Elliman Adjusted EBITA for 2013 were \$51,007,000.

Based on the actual results of 2013 compared to the established performance criteria, bonuses equal to 115.625% of target bonus amounts were achieved for Messrs. Lorber, Lampen, Kirkland and Bell, and they were awarded bonuses of 115.625% of their respective target bonus amounts.

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For Mr. Bernstein, the performance necessary to achieve the minimum target or maximum bonus in 2013 were as follows:

percentages of target bonus based on Liggett Adjusted EBIT were \$184,000,000 (50%) and \$194,000,000 and above (100%); the actual Liggett Adjusted EBIT for 2013 were \$192,829,000.

Based on the actual results of 2013 compared to the established performance criteria, 94.1451% of Mr. Bernstein's target bonus was achieved, and he was awarded a bonus equal to 94.1451% of his base salary.

Bonus amounts for achieving performance criteria in between the amounts listed above are determined by linear interpolation between the higher and lower amounts. The actual performance-based bonus payments made to the selected participants for the years ended December 31, 2011, 2012 and 2013 are set forth in the column labeled "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table on page 15. Performance bonus awards earned by named executive officers after February 26, 2014 will be subject to the Company's Executive Compensation Clawback Policy described on Page 13.

Long-Term Incentive Award

In January 2011, a long-term incentive award for the five-year period ending December 31, 2015 was made under the Bonus Plan to seven key members of Liggett's management, including Mr. Bernstein, to provide significant incentive to achieve Liggett's five-year plan. The total pool will range from \$10,000,000 (if the minimum Liggett Adjusted EBIT performance goal as defined in the long-term incentive award (\$1.125 billion for the five-year period ending December 31, 2015) is achieved) to \$20,000,000 (if the maximum Liggett Adjusted EBIT performance goal as defined in the long-term incentive award (\$1.225 billion for the five-year period ending December 31, 2015) is achieved. Mr. Bernstein is eligible to be paid 50% of the amount earned by the selected group of Liggett executives under this long-term incentive award opportunity. Payments between the minimum and maximum Liggett Adjusted EBIT goals will be determined by linear interpolation. Awards will be paid in cash by March 15, 2016 provided that, at the option of the Subcommittee, up to 50% of the awards may be paid in shares of the Company's Common Stock valued at the average closing price for the 10 trading days preceding the payment date. GK Partners has provided its opinion that the long-term award was reasonable and appropriate in the context of current market practices.

Equity Compensation

Long-term equity compensation is intended to provide a variable pay opportunity that rewards long-term performance by the Company as a whole and serves as a significant incentive to remain with the Company. The compensation committee obtains an opinion of GK Partners as to the reasonableness and competitiveness of each award to a named executive officer.

On February 26, 2014, the Subcommittee granted options to Messrs. Lorber (250,000 shares), Lampen (62,500 shares), Kirkland (37,500 shares) and Bell (37,500 shares) to recognize past and current performance and to serve as a means of incentivizing and retaining these key employees. The options are non-qualified options with a ten-year term with cliff vesting on the fourth anniversary of grant and have an exercise price equal to the market price on the date of grant (\$19.34). The options have dividend equivalent rights. GK Partners has reviewed the Company's dividend equivalent policy and has provided its opinion that equity grants with the terms that include dividend equivalents are a means of management compensation that are appropriate and consistent with the Company's strategy with respect to dividend policy (and the critical importance thereof). If the Company's stockholders do not approve the 2014 Plan, the options will be canceled and the executives who received options in February 2014 have agreed to return any dividends or distributions paid prior to the Company's 2014 Annual Meeting of Stockholders plus interest computed at Citibank N.A.'s prime interest rate. Shares received upon exercise of the February 26, 2014 option grants will be subject to the Company's Equity Retention and Hedging Policy. See "Equity Retention Policy" on page 13.

On February 26, 2013, the Subcommittee granted options to Messrs. Lorber (525,000 shares), Lampen (131,250 shares), Kirkland (78,750 shares) and Bell (52,500 shares) to recognize past and current performance and to serve as a means of incentivizing and retaining key employees. Messrs Lampen, Kirkland and Bell had not been granted options since 2009 and no new options had been granted to Mr. Lorber since 2011. The options are non-qualified options with a ten-year term with cliff vesting on the fourth anniversary of grant and have an exercise price equal to the market price on the date of grant (\$15.36). The options have dividend equivalent rights. GK Partners has reviewed the Company's dividend equivalent policy and has provided its opinion that equity grants with the terms that include

dividend equivalents are a means of management compensation that are appropriate and consistent with the Company's strategy with respect to dividend policy (and the critical importance thereof). Shares received upon exercise of the February 26, 2013 option grants will be subject to the Company's Equity Retention and Hedging Policy. See "Equity Retention Policy" on page 13.

On October 28, 2013, the Subcommittee granted 27,500 shares of restricted stock to Mr. Bernstein to recognize past and current performance and to serve as a means of incentivizing Mr. Bernstein to continue to serve as Chief Executive Officer of Liggett Vector Brands. The restricted stock vests on the earlier of March 15, 2019, if Liggett's adjusted EBIT for the five years ended December 31, 2018 is more than \$1.5 billion, or October 31, 2020, if the performance-based targets are not achieved. The restricted stock has dividend equivalent rights. Shares received upon vesting of the restricted stock grant will be subject to the Company's Equity Retention and Hedging Policy. See "Equity Retention Policy" on page 13.

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Dividend Equivalents

Under the terms of various equity awards made to the Company's named executive officers under the Company's stock plans, dividend equivalent payments and distributions are made to the executive officers with respect to the shares of Common Stock underlying the unexercised portion of the options and the terms of equity awards are adjusted to reflect stock dividends. These payments and distributions are made at the same rate as dividends and other distributions paid on the Company's issued and outstanding shares of Common Stock. GK Partners has reviewed the Company's dividend equivalent policy and has provided its opinion that equity grants with the terms that include dividend equivalents are a means of management compensation that are appropriate and consistent with the Company's strategy with respect to dividend policy (and the critical importance thereof). In 2013, named executive officers earned cash dividend equivalent payments on options as follows: Mr. Lorber — \$3,024,702; Mr. Lampen — \$502,556; Mr. Kirkland — \$271,528; Mr. Bell — \$231,028; and Mr. Bernstein - \$11,000. In accordance with the disclosure rules of the SEC, these amounts have not been separately reported in the Summary Compensation Table because the value of the dividend equivalent rights was included in the initial grant date fair value of the underlying options grants which is reported in the table.

Supplemental Retirement Plan

Retirement benefits are designed to reward continuous service by providing post-employment security and are an essential component of a competitive compensation package.

The Company's named executive officers and certain other management employees are eligible to participate in the Supplemental Retirement Plan, which was adopted by the board of directors in January 2002 to promote retention of key executives and to provide them with financial security following retirement. As described more fully and quantified in "Pension Benefits at 2013 Fiscal Year End" on page 19, the Supplemental Retirement Plan provides for the payment to a participant at his normal retirement date of a lump sum amount that is the actuarial equivalent of a single life annuity commencing on that date. The single life annuity amounts for the named executives were determined by the Company's board of directors giving consideration to a variety of pertinent factors including (but not limited to) the executive's level of annual compensation.

Other Benefits

The Company's executive officers are eligible to participate in all of its employee benefit plans, such as medical, dental, vision, group life, disability and accidental death and dismemberment insurance and Liggett Vector Brands 401(k) plan. These benefits are designed to provide a safety net of protection against the financial catastrophes that can result from illness, disability or death. The Company also provides vacation and other paid holidays to its executive officers, as well as certain other perquisites further described below and in the Summary Compensation Table on page 15.

Perquisites

The Company provides the perquisites or personal benefits to its named executive officers discussed below. The Company's corporate aircraft are made available for the personal use of Mr. Lorber and other executive officers at Mr. Lorber's discretion. The Company's corporate aircraft policy permits personal use of corporate aircraft by executives, subject to an annual limit of \$200,000 for personal use by Mr. Lorber. For purposes of determining the amounts allowable under the policy, the value of the personal usage is calculated using the applicable standard industry fare level formula established by the Internal Revenue Service (as distinguished from the aggregate incremental cost approach used for determining the value included in the Summary Compensation Table), and Mr. Lorber and any other executive officers pay income tax on such value. In addition, Mr. Lorber is entitled to a car and driver provided by the Company, a \$7,500 per month allowance for lodging and related business expenses and two club memberships. See the Summary Compensation Table for details regarding the value of perquisites received by the named executive officers.

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Change in Control Provisions

The employment agreement entered into between the Company and Mr. Lorber contains change in control provisions. In the event of a change in control that results in a termination of employment without cause (a "double trigger"), Mr. Lorber will receive severance benefits. The purpose of these provisions is to avoid the distraction and loss of key management personnel that may occur in connection with rumored or actual corporate transactions and/or other fundamental corporate changes and to provide adequate protection to key management personnel in the event that their employment is terminated following a change of control. A change in control provision protects stockholder interests by enhancing employee focus during rumored or actual change in control activity through incentives to remain with the Company despite uncertainties while a transaction is under consideration or pending and assurance of severance and benefits for terminated executives. A detailed summary of these provisions is set forth under the heading "Payments Made Upon a Change in Control" on page 21.

Inter-Relationship of Elements of Compensation Packages

The various elements of the compensation packages for the Company's executive officers are not directly inter-related. For example, if it does not appear as though the target bonus will be achieved, the number of options that will be granted is not affected. There is no significant interplay of the various elements of total compensation between each other. If options that are granted in one year become underwater due to a decrease in the Company's stock price, the amount of the bonus amount or compensation to be paid the executive officer for the next year is not impacted. Similarly, if options become extremely valuable due to a rising stock price, the amount of compensation or bonus to be awarded for the next year is not affected. However, the compensation committee does evaluate the total value of executive remuneration when making decisions with respect to any particular element thereof.

Prohibition on Hedging

Under the Company's Equity Retention and Hedging Policy, adopted in January 2013, our executive officers are prohibited from hedging ownership of shares of Common Stock acquired under an incentive equity or option award granted after January 1, 2013 (the "Equity Award Shares"), including by trading in publicly traded options, puts, calls or other derivative instruments related to the Company's Common Stock.

Equity Retention Policy

Under its Equity Retention and Hedging Policy, the Company formalized its long-standing practice of significant share retention by senior management. Until normal retirement age as defined in the the Company's Supplemental Executive Retirement Plan, each executive officer is required to retain at least 25% (after taxes and exercise costs) of Equity Award Shares.

Stock Ownership Guidelines

In March 2014, the Company formalized its long-standing practice of significant share ownership by senior management by adopting Stock Ownership Guidelines. These guidelines are applicable to all named executive officers and each non-employee member of the Board. Under the guidelines, which are phased in within the later of five years after the adoption of the guidelines or the date that a covered person first obtains a position, the following ownership requirements exist.

Title	Value of Shares Owned		
Chief Executive Officer	3.0	X	Base Salary
Executive Vice Presidents	1.5	X	Base Salary
Other named executive officers	1.0	X	Base Salary
Non-employee directors	2.0	X	Annual Retainer

The valuation of shares includes all shares held beneficially or directly by any covered person or the person's family members or trust but excludes pledged shares. Compliance is tested on the last day of each quarter.

Executive Compensation Clawback Policy

In March 2014, the Company adopted an Executive Compensation Clawback Policy, which states as a condition to receiving a bonus and incentive-based compensation from the Company, each named executive officer shall enter into an agreement with the Company providing that any performance-based compensation awarded, paid or payable by the

Company or any of its subsidiaries subsequent to the date of adoption of the Policy shall be subject to recovery or "clawback" by the Company. Under

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the Clawback Policy, if the Company's financial results are restated, the result of which is that any performance-based compensation would have been lower had it been calculated based on such restated results, the compensation committee shall review the performance-based compensation received by the named executive officers. If the compensation committee determines that the performance-based compensation would have been lower and that a named executive officer who received such compensation engaged in fraud, material financial or ethical misconduct or recklessness in the performance of the named executive officer's duties or intentional illegal conduct which materially contributed to the restatement, then the compensation committee may seek to recover the after-tax portion of the performance-based compensation. Under the policy, the compensation committee has the discretion to determine to seek recovery of the performance-based compensation after notice and an opportunity to be heard is provided to the named executive officer.

Tax and Accounting Implications

Deductibility of Executive Compensation

The compensation committee and Subcommittee review and consider the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), which generally provides that no publicly-held company may deduct compensation in excess of \$1,000,000 paid in any taxable year to its chief executive officer or any of its three other highest compensated officers (other than the Chief Financial Officer) at year-end unless the compensation qualifies as "performance-based."

Determinations with respect to compensation intended to be deductible under Section 162(m) are made by the Subcommittee, which consists of Messrs. Podell and Beinstein, who qualify as "outside directors" under Section 162(m). In certain situations, the compensation committee or the Subcommittee has in the past and may in the future approve compensation that will not meet these deductibility requirements in order to ensure appropriate and competitive levels of total compensation for the Company's executive officers. In this regard, compensation paid to Messrs. Lorber and Lampen in excess of \$1,000,000 from base salary and dividend equivalent rights in 2013 was not deductible for federal income tax purposes under Section 162(m) of the Code.

Accounting for Stock-Based Compensation

Beginning on January 1, 2006, the Company began accounting for stock-based payments including stock option and restricted stock awards under the Plans in accordance with the requirements of Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("FASB ASC Topic 718").

Compensation Committee Report

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with management and, based on such review and discussion, has recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

THE COMPENSATION COMMITTEE

Jeffrey S. Podell, Chairman
Henry C. Beinstein
Jean E. Sharpe

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SUMMARY COMPENSATION TABLE FOR YEARS 2011 — 2013

The following table summarizes the compensation of the named executive officers for the years ended December 31, 2013, 2012 and 2011. The named executive officers are the Company's Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated executive officers ranked by their total compensation in the table below (not taking into account the amount in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column).

Name and Position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(5)	All Other Compensation (\$)	Total (\$)
Howard M. Lorber Principal and Chief Executive Officer	2013	\$3,055,482	\$0	\$0	\$1,358,307	(3) \$3,532,901	\$1,142,443	\$355,675	(6) \$9,444,808
	2012	\$2,992,344	\$0	\$288,456	(2) \$0	\$3,459,898	\$2,764,549	\$336,402	\$9,841,649
	2011	\$2,914,810	\$0	\$0	\$1,523,951	(3) \$3,271,523	\$2,966,790	\$248,173	\$10,925,247
Richard J. Lampen Executive Vice President	2013	\$900,000	\$0	\$0	\$597,821	(3) \$520,313	\$323,844	\$7,650	(7) \$2,349,628
	2012	\$900,000	\$0	\$0	\$0	\$520,313	\$326,207	\$7,500	\$1,754,020
	2011	\$800,000	\$0	\$0	\$0	\$299,301	\$319,740	\$7,350	\$1,426,391
J. Bryant Kirkland III Vice President, Chief Financial Officer and Treasurer	2013	\$425,000	\$0	\$0	\$434,956	(3) \$122,852	\$86,931	\$7,650	(7) \$1,077,389
	2012	\$425,000	\$0	\$0	\$0	\$122,852	\$77,214	\$7,500	\$632,566
	2011	\$375,000	\$0	\$0	\$0	\$105,223	\$63,708	\$7,350	\$551,281
Marc N. Bell Vice President, General Counsel and Secretary	2013	\$425,000	\$0	\$0	\$289,970	(3) \$122,852	\$126,694	\$7,650	(7) \$972,166
	2012	\$425,000	\$0	\$0	\$0	\$122,852	\$118,636	\$7,500	\$673,988
	2011	\$400,000	\$0	\$0	\$0	\$112,238	\$105,168	\$7,350	\$624,756
Ronald J. Bernstein President and Chief Executive Officer of Liggett	2013	\$908,719	\$0	\$458,425	(3) \$0	\$855,514	\$482,574	\$7,650	(7) \$2,712,882
	2012	\$892,241	\$0	\$0	\$0	\$809,307	\$511,226	\$7,500	\$2,220,274
	2011	\$867,011	\$0	\$0	\$0	\$627,326	\$507,697	\$7,350	\$2,009,384

Vector
Brands and
Liggett

(1) Reflects actual base salary amounts paid for 2013, 2012 and 2011.

Reflects amount related to the modified requisite service period as a result of the acceleration of vesting of 255,254 shares of restricted stock in December 2012. The shares were originally granted in 2009 and were scheduled to vest

(2) in equal installments in September 2013 and September 2014. See note 11 to the Company's audited financial statements for the year ended December 31, 2012 included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2013.

Represents the aggregate grant date fair value of stock or stock options granted under the 1999 Plan for the years ended December 31, 2013 and December 31, 2011 as determined in accordance with FASB ASC Topic 718, rather than an amount paid to or realized by the named executive officer. Assumptions used in the calculation of such

(3) amount are included in note 13 and note 11 to the Company's audited financial statements for the years ended December 31, 2013 and December 31, 2011, respectively, included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 3, 2014 and February 24, 2012, respectively. The FASB ASC Topic 718 amounts from these grants may never be realized by the named executive officer.

These amounts reflect performance-based cash awards under the Bonus Plan paid during 2014, 2013 and 2012 in

(4) respect of service performed in 2013, 2012 and 2011, respectively. This plan is discussed in further detail on page 10 under the heading "Annual Incentive Bonus Awards".

Amounts shown are solely an estimate of the increase in actuarial present value of the named executive officer's accrued benefit at the later of age 60 during active service or the completion of eight years of full-time continuous service under the Company's pension plans. Assumptions are further described in "Pension Benefits at 2013 Fiscal Year End" on page 19. The amounts reflect the actuarial increase in the present value of the named executive

(5) officer's benefits under the Supplemental Retirement Plan determined using interest rate and mortality rate assumptions consistent with those used in the Company's financial statements. No amount is payable from this plan before a participant attains the later of age 60 during active service or the completion of eight years of full-time continuous service (except in the case of death, disability or termination without cause). There can be no assurance that the amounts shown will ever be realized by the named

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executive officers. For Mr. Bernstein, the reported amount also includes \$7,397 in 2011 in connection with Liggett Group Inc. Retirement Plan for Salaried Non-Bargaining Unit Employees.

Represents perquisites consisting of \$258,025 for personal use of corporate aircraft in 2013 and a \$90,000 allowance paid for lodging and related business expenses in 2013. Also includes \$7,650 for 401(k) plan matching contributions in 2013. For purposes of determining the value of corporate aircraft use, the personal use is calculated based on the aggregate incremental cost to the Company. For flights on corporate aircraft, aggregate incremental cost for purposes of this table is calculated based on a cost-per-flight-mile charge developed from internal Company data. The charge reflects the direct operating cost of the aircraft, including fuel, additives and lubricants, airport fees and catering. In addition, the charge also reflects an allocable allowance for maintenance and engine restorations.

(6) Represents 401(k) plan matching contributions.

Employment Agreements and Severance Arrangements

Compensation arrangements, as reflected in the employment agreements with the Company's executive officers, are usually negotiated on an individual basis between the Chief Executive Officer and each of the other executives. While the compensation committee has delegated to the Chief Executive Officer the responsibility of negotiating these employment agreements and his input is given significant consideration by the compensation committee, the compensation committee and the board have final authority over all compensation matters.

On January 27, 2006, the Company and Howard M. Lorber entered into an amended and restated employment agreement (the "Amended Lorber Agreement"), which replaced his prior employment agreements with the Company and with New Valley Corporation. The Amended Lorber Agreement had an initial term of three years effective as of January 1, 2006, with an automatic one-year extension on each anniversary of the effective date unless notice of non-extension is given by either party within 60 days before this date. Mr. Lorber's salary is subject to an annual cost of living adjustment. As of January 1, 2014, Mr. Lorber's annual base salary was \$3,100,398. In addition, the Company's board must periodically review his base salary and may increase but not decrease it from time to time in its sole discretion. Mr. Lorber is eligible on an annual basis to receive a target bonus of 100% of his base salary under the Company's Bonus Plan. During the period of his employment, Mr. Lorber is entitled to various benefits, including a Company-provided car and driver, a \$7,500 per month allowance for lodging and related business expenses, two club memberships and dues, and use of corporate aircraft in accordance with the Company's Corporate Aircraft Policy. Following termination of his employment by the Company without cause (as defined in the Amended Lorber Agreement), termination of his employment by him for certain reasons specified in the Amended Lorber Agreement or upon death or disability, he (or his beneficiary in the case of death) would continue to receive for a period of 36 months following the termination date his base salary and the bonus amount earned by him for the prior year (with such bonus amount limited to 100% of base salary). In addition, all of Mr. Lorber's outstanding equity awards would be vested and any stock options granted after January 27, 2006 would continue to be exercisable for no less than two years or the remainder of the original term if shorter. Following termination of his employment for any of the reasons described above (other than death or disability) within two years of a change in control (as defined in the Amended Lorber Agreement), he would receive a lump sum payment equal to 2.99 times the sum of his then current base salary and the bonus amount earned by him for the prior year (with such bonus amount limited to 100% of base salary). In addition, Mr. Lorber will be indemnified in the event that excise taxes are imposed on change-of-control payments under Section 4999 of the Code. In the event Mr. Lorber's employment terminates prior to September 14, 2014 for any reason other than death, disability or change of control, he will be required to return to the Company 127,627 shares of restricted stock received on December 11, 2012 and all dividends relating to such shares.

On January 27, 2006, the Company entered into employment agreements (the "Other Executive Agreements") with Richard J. Lampen, the Company's Executive Vice President, J. Bryant Kirkland III, the Company's Vice President and, effective April 1, 2006, Chief Financial Officer, and Marc N. Bell, the Company's Vice President, General Counsel and Secretary. The Other Executive Agreements replaced prior employment agreements with the Company or New Valley Corporation. The Other Executive Agreements had an initial term of two years effective as of January 1, 2006, with an automatic one-year extension on each anniversary of the effective date unless notice of non-extension is given by either party within 60 days before this date. As of January 1, 2014, the annual base salaries provided for in

these Other Executive Agreements were \$900,000 for Mr. Lampen, \$425,000 for Mr. Kirkland and \$425,000 for Mr. Bell. In addition, the board must periodically review these base salaries and may increase but not decrease them from time to time in its sole discretion. These executives are eligible to receive a target bonus of 50% for Mr. Lampen, and 25% for Messrs. Kirkland and Bell, of their base salaries under the Company's non-equity incentive bonus plan. Following termination of their employment by the Company without cause (as defined in the Other Executive Agreements), termination of their employment by the executives for certain reasons specified in the Other Executive Agreements or upon death or disability, they (or their beneficiaries in the case of death) would continue to receive for a period of 24 months following the termination date their base salary and the bonus amount earned by them for the prior year (with such bonus amount limited to 50% of base salary for Mr. Lampen and 25% of base salary for Messrs. Kirkland and Bell).

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On November 11, 2005, Liggett, a wholly-owned subsidiary of the Company, and Ronald J. Bernstein entered into an employment agreement (the “Bernstein Employment Agreement”), pursuant to which Mr. Bernstein serves as President and Chief Executive Officer of Liggett and affiliated companies. The Bernstein Employment Agreement had an initial term expiring December 31, 2008, with an automatic one-year extension on each anniversary of the effective date unless notice of non-extension is given by either party within six months before this date. Prior to January 1, 2014, Mr. Bernstein’s salary was subject to an annual cost of living adjustment. Under the terms of the Bernstein Employment Agreement, Mr. Bernstein is eligible on an annual basis to receive a target bonus of up to 100% of his base salary under the Company’s non-equity incentive bonus plan if Liggett meets certain pre-established operating goals. Following termination of his employment without cause, he would continue to receive his base salary for a period of 24 months. On October 29, 2013, Mr. Bernstein’s Employment Agreement was amended to increase Mr. Bernstein’s base salary, effective January 1, 2014, to \$1,000,000 per annum and terminate a provision in Mr. Bernstein’s contract which granted him the automatic annual increase in base salary based on a cost-of-living adjustment. As of January 1, 2014, Mr. Bernstein’s annual base salary was \$1,000,000.

Restricted Stock and Option Awards

GRANTS OF PLAN-BASED AWARDS IN 2013

The table below provides information with respect to incentive compensation granted to each of the named executive officers for the year ended December 31, 2013.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)		Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock	All Other Option Awards:	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards (\$)(2)
		Threshold	Maximum	Threshold	Target	Maximum	Awards: Number of Shares of Stock (#)	Number of Underlying Securities (#)		
Howard M. Lorber	2/25/2013	\$-\$3,055,482	\$3,819,353	—	—	—	—	—	\$—	\$—
	2/26/2013	\$—	\$—	—	—	—	—	525,000	\$15.36	\$1,358,307
Richard J. Lampen	2/25/2013	\$-\$450,000	\$562,500	—	—	—	—	—	\$—	\$—
	2/26/2013	\$—	\$—	—	—	—	—	131,250	\$15.36	\$597,821
J. Bryant Kirkland III	2/25/2013	\$-\$106,250	\$132,813	—	—	—	—	—	\$—	\$—
	2/26/2013	\$—	\$—	—	—	—	—	78,750	\$15.36	