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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**SCHEDULE 13D**

**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

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**VECTOR GROUP LTD.**

(Name of Issuer)

**COMMON STOCK, \$0.10 PAR VALUE**

(Title of Class of Securities)

**92240M-10-8**

(CUSIP Number)

**Howard M. Lorber**

**Vector Group Ltd.**

**4400 Biscayne Boulevard, 10th Floor**

**Miami, FL 33137**

**(305) 579-8000**

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

**July 23, 2014**

(Date of Event Which Requires Filing of this Statement)

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If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box .

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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<b>1</b>	NAME OF REPORTING PERSON Howard M. Lorber	
<b>2</b>	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
<b>3</b>	SEC USE ONLY	
<b>4</b>	SOURCE OF FUNDS (SEE INSTRUCTIONS)  PF	
<b>5</b>	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)  <input type="checkbox"/>	
<b>6</b>	CITIZENSHIP OR PLACE OF ORGANIZATION  United States	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	<b>7</b>	Sole Voting Power  5,769,905 (includes 972,405 acquirable upon exercise of options)
	<b>8</b>	Shared Voting Power  —
	<b>9</b>	Sole Dispositive Power  4,769,905 (includes 972,405 acquirable upon exercise of options)
	<b>10</b>	Shared Dispositive Power  —
<b>11</b>	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  4,769,905 (includes 972,405 acquirable upon exercise of options)	
<b>12</b>	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)  <input type="checkbox"/>	
<b>13</b>	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  5.7%	
<b>14</b>	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)  IN	

**ITEM 1. SECURITY AND ISSUER.**

This statement on Schedule 13D is being filed with respect to the Common Stock, \$0.10 par value per share (the "Common Stock"), of Vector Group Ltd., a Delaware corporation ("Vector" or the "Company"), which has its principal executive office at 4400 Biscayne Boulevard, Miami, Florida 33137.

**ITEM 2. IDENTITY AND BACKGROUND.**

This Schedule 13D is being filed by Howard M. Lorber, a United States citizen. Mr. Lorber's business address is 4400 Biscayne Boulevard, Miami, Florida, 33137. Mr. Lorber's principal occupation has been President and Chief Executive Officer of Vector since January 2006. Mr. Lorber served as President and Chief Operating Officer of Vector from January 2001 to December 2005 and has served as a director of Vector since January 2001. From November 1994 to December 2005, Mr. Lorber served as President and Chief Operating Officer of New Valley Corporation, where he also served as a director. New Valley Corporation was a majority-owned subsidiary of Vector until December 2005, when Vector acquired the remaining minority interest. 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.

Vector is a holding company and is principally engaged in:

- the manufacture and sale of cigarettes in the United States through its Liggett Group LLC and Vector Tobacco Inc. subsidiaries, and
- the real estate business through its New Valley LLC subsidiary, which is principally in the real estate business. New Valley owns 70.59% of Douglas Elliman Realty, LLC, which operates the largest residential brokerage company in the New York metropolitan area.

During the last five years, Mr. Lorber has not been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) nor has he been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

**ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.**

The amount paid to the Company by Mr. Lorber (\$100,000) in connection with the restricted stock award on July 23, 2014 was provided from his personal funds.

**ITEM 4. PURPOSE OF TRANSACTION.**

On July 23, 2014 the Company granted Mr. Lorber an award of 1,000,000 shares of Common Stock subject to performance-based vesting (the "Award Shares") pursuant to the Company's 2014 Management Incentive Plan (the "2014 Plan"). Mr. Lorber will pay the Company \$100,000, representing the par value of the Restricted Stock. Shares representing the Award Shares will be issued upon expiration of the waiting period of the notification form

which was filed under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, on July 25, 2014. Upon issuance, Mr. Lorber will have sole voting rights with respect to the Award Shares.

The terms of the Award Shares have been structured to be treated as a "qualified performance-based compensation" under Treasury Regulation 1.162-27(e).

Except to the extent provided in Section 5 of the Award Agreement, Mr. Lorber shall only earn a non-forfeitable right to an Award Share by satisfying both (i) the target for Vector Group Ltd. Adjusted EBITDA (as defined below) on the applicable vesting date as set forth in the following table, and (ii) being continuously employed with the Company through the applicable Vesting Date as set forth in the following table:

<u>Vesting Date</u>	<u>Number of Vested Shares (Cumulative)</u>
August 15, 2015	142,857 shares if the Vector Group Ltd. Adjusted EBITDA from July 1, 2014 to June 30, 2015 exceeds \$175 million;
July 1, 2016	285,714 shares minus shares previously vested if cumulative Vector Group Ltd. Adjusted EBITDA from July 1, 2014 to December 31, 2015 exceeds \$262.5 million;
July 1, 2017	428,571 shares minus shares previously vested if cumulative Vector Group Ltd. Adjusted EBITDA from July 1, 2014 to December 31, 2016 exceeds \$437.5 million;
July 1, 2018	571,428 shares minus shares previously vested if cumulative Vector Group Ltd. Adjusted EBITDA from July 1, 2014 to December 31, 2017 exceeds \$612.5 million;
July 1, 2019	714,285 shares minus shares previously vested if cumulative Vector Group Ltd. Adjusted EBITDA from July 1, 2014 to December 31, 2018 exceeds \$787.5 million;
July 1, 2020	857,142 shares minus shares previously vested if cumulative Vector Group Ltd. Adjusted EBITDA from July 1, 2014 to December 31, 2019 exceeds \$962.5 million; and
July 1, 2021	1,000,000 shares minus shares previously vested if cumulative Vector Group Ltd. Adjusted EBITDA from July 1, 2014 to December 31, 2020 exceeds \$1.138 billion,

"Vector Group Ltd. Adjusted EBITDA" is defined in the Award Agreement to mean the Company's Earnings Before Interest, Income Taxes, Depreciation and Amortization excluding litigation or claim judgments or settlements and non-operating items and expenses for restructuring, productivity initiatives and new business initiatives.

The Section 5 of the Award Agreement provides for accelerated vesting in the event of death or disability and if Mr. Lorber is employed by the Company at the time of a change on control as defined in the 2014 Plan, as well as limited accelerated vesting in certain other circumstances.

Mr. Lorber is entitled to receive a payment equal to the amount that would otherwise have been paid on or after the date of issuance of the Award Shares as dividends or other distributions (including securities of another issuer) on the Award Shares had such unvested portion been vested in Mr. Lorber as of the record date for such dividend or other distribution, provided such payment shall only be made to Mr. Lorber at the time of vesting of the unvested portion of the earned Award Shares on which such dividend or other distribution was paid.

**ITEM 5. INTEREST IN SECURITIES OF THE ISSUER.**

(a) As of July 23, 2014, Mr. Lorber was the beneficial owner of, in the aggregate, 5,769,905 shares of Common Stock, which constituted approximately 5.7% of the 100,763,436 shares of Common Stock outstanding, as of May 12, 2014, as adjusted to reflect the issuance of the Award Shares to Mr. Lorber following the expiration of the Hart-Scott-Rodino Act waiting period, which is anticipated to occur August 2014 (plus 972,405 shares that may be acquired by Mr. Lorber or his assignee within 60 days upon exercise of options).

(b) Mr. Lorber exercises sole voting power and sole dispositive power over (i) 807,773 shares of Common Stock held by him, (ii) 2,740,531 shares held by Lorber Alpha II Limited Partnership, a Nevada limited partnership, (of which 2,170,000 are pledged to collateralize a bank line of credit dated May 16, 2011, as amended) (iii) 249,177 shares held by Lorber Gamma Limited Partnership, a Nevada limited partnership, and (iv) 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 and voting rights with respect to 1,000,000 Award Shares that will be beneficially owned following expiration of the Hart-Scott-Rodino Act waiting period. Upon issuance to Mr. Lorber of the Award Shares, Mr. Lorber will have sole voting power over the Award Shares but will not gain investment power over those shares until the vesting conditions described in Item 4 have been satisfied.

Lorber Alpha 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.

(c) Except as described in Item 4, no transactions in the Company's Common Stock were effected during the past 60 days.

(d) Not applicable.

(e) Not applicable.

**ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER.**

Mr. Lorber is party to a contract with Vector dated January 27, 2006, when Vector and Mr. Lorber entered into an amended and restated employment agreement (the "Amended Lorber Agreement"), which replaced his prior employment agreements with Vector and with New Valley. The Amended Lorber Agreement has 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, Vector'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 Vector'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 Vector 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 255,256 shares of restricted stock received on December 11, 2012 and all dividends relating to such shares.

Lorber Alpha II Limited Partnership has pledged 2,170,000 shares of Common Stock to secure a bank line of credit under the terms of a pledge agreement dated May 16, 2011, as amended.

Mr. Lorber has the right to acquire 972,405 shares of Common Stock pursuant to a December 2009 option agreement, which granted Mr. Lorber options to purchase shares of Common Stock at \$11.60 per share. These options, which have a ten-year term, vest and become exercisable in entirety on December 3, 2013.

Mr. Lorber has the right to acquire 463,050 shares of Common Stock pursuant to a January 2011 option agreement, which granted Mr. Lorber options to purchase shares of Common Stock at \$14.91 per share. These options, which have a ten-year term, vest and become exercisable in entirety on January 14, 2015.

Mr. Lorber has the right to acquire 525,000 shares of Common Stock pursuant to a February 2013 option agreement, which granted Mr. Lorber options to purchase shares of Common Stock at \$15.36 per share. These options, which have a ten-year term, vest and become exercisable in entirety on February 26, 2017.

Mr. Lorber has the right to acquire 250,000 shares of Common Stock pursuant to a February 2014 option agreement which granted Mr. Lorber options to purchase shares of Common Stock at \$19.64 per share. These options, which have a ten-year term, vest and become exercisable in entirety on February 26, 2018.

Any then unexercisable options of the 2009, 2011, 2013, and 2014 option awards will vest and become exercisable upon the occurrence of a change of control or Mr. Lorber's death or disability. Under the terms of the 2009, 2011, 2013, and 2014 option awards, Common Stock dividend equivalents are paid on each option share.

**ITEM 7. MATERIAL TO BE FILED AS AN EXHIBIT.**

- Exhibit 10.1: Amended and Restated Employment Agreement dated as of January 27, 2006, between Vector and Howard M. Lorber (incorporated by reference to Exhibit 10.1 in Vector's Form 8-K dated January 27, 2006).
- Exhibit 10.2: Stock Option Agreement, dated December 3, 2009, between Vector and Howard M. Lorber (incorporated by reference to Exhibit 10.22 in Vector's Form 10-K dated December 31, 2009).
- Exhibit 10.3: Stock Option Agreement, dated January 14, 2011, between Vector and Howard M. Lorber (incorporated by reference to Exhibit S to Schedule 13D, as amended, dated January 21, 2011 filed by Howard M. Lorber).
- Exhibit 10.4: Stock Option Agreement, dated February 26, 2013, between Vector and Howard M. Lorber (incorporated by reference by Exhibit 10.1 in Vector's Form 10-Q dated March 31, 2013).
- Exhibit 10.5: Stock Option Agreement, dated February 26, 2014, between Vector and Howard M. Lorber.
- Exhibit 10.6: Performance-Based Restricted Share Award Agreement, pursuant to Vector Management Incentive Plan, dated July 23, 2014, by and between Vector and Howard M. Lorber.

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: July 25, 2014

By: /s/ Howard M. Lorber  
Howard M. Lorber



**VECTOR GROUP LTD.  
4400 Biscayne Blvd.  
10<sup>th</sup> Floor  
Miami, FL 33137**

February 26, 2014, as amended May 16, 2014

Mr. Howard M. Lorber  
[Address Redacted]

Dear Mr. Lorber:

We are pleased to inform you that, effective on the date hereof, Vector Group Ltd. (the "Company") has granted you a nonqualified option (the "Option") to purchase 250,000 shares of the Company's common stock, par value \$.10 per share (the "Common Stock"), at a purchase price of \$19.64 per share, subject to adjustment, pursuant to the Company's 2014 Management Incentive Plan, as may be and is in effect and as amended from time to time (the "Plan"). Any of the underlying shares of Common Stock to be issued upon exercise of the Option are referred to hereinafter as the "Shares." This agreement is conditioned upon the approval of the Plan by the Company's stockholders and is subject in all respects to the terms and provisions of the Plan, all of which terms and provisions are made a part of and incorporated in this agreement as if they were each expressly set forth herein. In the event of any conflict between the terms of this agreement and the terms of the Plan, the terms of the Plan shall control.

1. The Option may be exercised on or prior to the tenth anniversary of the date of grant (after which date the Option will, to the extent not previously exercised, expire), provided the Option shall only vest and become exercisable as to all of the aggregate shares covered thereby on February 26, 2018. However, the Option shall earlier vest and become immediately exercisable upon (i) the occurrence of a "Change in Control" as defined in Section 13.3 of the Plan or (ii) the termination of your employment with the Company, including by reason of death, disability or retirement to the extent allowed by the Committee in accordance with Section 16 of the Plan.

2. From and after the date it vests and becomes exercisable pursuant to Section 1 hereof, the Option may be exercised in whole or in part by delivering to the Company a written notice of exercise in the form attached hereto as Exhibit A, specifying the number of the Shares to be purchased and the purchase price therefor, together with payment of the purchase price of the Shares to be purchased. The purchase price is to be paid in cash or by delivering shares of Common Stock

already owned by you for at least six months having a fair market value on the date of exercise equal to the purchase price of the Option being exercised, or a combination of such shares and cash.

In addition, payment of the purchase price of the Shares to be purchased may also be made by delivering a properly executed notice to the Company, together with a copy of the irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds necessary to pay the purchase price, and, if required, the amount of any federal, state or local withholding taxes.

No Shares shall be issued until full payment therefor has been made. You shall have all of the rights of a stockholder of the Company holding the Common Stock that is subject to the Option (including the right to vote the Shares and the right to receive dividends thereon), when you have given written notice of exercise, have paid in full for such Shares and, if requested, have given the certificate described in Section 14 hereof.

3. In the event your employment with the Company is terminated for any reason, the Option shall forthwith terminate, provided that you may exercise any then unexercised portion of the Option then vested and exercisable pursuant to Section 1 hereof at any time prior to the earlier of one year from the date of termination or the expiration of the Option.

4. The Option is not transferable except (i) by will or the applicable laws of descent and distribution, (ii) pursuant to a domestic relations order in accordance with Section 23.4 of the Plan, or (iii) to your family members or trusts or other entities whose beneficial owners are your family members or any other entity affiliated with you approved by the Committee. In the event of a transfer, all terms and conditions of the Option, including the provisions relating to termination of your employment with the Company shall continue to apply following a transfer.

5. In the event of your death or disability, the Option may be exercised by your personal representative or representatives, or by the person or persons to whom your rights under the Option shall pass by will or by the applicable laws of descent and distribution, within the one year period following termination due to death or disability.

6. In the event of any change in capitalization affecting the Common Stock of the Company, including, without limitation, a stock dividend or other distribution, stock split, reverse stock split, recapitalization, consolidation, subdivision, split-up, spin-off, split-off, combination or exchange of shares or other form of reorganization or recapitalization, or any other change affecting the Common Stock, the Company shall make adjustments to the Option and/or provide for distributions, as appropriate, in accordance with the terms described in Section 12 of the Plan.

7. The grant of the Option does not confer on you any right to continue in the employ of the Company or any of its subsidiaries or affiliates or interfere in any way with the right of the Company or its subsidiaries or affiliates to terminate the term of your employment.

8. The Company shall require as a condition to the exercise of any portion of the Option that you pay to the Company, or make other arrangements regarding the payment of, any federal state or local taxes required by law to be withheld as a result of such exercise.

9. You understand and acknowledge that Shares received upon exercise of the Option will be subject to the terms of the Company's Equity Retention policy as in effect at the time of exercise.

10. In the event of the payment of any dividends or other distributions (including distributions of securities of another issuer) in respect of the Common Stock beginning on or after the date hereof and continuing while you hold the Option, you shall receive, within ten days of the payment of such dividend or distribution, the amount of any such dividends or other distributions that would have been paid to you had you been, at the record date for such dividends or other distributions, a shareholder of the Shares issuable upon exercise of any then unexercised portion of the Option, whether vested or unvested (the "Dividend Equivalent"). In the event that the payment of such dividend or distribution occurs within the last ten days of a calendar year, the Dividend Equivalent shall be paid by the Company within the first ten days of the subsequent calendar year.

11. Pursuant to Section 5.2 of the Plan, the Committee administering the Plan will amend the exercise price of the Option to ensure that it is not lower than the closing selling price of a Share as reported on the New York Stock Exchange on the date of approval of the Plan by the Company's stockholders.

12. The Company represents and warrants to you as follows: (i) this letter agreement and the grant of the Option hereunder have been authorized by all necessary corporate action by the Company and this letter agreement is a valid and binding agreement of the Company enforceable against the Company in accordance with its terms; (ii) the grant of the Option to you on the terms set forth herein will be exempt from the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, pursuant to Rule 16b-3(d) thereunder; (iii) the Company will obtain, at its expense, any regulatory approvals necessary or advisable in connection with the grant of the Option or the issuance of the Shares; and (iv) the Company currently has reserved and available, and will continue to have reserved and available during the term of the Option, sufficient authorized and issued shares of its Common Stock for issuance upon exercise of the Option.

13. The Company shall use its best efforts to file and keep in effect a Registration Statement on Form S-8, Form S-3 or other applicable form to register under the Securities Act of 1933, as amended (the "Act"), the Shares issuable to you upon exercise of the Option and the resale thereof by you.

14. Unless at the time of the exercise of any portion of the Option a registration statement under the Act is in effect as to the Shares, the Shares shall be acquired for investment and not for

sale or distribution, and if the Company so requests, upon any exercise of the Option, in whole or in part, you agree to execute and deliver to the Company a reasonable certificate to such effect.

15. You understand and acknowledge that: (i) any Shares purchased by you upon exercise of the Option may be required to be held indefinitely unless such Shares are subsequently registered under the Act or an exemption from such registration is available; (ii) any resales of such Shares made in reliance upon Rule 144 promulgated under the Act may be made only in accordance with the terms and conditions of that Rule (which, under certain circumstances, restrict the number of shares which may be sold and the manner in which shares may be sold); (iii) certificates for Shares to be issued to you hereunder shall bear a legend to the effect that the Shares have not been registered under the Act and that the Shares may not be sold, hypothecated or otherwise transferred in the absence of an effective registration statement under the Act relating thereto or an opinion of counsel satisfactory to the Company that such registration is not required; and (iv) the Company shall place an appropriate "stop transfer" order with its transfer agent with respect to such Shares.

16. This letter agreement contains all the understandings between the Company and you pertaining to the matters referred to herein, and supercedes all undertakings and agreements, whether oral or in writing, previously entered into by the Company and you with respect hereto. No provision of this letter agreement may be amended or waived unless such amendment or waiver is agreed to in writing signed by you and a duly authorized officer of the Company. No waiver by the Company or you of any breach by the other party hereto of any condition or provision of this letter agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time. If any provision of this letter agreement or the application of any such provision to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this letter agreement or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid and unenforceable, shall not be affected thereby, and each provision hereof shall be validated and shall be enforced to the fullest extent permitted by law. This letter agreement will be governed by and construed in accordance with the laws of the State of Delaware, without regard to its conflicts of laws principles. This letter agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Would you kindly evidence your acceptance of the Option and your agreement to comply with the provisions hereof by executing this letter agreement in the space provided below.

Very truly yours,

VECTOR GROUP LTD.

By: /s/ J. Bryant Kirkland III  
J. Bryant Kirkland III  
Vice President, Treasurer and CFO

AGREED TO AND ACCEPTED:

/s/ Howard M. Lorber  
Howard M. Lorber

Vector Group Ltd.  
4400 Biscayne Blvd  
10<sup>th</sup> Floor  
Miami, FL 33137

Gentlemen:

Notice is hereby given of my election to purchase \_\_\_\_\_ shares of Common Stock, \$.10 par value (the "Shares"), of Vector Group Ltd., at a price of \$\_\_\_\_\_ per Share, pursuant to the provisions of the stock option granted to me on February 26, 2014. Payment for the Shares will be made as follows:

my check in the amount of \$\_\_\_\_\_ which is enclosed.

\_\_\_\_\_ Shares having a total value of \$\_\_\_\_\_, such value being based on the closing price(s) of the Shares on the date hereof.

pursuant to the attached irrevocable instructions, a broker will sell \_\_\_\_ Shares on my behalf and promptly deliver to you \$\_\_\_\_\_ in satisfaction of the exercise price and \$ \_\_\_\_ in satisfaction of applicable tax withholding.

The following information is supplied for use in issuing and registering the Shares purchased hereby:

Number of Certificates  
and Denominations \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Social Security No. \_\_\_\_\_

Dated:

Very truly yours,

Howard M. Lorber

**PERFORMANCE-BASED RESTRICTED SHARE AWARD AGREEMENT**  
**PURSUANT TO THE VECTOR GROUP LTD.**  
**2014 MANAGEMENT INCENTIVE PLAN**

THIS PERFORMANCE-BASED RESTRICTED SHARE AWARD AGREEMENT (the "Agreement"), effective as of July 23, 2014 (the "Grant Date"), 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 Executive Officer of the Company, pursuant to an Amended and Restated Employment Agreement dated as of January 27, 2006, as amended to date (the "Employment Agreement"); and

B. 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 1,000,000 shares (collectively, the "Award Shares") of its Common Stock, \$.10 par value per share (the "Common Stock"), pursuant to the Company's 2014 Management Incentive Plan as in effect and amended from time to time (the "Plan"). This award is intended to be a Performance-Based Award within the meaning of Section 14 of the Plan that is exempt from the \$1,000,000 deduction limitation under Section 162(m) of the Code and shall be interpreted consistent with this intention.

Except to the extent provided in Section 5 below, the Executive shall only earn a non-forfeitable right to an Award Share by satisfying both (i) the target for Vector Group Ltd. Adjusted EBITDA (as defined below) on the applicable Vesting Date as set forth in the following table, and (ii) being continuously employed with the Company through the applicable Vesting Date as set forth in the following table::

<b><u>Vesting Date</u></b>	<b><u>Number of Vested Shares (Cumulative)</u></b>
August 15, 2015	142,857 shares if the Vector Group Ltd Adjusted EBITDA from July 1, 2014 to June 30, 2015 exceeds \$175 million;
July 1, 2016,	285,714 shares minus shares previously vested if cumulative Vector Group Ltd. Adjusted EBITDA from July 1, 2014 to December 31, 2015 exceeds \$262.5 million;
July 1, 2017	428,571 shares minus shares previously vested if cumulative Vector Group Ltd. Adjusted EBITDA from July 1, 2014 to December 31, 2016 exceeds \$437.5 million;
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July 1, 2020	857,142 shares minus shares previously vested if cumulative Vector Group Ltd. Adjusted EBITDA from July 1, 2014 to December 31, 2019 exceeds \$962.5 million; and
July 1, 2021	1,000,000 shares minus shares previously vested if cumulative Vector Group Ltd. Adjusted EBITDA from July 1, 2014 to December 31, 2020 exceeds \$1.138 billion.

For purposes of this section, "Vector Group Ltd. Adjusted EBITDA" shall mean the Company's Earnings Before Interest, Income Taxes, Depreciation and Amortization excluding litigation or claim judgments or settlements and non-operating items and expenses for restructuring, productivity initiatives and new business initiatives. In no event shall the target for Vector Group Ltd Adjusted EBITDA associated with a Vesting Date be considered satisfied unless and until the Committee has provided the certification of financial results required under Section 162(m) of the Code.

## **2. Issuance; Transfer Restrictions.**

The Executive shall file a notification form with respect to the issuance of the Award Shares under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended (the "Hart-Scott-Rodino Act"). Certificates for the Award Shares shall be issued in the name of the Executive as soon as practicable after the expiration of the waiting period under the Hart-Scott-Rodino Act, 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 \$100,000, 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. The Executive acknowledges that the Award shares are subject to the Company's Equity Retention and Hedging Policy adopted in January 2013.

## **3. Certificates Legended.**

The Executive acknowledges that certificates for the Award Shares shall bear a legend to the following effect:

THE TRANSFER OF THESE SECURITIES HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE OFFERED OR SOLD IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT COVERING 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 in Section 2 hereof.



#### **4. Forfeiture.**

Except to the extent provided in Section 5 hereof, upon the earlier of the Executive's termination of employment with the Company for any reason or July 1, 2021, any remaining 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. Accelerated Vesting.**

a. The Executive shall be fully vested in all of the Award Shares in the event of his termination of employment due to death or disability (as determined in good faith by the Committee) or if a Change in Control of the Company as defined in Section 13.3 of the Plan occurs while he is employed by the Company, in each case consistent with the requirements for the award being treated as "performance-based compensation" under Section 162(m) of the Code and Treas. Reg. Sect. 1.162-27(e)(2)(v).

b. In the event of either the termination of the Executive's employment by the Company without Cause as defined in Section 6(d) of the Employment Agreement, or the voluntary termination by the Executive of his employment (to the extent the provisions of Section 6(a) of the Employment Agreement apply), the requirement to be continuously employed on any future Vesting Date shall be waived, and the Executive shall be vested in any remaining unvested Award Shares under Section 1 of this Agreement based on the level of cumulative Vector Group Ltd. Adjusted EBITDA as of the end of the immediately preceding calendar quarter.

c. In the event of the occurrence of a Change of Control of the Company, the Committee will provide for settlement of any Award Shares that are subject to accelerated vesting under Section 5 of this Agreement in accordance with the terms of Section 13.2 of the Plan.

#### **6. Adjustment of Award Shares.**

In the event of any of the transactions or events described in Section 12 of the Plan, the aggregate number and kind of Award Shares shall be proportionately adjusted by the Company in accordance with the terms of Section 12.

#### **7. Dividend Payments.**

The Executive shall be entitled to receive the dividends or other distributions (including securities of another issuer) that are paid by the Company on the Award Shares on or after their date of issuance, but only if such Shares are subsequently earned and vested. Any such dividend or other distribution shall be paid to the Executive as soon as reasonably practicable after the underlying Award Shares have become vested. No interest shall be paid on any dividends or other distributions under this Section 7.

#### **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. Tax Withholding.**

The Executive agrees not to file a Section 83(b) election. The Executive shall pay to the Company, at each 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 minimum required obligations to withhold federal, state or local income

or other taxes incurred by reason thereof. In accordance with Section 15 of the Plan, tax withholding may be satisfied by the surrender of shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that could be imposed on the transaction.

#### 10. **Incorporation by Reference; Plan Document Receipt; Coordination with Employment Agreement**

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. For the avoidance of doubt, references to the "Committee" in this Agreement shall refer to the Subcommittee in accordance with Section 4.1 of the Plan. Notwithstanding anything to the contrary in the Employment Agreement, the terms and conditions applicable to the Award Shares, including but not limited to vesting conditions, shall be governed solely and exclusively by this Agreement. 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.

#### 11. **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.  
4400 Biscayne Boulevard, 10<sup>th</sup> Floor  
Miami, Florida 33137  
Attn: Marc N. Bell, Vice President  
and General Counsel

if to the Executive:  
Howard M. Lorber  
at the most recent home address as indicated on the Company's records

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, the Committee or the Subcommittee 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/ J. Bryant Kirkland III

J. Bryant Kirkland III  
Vice President, Treasurer and CFO

/s/ Howard M. Lorber

Howard M. Lorber