

VECTOR GROUP LTD
Form DEF 14A
April 14, 2006

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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:

- | | |
|--|---|
| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> Definitive Proxy Statement | |
| <input type="checkbox"/> Definitive Additional Materials | |
| <input type="checkbox"/> 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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- o Fee paid previously with preliminary materials.

- o 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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**VECTOR GROUP LTD.
100 S.E. Second Street
Miami, Florida 33131**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 22, 2006**

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 the Bank of America Tower, 100 S.E. Second Street, 19th Floor Auditorium, Miami, Florida 33131 on Monday, May 22, 2006 at 11:00 a.m. local time, 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 approve the Vector Group Ltd. Senior Executive Annual Bonus Plan.
3. 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 April 4, 2006 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 12, 2006 to May 22, 2006, at the headquarters of the Company located at 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131. A proxy statement, form of proxy and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 are enclosed herewith.

By Order of the Board of Directors,

Howard M. Lorber
President and Chief Executive Officer

Miami, Florida
April 14, 2006

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.
100 S.E. Second Street
Miami, Florida 33131**

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 the Bank of America Tower, 100 S.E. Second Street, 19th Floor Auditorium, Miami, Florida 33131 on Monday, May 22, 2006, at 11:00 a.m. local time, and at any postponement or adjournment. The Company's principal executive offices are located at 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131, 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 April 4, 2006 is entitled to notice of the meeting and any adjournments or postponements and to vote, 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 49,917,970 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, 2005 are first being mailed to stockholders on or about April 17, 2006.

Any stockholder giving 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 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. Abstentions and shares held of record by a broker or its nominee that are voted on any matter are included in determining the number of votes present for quorum purposes. Broker shares that are not voted on any matter will not be included in determining whether a quorum is present.

All proxies received and not revoked will be voted as directed. If no directions are specified, such proxies will be voted **FOR** the election of the board's nominees and **FOR** approval of the Senior Executive Annual Bonus Plan. The nominees receiving a plurality of the votes cast will be elected as directors. With respect to the election of directors, shares as to which authority is withheld and broker shares that are not voted will not be included in determining the number of votes cast. The affirmative vote of the majority of votes present and entitled to vote with respect to the Senior Executive Annual Bonus Plan will be necessary for approval of this proposal. For this purpose and with respect to any other matter to come before the meeting, abstentions are treated as present and entitled to vote, while broker shares are not entitled to vote on such proposal and therefore will have no effect on such vote.

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 (as such term is defined in the Summary Compensation Table below); and

all directors and executive officers as a group.

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Unless otherwise indicated, each person possesses sole voting and investment power with respect to the shares indicated as beneficially owned, and the business address of each person is 100 S.E. Second Street, Miami, Florida 33131.

| Name and Address of Beneficial Owner | Number of Shares | Percent of Class |
|--|-------------------------|-------------------------|
| High River Limited Partnership(1) Hopper Investments, LLC Barberry Corp. Dixon Guarantor LLC Tortoise Corp. Arnos Corp. Unicorn Associates Corporation ACF Industries Holding Corp. Highcrest Investors Corp. Buffalo Investors Corp. Starfire Holding Corporation Little Meadow Corp. Carl C. Icahn 767 Fifth Avenue New York, NY 10153 | 10,461,278 | 20.6% |
| Bennett S. LeBow(2)(5)(6) | 10,376,379 | 18.5% |
| Howard M. Lorber(3)(5)(6) | 3,996,058 | 7.8% |
| Jefferies Group, Inc.(4) 520 Madison Avenue New York, NY 10022 | 3,020,750 | 6.1% |
| Henry C. Beinstein(5)(7) Gagnon Securities LLC 1370 Avenue of the Americas New York, NY 10019 | 36,134 | (*) |
| Robert J. Eide(5) Aegis Capital Corp. 810 Seventh Avenue New York, NY 10019 | 52,582 | (*) |
| Jeffrey S. Podell(5)(7) 173 Doral Court Roslyn, NY 11576 | 62,284 | (*) |
| Jean E. Sharpe(5)(7) 15 Silo Ridge Road North Salem, NY 10560 | 48,215 | (*) |
| Richard J. Lampen(6)(7) | 325,069 | (*) |
| Marc N. Bell(6)(7) | 72,003 | (*) |
| Ronald J. Bernstein(5)(7)(8) Liggett Vector Brands Inc. One Park Drive Research Triangle Park, NC 27709 | 169,900 | (*) |

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| | | |
|--|------------|-------|
| All directors and executive officers as a group (10 persons) | 15,250,543 | 26.5% |
|--|------------|-------|

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

(1) Based upon an amendment to a Schedule 13D filed by the named entities on March 7, 2006. Barberry Corp. (Barberry) is the sole member of Hopper Investments LLC, which is the general partner of High River Limited Partnership, which is the sole member of Dixon Guarantor LLC. Starfire Holding Corporation (Starfire) owns 100% of Buffalo Investors Corp., which owns 99.34% of Highcrest Investors Corp., which owns 100% of ACF Industries Holding Corp., which owns 100% of Unicorn Associates Corporation, which

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owns 100% of Arnos Corp., which owns 100% of Tortoise Corp. Each of Barberry, Starfire and Little Meadow Corp. are 100% owned by Mr. Icahn. Includes 938,086 shares of Common Stock issuable upon conversion of the Company's convertible notes.

- (2) Includes 3,725,557 shares of Common Stock held by LeBow Gamma Limited Partnership, a Nevada limited partnership, 385,384 shares held by LeBow Alpha LLLP, a Delaware limited liability limited partnership, 99,409 shares held by The Bennett and Geraldine LeBow Foundation, Inc., a Florida not-for-profit corporation, 2,638,312 shares acquirable by LeBow Gamma Limited Partnership, as assignee of Mr. LeBow, upon exercise of currently exercisable options to purchase Common Stock, and 3,527,717 shares acquirable by LeBow Epsilon Investments Trust, as assignee of Mr. LeBow, upon exercise of currently exercisable options. Mr. LeBow indirectly exercises sole voting power and sole dispositive power over the shares of Common Stock held or acquirable by the partnerships and trust. LeBow Holdings, Inc., a Nevada corporation, is the general partner of LeBow Alpha LLLP and is the sole stockholder of LeBow Gamma, Inc., a Nevada corporation, which is the general partner of LeBow Gamma Limited Partnership. Mr. LeBow is a director, officer and sole shareholder of LeBow Holdings, Inc., a director and officer of LeBow Gamma, Inc. and the sole trustee of LeBow Epsilon Investments Trust. Mr. LeBow and family members serve as directors and executive officers of the foundation, and Mr. LeBow possesses shared voting power and shared dispositive power with the other directors of the foundation with respect to the foundation's shares of Common Stock.
- (3) Includes 1,124,273 shares held directly by Mr. Lorber, 1,817,871 shares of Common Stock held by Lorber Epsilon 1999 Limited Partnership, a Delaware limited partnership, 64,800 shares held by Lorber Alpha II Limited Partnership, a Nevada limited partnership, and 989,114 shares acquirable by Mr. Lorber upon exercise of currently exercisable options to purchase Common Stock. Mr. Lorber exercises sole voting power and sole dispositive power over the shares of Common Stock held by the partnership and by himself. Lorber Epsilon 1999 LLC, a Delaware limited liability company, is the general partner of Lorber Epsilon 1999 Limited Partnership. Lorber Alpha II Limited Partnership is the sole member of, and Mr. Lorber is the manager of, Lorber Epsilon 1999 LLC. Lorber Alpha II, Inc., a Nevada corporation, is the general partner of Lorber Alpha II Limited Partnership. Mr. Lorber is a director, officer and controlling shareholder of Lorber Alpha II, Inc. Mr. Lorber disclaims beneficial ownership of 11,910 shares of Common Stock held by Lorber Charitable Fund. 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) Based on Schedule 13G filed by the named entity on February 8, 2006. Jefferies Group, Inc. (Jefferies) is a publicly-traded Delaware corporation that is managed by its Board of Directors. Richard Handler is the Chairman and Chief Executive Officer of Jefferies. Jefferies disclaims beneficial ownership of 1,730,203 shares of Common Stock beneficially owned by Jefferies Paragon Master Fund, Ltd., for which Jefferies Asset Management, LLC, a Jefferies affiliate, serves as investment manager.
- (5) The named individual is a director of the Company.
- (6) The named individual is an executive officer of the Company.
- (7) Includes shares issuable upon exercise of currently exercisable options to purchase Common Stock as follows: Mr. Beinstein, 18,900; Mr. Podell, 13,399; Ms. Sharpe, 13,399; Mr. Lampen, 134,008; Mr. Bell, 67,003; and Mr. Bernstein, 119,900.
- (8) The named individual is an executive officer of the Company's subsidiaries Liggett Vector Brands Inc. and Liggett Group LLC (Liggett).

NOMINATION AND ELECTION OF DIRECTORS

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 annual meeting. Seven directors are to be elected at the annual meeting to serve until the next annual meeting of stockholders and until their respective successors are duly elected and qualified.

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

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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 board 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 Vector Group Ltd. 100 S.E. Second Street Miami, FL 33131 | 68 | Executive Chairman |
| Howard M. Lorber Vector Group Ltd. 100 S.E. Second Street Miami, FL 33131 | 57 | President and Chief Executive Officer |
| Ronald J. Bernstein Liggett Vector Brands Inc. One Park Drive Research Triangle Park, NC 27709 | 52 | President and Chief Executive Officer, Liggett and Liggett Vector Brands Inc. |
| Henry C. Beinstein Gagnon Securities LLC 1370 Avenue of the Americas New York, NY 10022 | 63 | Partner, Gagnon Securities LLC |
| Robert J. Eide Aegis Capital Corp. 810 Seventh Avenue New York, NY 10019 | 53 | Chairman and Chief Executive Officer, Aegis Capital Corp. |
| Jeffrey S. Podell 173 Doral Court Roslyn, NY 11576 | 65 | Chairman of the Board and President, Newsote, Inc. |
| Jean E. Sharpe 15 Silo Ridge Road North Salem, NY 10560 | 59 | Private Investor |

Each director is elected annually and serves until the next annual meeting of stockholders and until his successor is duly elected and qualified.

Business Experience of Nominees

Bennett S. LeBow has been Executive Chairman since January 2006 and has been a director of the Company since October 1986. He served as the Chairman and Chief Executive Officer of the Company from June 1990 to December 2005. Mr. LeBow has served as President and Chief Executive Officer of Vector Tobacco Inc., a subsidiary of the Company engaged in the development and marketing of low nicotine and nicotine-free cigarette products and the

development of reduced risk cigarette products, since January 2001 and as a director since October 1999. 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.

Howard M. Lorber has been President and Chief Executive Officer of the Company since January 2006 and has served as a director of the Company since January 2001. He served as President and Chief Operating Officer of the

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

Ronald J. Bernstein has served as President and Chief Executive Officer of Liggett since September 1, 2000 and of Liggett Vector Brands 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.

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 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 has been a director of Ladenburg Thalmann Financial Services Inc. since May 2001 and was a director of New Valley Corporation from November 1994 to December 2005.

Robert J. Eide has been a director of the Company since November 1993. Mr. Eide has been the Chairman and Chief Executive Officer of Aegis Capital Corp., a registered broker-dealer, since 1984. Mr. Eide also serves as a director of Nathan's Famous, Inc., a restaurant chain, and Ladenburg Thalmann Financial Services Inc.

Jeffrey S. Podell has been a director of the Company since November 1993. Mr. Podell has been the Chairman of the Board and President of Newsote, Inc., a privately-held holding company, since 1989. Mr. Podell also serves as a director of Ladenburg Thalmann Financial Services Inc.

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.

Board of Directors and Committees

The board of directors, which held eight meetings in 2005, currently has seven members. The board has determined that all four of the Company's non-employee directors have no material relationship with the Company and meet the New York Stock Exchange listing standards for independence. Mr. Eide is an officer and stockholder of Aegis Capital Corp. which performs brokerage services for New Valley Corporation. See Compensation Committee Interlocks and Insider Participation. In making the determination that this relationship is not material and does not prevent Mr. Eide

from being an independent director, the board took into account that the fees paid to Aegis are comparable to those paid to other brokerage firms for similar services and the amounts involved (approximately \$18,000 in 2005) are insignificant to both New Valley Corporation and Aegis. Each director attended at least 75% of the aggregate number of meetings of the board and of each committee of which the director was a member held during such period. To ensure free and open discussion and communication among the non-employee directors of the board, the non-employee directors meet in executive sessions periodically, with no

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members of management present. The chair of the corporate governance and nominating committee presides at the executive sessions.

The board of directors has four committees established in accordance with the Company's bylaws: the executive committee, audit committee, compensation committee, and corporate governance and nominating committee. 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 Messrs. LeBow, chairman, Lorber and Eide, did not meet in 2005. 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.

The audit committee, whose members are currently Messrs. Beinstein, chairman, Eide and Podell and Ms. Sharpe, met five times in 2005. The committee is governed by a written charter. The audit committee oversees the Company's financial statements, system of internal controls, and auditing, accounting and financial reporting processes; 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 . 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 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 currently Messrs. Eide, chairman, Beinstein and Podell, met eight times in 2005. The committee is governed by a written charter. 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 Plans and the Amended and Restated 1999 Long-Term Incentive Plan. See Compensation Committee Report on Executive Compensation .

The corporate governance and nominating committee, whose members are Ms. Sharpe, chair, and Messrs. Eide and Beinstein, met twice in 2005. The committee is governed by a written charter. This 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 shareholders, 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 board. The committee will consider nominees recommended by stockholders, which nominations should be submitted by directing an appropriate letter and resume to the secretary of the Company. 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.

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The Company's corporate governance guidelines, code of business conduct and ethics and 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.vectorgrouppltd.com) and are also available in print to any shareholder who requests it.

Executive Compensation

The following table sets forth information concerning compensation awarded to, earned by or paid during the past three years to those persons who were, at December 31, 2005, the Company's Chief Executive Officer and the other four most highly compensated executive officers (collectively, the "named executive officers"):

Summary Compensation Table(1)

| Name and Principal Position | Year | Annual Compensation | | Other Annual Compensation(\$) | Long-Term Compensation | All Other Compensation(\$) |
|--|------|---------------------|--------------|-------------------------------|----------------------------|----------------------------|
| | | Salary(\$) | Bonus(\$) | | Restricted Stock Award(\$) | |
| Bennett S. LeBow(2) Executive Chairman of the Board | 2005 | 3,739,501 | 1,043,700(3) | 329,278(4) | | 6,300(6) |
| | 2004 | 3,739,501 | 1,043,700(3) | 240,357(4) | | 6,150(6) |
| | 2003 | 3,739,501 | 1,913,450(3) | 232,684(4) | | 6,000(6) |
| Howard M. Lorber(2) President and Chief Executive Officer | 2005 | 2,492,070 | 2,492,070 | 162,340(4) | 12,608,000(5) | |
| | 2004 | 2,401,690 | 1,500,000 | 143,539(4) | | |
| | 2003 | 2,325,777 | 1,500,000 | 180,406(4) | | |
| Richard J. Lampen Executive Vice President | 2005 | 750,000 | 300,000 | | | 6,300(6) |
| | 2004 | 750,000 | 100,000 | | | 6,150(6) |
| | 2003 | 750,000 | | | | 6,000(6) |
| Marc N. Bell Vice President, General Counsel and Secretary | 2005 | 375,000 | 50,000 | | | 6,300(6) |
| | 2004 | 375,000 | 50,000 | | | 6,150(6) |
| | 2003 | 375,000 | | | | 6,000(6) |
| Ronald J. Bernstein President and Chief Executive Officer of Liggett Vector Brands and Liggett | 2005 | 750,000 | 875,000 | 96,764(4) | 1,018,000(5) | 6,300(6) |
| | 2004 | 750,000 | 250,000 | | | 6,150(6) |
| | 2003 | 650,000 | | | | 6,000(6) |

- (1) Unless otherwise stated, the aggregate value of perquisites and other personal benefits received by the named executive officers are not reflected because the amounts were below the reporting requirements established by SEC rules. Compensation information for Messrs. LeBow, Lorber and Lampen include amounts paid or awarded by New Valley Corporation, the Company's majority-owned subsidiary until December 2005, when the Company acquired the remaining minority interest.
- (2) Effective January 1, 2006, Mr. LeBow, who had previously served as Chairman and Chief Executive Officer of the Company, became Executive Chairman. On that date, Mr. Lorber, who had previously served as President

and Chief Operating Officer of the Company, became President and Chief Executive Officer.

- (3) Includes payments equal to 10% of Mr. LeBow's base salary from the Company (\$173,950 in each of 2005, 2004 and 2003) in lieu of certain other executive benefits and a special bonus of \$863,500 in 2003, the proceeds of which were used by Mr. LeBow to repay to the Company its interest of \$863,500 under his split-dollar insurance agreements.
- (4) Includes for Mr. LeBow \$239,278 for 2005, \$150,357 for 2004 and \$142,684 for 2003 for personal use of corporate aircraft and an allowance paid by New Valley Corporation to an entity affiliated with him for lodging and related business expenses of \$90,000 for 2005, 2004 and 2003. Includes for Mr. Lorber \$72,340 in 2005, \$53,539 in 2004 and \$30,969 in 2003 for personal use of corporate aircraft, an allowance paid by New Valley Corporation for lodging and related business expenses of \$90,000 for 2005, 2004 and 2003 and an automobile

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allowance paid by New Valley Corporation of \$59,437 for 2003. Includes for Mr. Bernstein \$55,256 in 2005 for personal use of corporate aircraft, an automobile allowance paid by Liggett of \$25,000 for 2005 and tax reimbursement of \$16,508 for 2005. For purposes of determining the value of such services, the personal use is calculated based on the aggregate incremental cost to the Company. For flights on corporate aircraft, aggregate incremental cost is calculated based on a cost-per-flight-mile charge developed by a nationally recognized and independent service which reflects the operating costs of the aircraft. Figures previously reported for personal use of corporate aircraft in 2004 and 2003 were calculated in accordance with Internal Revenue Service guidelines and differ from those reported here.

- (5) The amounts represent the market value on the date of grant of the restricted stock awarded (a total of 578,570 shares of the Company's Common Stock awarded to Mr. Lorber, the 178,571 New Valley Corporation common shares awarded to Mr. Lorber that vested and were not relinquished by Mr. Lorber, and 50,000 shares of the Company's Common stock awarded to Mr. Bernstein). At December 31, 2005, the unvested restricted shares had a market value of \$10,512,617 for Mr. Lorber (578,570 shares of Common Stock) and \$908,500 for Mr. Bernstein (50,000 shares of Common Stock), without giving effect to any diminution in value attributable to the restrictions. Since the dates of grant by the Company, Messrs. Lorber and Bernstein have had the same rights as any stockholder of the Company with respect to receipt of dividends on these shares, except that payment of such dividends will be made to them upon vesting of the restricted shares. See Restricted Stock Awards below for information concerning the terms of these grants by the Company which vest in equal annual installments over a four-year period.

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

No stock options were granted during 2005 under the Company's option plans to the named executive officers. Mr. Lorber held employee stock options to purchase 65,333 New Valley Corporation Common Shares. In connection with the merger of New Valley Corporation with a subsidiary of the Company on December 13, 2005, those options were converted, in accordance with their terms, into currently exercisable options to purchase 35,279 shares of the Company's Common Stock at \$10.51 per share, expiring on July 1, 2006.

The following table sets forth certain information concerning option exercises during 2005 by the named executive officers and the status of their options as of December 31, 2005.

Aggregated Option Exercises During Last Fiscal Year