

VECTOR GROUP LTD
Form PREM14A
October 20, 2005

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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 under 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: Common Shares, par value \$.01 per share, of New Valley Corporation.
- (2) Aggregate number of securities to which transaction applies: 9,616,822, which represents 22,260,607 outstanding common shares of New Valley Corporation on October 19, 2005, less 12,849,118 shares owned by VGR Holding Inc., a wholly-owned subsidiary of Vector Group Ltd., plus an additional 205,333 common shares of New Valley Corporation reserved for issuance upon exercise of outstanding stock options all as reported to Vector Group Ltd. by New Valley Corporation on October 19, 2005.
- (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): The filing fee was determined based on the product of (a) \$7.90, the market price of the common shares of New Valley Corporation computed in accordance with Exchange Act Rules 0-11(d) and 0-11(a)(4), based upon the average of the high and low sale prices of the New Valley Corporation common shares as quoted on The Nasdaq Stock Market on October 13, 2005 and (b) 9,616,822, the maximum number of shares to be acquired pursuant to the offer. In accordance with Section 14(g) of the Exchange Act, the filing fee was determined by multiplying .0001177 by the sum of the preceding sentence.
- (4) Proposed maximum aggregate value of transaction: \$75,972,894
- (5) Total fee paid: \$8,942

☐ Fee paid previously with preliminary materials:

☒ 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: \$8,942
- (2) Form, Schedule or Registration Statement No.: Form S-4
- (3) Filing Party: Vector Group Ltd.
- (4) Date Filed: October 20, 2005

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OTHER MATTERS

VECTOR GROUP LTD.

100 S.E. Second Street

Miami, Florida 33131

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held November 29, 2005

To the Stockholders of Vector Group Ltd.:

The Special Meeting of Stockholders of Vector Group Ltd., a Delaware corporation ("Vector"), will be held at The Hyatt Regency Miami, 400 S.E. Second Avenue, Miami, Florida 33131 on Tuesday, November 29, 2005 at 11:00 a.m. local time, and at any postponement or adjournment thereof, for the following purposes:

1. To approve and authorize the issuance of shares of Vector's common stock, par value \$.10 per share (the "Vector Common Stock"), pursuant to Vector's proposed exchange offer (the "Exchange Offer") for all of the outstanding common shares, par value \$.01 per share, of New Valley Corporation, a Delaware corporation, not currently owned by Vector and the subsequent merger.
2. 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 Vector Common Stock at the close of business on October 25, 2005 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 Vector 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 November 19, 2005 to November 29, 2005, at the headquarters of Vector located at 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131. A proxy statement (which includes a copy of the Offer to Exchange) and form of proxy are enclosed herewith.

By Order of the Board of Directors,

Bennett S. LeBow
Chairman of the Board of Directors

Miami, Florida
[____], 2005

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 (the "Vector Board") of Vector Group Ltd., a Delaware corporation ("Vector"). The proxy is solicited for use at the special meeting of stockholders to be held at The Hyatt Regency Miami, 400 S.E. Second Avenue, Miami, Florida 33131 on Tuesday, November 29, 2005, at 11:00 a.m. local time, and at any postponement or adjournment. Vector'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, par value \$.10 per share, of Vector (the "Vector Common Stock") at the close of business on October 25, 2005 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 Vector Common Stock held by such holder. At the record date, Vector had outstanding 44,592,890 shares of Vector Common Stock. This proxy statement, accompanying notice and proxy are first being mailed to stockholders on or about [___], 2005.

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 special meeting to the secretary of Vector, by a duly executed proxy bearing a date or time later than the date or time of the proxy being revoked, or at the special meeting if the stockholder is present and elects to vote in person. Mere attendance at the special 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, but abstentions and broker shares not voted are disregarded and will have no effect on the proposed vote.

All proxies received and not revoked will be voted as directed. If no directions are specified, such proxies will be voted FOR the approval and authorization of the issuance of the shares of Vector Common Stock to be issued pursuant to the Exchange Offer (as deferred herein).

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**APPROVAL OF THE ISSUANCE OF SHARES OF VECTOR COMMON STOCK
PURSUANT TO THE EXCHANGE OFFER AND SUBSEQUENT MERGER**

The Exchange Offer

Vector is seeking stockholder approval for the issuance of shares of Vector Common Stock to be issued pursuant to an exchange offer (the "Exchange Offer") for all of the outstanding common shares, par value \$.01 per share (the "New Valley Stock"), of New Valley Corporation, a Delaware corporation ("New Valley"), not currently owned by Vector and in the subsequent merger in order to combine New Valley with Vector. Vector currently owns 12,849,118 shares of New Valley Stock, representing approximately 57.7% of all of the outstanding shares of New Valley Stock. If Vector successfully completes the Exchange Offer, it will own more than 90% of the outstanding New Valley Stock, and would then effect a short form merger of one of its wholly-owned subsidiaries with New Valley. Under the subsequent merger, unless a stockholder properly perfects its appraisal rights under Delaware law, each share of New Valley Stock not acquired in the Exchange Offer would be converted into the same consideration as each share of New Valley Stock that was tendered into the Exchange Offer. In both the Exchange Offer and the subsequent merger, Vector Common Stock will be issued at an exchange ratio of 0.461 shares of Vector Common Stock for each share of New Valley Stock. The exchange ratio of 0.461 shares of Vector Common Stock for each share of New Valley Stock reflects a value of approximately \$9.00 per share of New Valley Stock and a 21% premium above the closing price of New Valley Stock on September 26, 2005, the last trading day before the Vector Board publicly announced its intention to commence the Exchange Offer. Successful completion of the Exchange Offer and subsequent merger would require the issuance of approximately 4,339,000 shares of Vector Common Stock, not giving effect to outstanding options to purchase shares of New Valley Stock.

The issuance of the shares of Vector Common Stock in exchange for the shares of New Valley Stock will be dilutive to the outstanding shares of Vector Common Stock. The issuance of Vector Common Stock could also depress the market price of Vector Common Stock by increasing the number of shares of Vector Common Stock that are outstanding. Prior to the issuance of Vector Common Stock in the Exchange Offer and subsequent merger, holders of Vector Common Stock, other than (i) directors and executive officers of Vector and (ii) stockholders holding more than 5% of Vector Common Stock owned approximately 42.5%, and after the consummation of the Exchange Offer and subsequent merger will own approximately 45.2%, of the outstanding Vector Common Stock.

For information regarding the background, reasons, terms and effect of, and interests of certain persons in the Exchange Offer and subsequent merger, as well as a description of Vector Common Stock and financial statements and related information, see the Offer to Exchange enclosed herewith.

Reasons for Seeking Stockholder Approval

Vector's ability to issue the shares of Vector Common Stock in exchange for shares of New Valley Stock is subject to stockholder approval, as required by Section 312.03(b) of the New York Stock Exchange Listed Company Manual (the "NYSE Manual"). Section 312.03(b) requires stockholder approval of stock issuances in which a director, officer or substantial stockholder of Vector will be issued a number of shares exceeding 1% of the outstanding shares

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of the issuing company's common stock. The issuance of Vector Common Stock to New Valley stockholders pursuant to the Exchange Offer would result in the issuance of shares of Vector Common Stock greater than 1% of the outstanding shares of Vector Common Stock to (i) Howard M. Lorber, a director, an officer and, together with certain of his affiliated entities, a substantial stockholder of Vector, and (ii) Carl C. Icahn, together with certain of his affiliated entities, a substantial stockholder of Vector. Upon successful completion of the Exchange Offer, Messrs. Lorber and Icahn and their respective affiliates would receive approximately 444,376 and 582,098 shares of Vector Common Stock, respectively, equal to approximately 1% and 1.3% of the 44,592,890 outstanding shares of Vector Common Stock on the record date, respectively. Approval of the issuance of Vector Common Stock in the Exchange Offer, if given, will be effective for the issuance of Vector Common Stock at the 0.461 exchange ratio regardless of the other terms and conditions or the timing of the Exchange Offer or the subsequent merger or other factors that might be related thereto.

Pursuant to Section 312.07 of the NYSE Manual, an affirmative vote of the majority of the votes cast (provided that the total vote cast for the proposed issuance represents over 50% in interest of all of the shares of Vector Common Stock entitled to vote thereon) regarding the proposed issuance is required for approval of the proposed issuance of Vector Common Stock. Certain directors and executive officers of Vector, who collectively own approximately 29.3% of the outstanding Vector Common Stock on the record date, have indicated that they currently intend to vote their shares of Vector Common Stock in favor of the proposed issuance.

The issuance of Vector Common Stock pursuant to the Exchange Offer is a condition to the consummation of the Exchange Offer. Therefore, if the proposed issuance of Vector Common Stock is not approved by the stockholders, the Exchange Offer will not be consummated.

Opinion of Vector's Financial Advisor

Vector engaged Jefferies & Company, Inc. ("Jefferies") pursuant to an engagement letter dated as of September 27, 2005 to serve as its financial advisor in connection with the Exchange Offer. On September 27, 2005, Jefferies rendered to the Vector Board its opinion as investment bankers to the effect that, as of that date and based upon and subject to the various considerations and assumptions set forth therein, the exchange ratio of 0.461 shares of Vector Common Stock to be issued in exchange for each outstanding share of New Valley Stock not owned by Vector was fair, from a financial point of view, to Vector. For a summary of the Jefferies opinion and the material financial and comparative analyses performed by Jefferies that was presented to the Vector Board on September 27, 2005 in connection with the delivery of its opinion, see "BACKGROUND AND REASONS FOR THE OFFER AND SUBSEQUENT MERGER" Opinion of Jefferies beginning on page 29 of the Offer to Exchange. The full text of the Jefferies opinion, which sets forth the assumptions made, matters considered and limitations on the scope of review undertaken by Jefferies in rendering its opinion, is attached as Annex D to the Offer to Exchange.

The Jefferies opinion was provided to the Vector Board in connection with its consideration of the Exchange Offer, and therefore addresses only the fairness to Vector, from a financial point of view and as of the date of the Jefferies opinion, of the exchange ratio to be offered in the Exchange Offer. The Jefferies opinion does not address the fairness of the exchange ratio to the New Valley stockholders or any other aspect of the Exchange Offer, nor does it constitute a recommendation as to how any Vector stockholder should vote on the share issuance or any other matter relevant to the Exchange Offer or as to whether any New Valley stockholder should tender their shares of New Valley Stock in the Exchange Offer. Vector has agreed to pay Jefferies a customary fee for its services in connection with the delivery of its opinion to the Vector Board.

Certain Relationships and Related Transactions

In connection with Vector's convertible note offering in November 2004, the purchasers of the notes required Bennett S. LeBow, the principal stockholder and Chairman of the Board of Directors of Vector, to enter into an agreement granting Jefferies, the placement agent for such offering, the right, in its sole discretion, to borrow up to 3,646,518 shares of Vector Common Stock from the principal stockholder or an entity affiliated with him during a 30-month period, subject to extension under various conditions, and that he agree not to dispose of such shares during this period, subject to limited exceptions. In consideration for the principal stockholder agreeing to lend his shares in order to facilitate Vector's offering and accepting the resulting liquidity risk, Vector agreed to pay him or an affiliate designated by him an annual fee, payable on a quarterly basis in cash or, by mutual agreement of Vector and the

principal stockholder, shares of Vector Common Stock, equal to 1% of the aggregate market value of 3,646,518 shares of Vector Common Stock. In addition, Vector agreed to hold the principal stockholder harmless on an after-tax basis against any increase, if any, in the income tax rate applicable to dividends paid on the shares as a result of the share loan agreement. The principal stockholder has the right to assign to Howard M. Lorber, the President and a director of Vector, some or all of his obligation to lend the shares under such agreement. In 2004, Vector paid an entity affiliated with the principal stockholder an aggregate of \$69,000 under this agreement.

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In connection with Vector's convertible note offering in 2001, a similar agreement with the principal stockholder of Vector had been in place for the three-year period ended June 29, 2004. In 2004, Vector paid an entity affiliated with the principal stockholder an aggregate of \$291,000 under the agreement.

In connection with Vector's convertible note offering in April 2005, Vector entered into a similar arrangement through May 2007 with Mr. Lorber, as one of Vector's principal stockholders, with respect to 315,000 shares of Vector Common Stock.

As of the record date, High River Limited Partnership, an investment entity owned by Carl C. Icahn, was the beneficial owner of 21.4% of Vector Common Stock. High River owns \$20,000,000 of Vector's 6.25% convertible notes due 2008, convertible into 904,159 shares of Vector Common Stock on the record date. High River received interest payments on the notes of \$1,250,000 during 2004.

Various executive officers and directors of Vector and New Valley serve as members of the Board of Directors of Ladenburg Thalmann Financial Services Inc., which is indebted to New Valley. For additional information concerning these borrowings, see page 64 of the Offer to Exchange.

Mr. Lorber was Chairman of Hallman & Lorber in 2004 and, since January 2005, has been a consultant to such company. During 2004, Mr. Lorber and Hallman & Lorber and its affiliates received ordinary and customary insurance commissions aggregating approximately \$587,000 on various insurance policies issued for Vector and its subsidiaries and investees. Mr. Lorber and Hallman & Lorber and its affiliates have continued to provide services to Vector in 2005.

Mr. Eide is a stockholder, and serves as the Chairman and Chief Executive Officer, of Aegis Capital Corp., a registered broker-dealer, that has performed services for New Valley since before January 1, 2004. During 2004, Aegis received commissions and other income in the aggregate amount of approximately \$46,000 from New Valley. Aegis has continued to provide services to New Valley in 2005.

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AND MANAGEMENT**

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

- Ø each person known to Vector to own beneficially more than 5% of Vector Common Stock;
- Ø each of Vector's directors;
- Ø each of Vector's named executive officers; and
- Ø 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, 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
Bennett S. LeBow(1)(4)(6)	16,951,381	33.4%
High River Limited Partnership(2) Hopper Investments LLC Barberry Corp. Carl C. Icahn 767 Fifth Avenue New York, NY 10153	9,745,502	21.4%
Howard M. Lorber(3)(4)(6)	2,916,265	6.4%
Henry C. Beinstein(4) Gagnon Securities LLC 1370 Avenue of the Americas New York, NY 10019	11,025	(*)
Robert J. Eide(4) Aegis Capital Corp. 810 Seventh Avenue New York, NY 10019	52,580	(*)
Jeffrey S. Podell(4)(5) 173 Doral Court Roslyn, NY 11576	62,284	(*)
Jean E. Sharpe(4)(5) 15 Silo Ridge Road North Salem, NY 10560	48,215	(*)
Richard J. Lampen(6)(7)	308,069	(*)
Marc N. Bell(6)(8)	67,003	(*)

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Name and Address of Beneficial Owner	Number of Shares	Percent of Class
Ronald J. Bernstein(4)(8)(9) Liggett Vector Brands Inc. One Park Drive Research Triangle Park, NC 27709	477,461	1.1%
All directors and executive officers as a group (10 persons)	20,926,512	39.9%

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

(1) Includes 10,300,557 shares of Vector 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, 99,411 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 Vector
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 Vector
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 Vector Common Stock.

- (2) Based upon a Form 4, filed by the named entities on November 22, 2004. Barberry Corp. is the managing member of Hopper Investments LLC, which is the general partner of High River Limited Partnership, and

is wholly owned
by Mr. Icahn.
Includes
904,159 shares
of Vector
Common Stock
issuable upon
conversion of
Vector's
convertible
notes.

- (3) Includes
609,279 shares
held directly by
Mr. Lorber
(subject to the
vesting
provisions of
the
September 27,
2005 restricted
stock award of
500,000 shares
of Vector
Common
Stock),
1,317,872
shares of Vector
Common Stock
held by Lorber
Epsilon 1999
Limited
Partnership, a
Delaware
limited
partnership, and
989,114 shares
acquirable by
Mr. Lorber upon
exercise of
currently
exercisable
options to
purchase Vector
Common Stock.
Mr. Lorber
exercises sole
voting power
and sole
dispositive

power over the shares of Vector 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, a Nevada 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 Vector 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) The named individual is a director of Vector.
- (5) Includes 13,399 shares issuable upon exercise of currently exercisable options to purchase Vector Common Stock.
- (6) The named individual is an executive officer of Vector.
- (7) Includes 134,008 shares issuable upon exercise of currently exercisable options to purchase Vector Common Stock.
- (8) Represents shares issuable upon exercise of currently exercisable options to purchase Vector Common Stock.

(9)

The named
individual is an
executive
officer of
Vector's
subsidiaries
Liggett Vector
Brands Inc. and
Liggett Group
Inc.

In addition, by virtue of his controlling interest in Vector, Mr. LeBow may be deemed to own beneficially the securities of Vector's subsidiaries, including VGR Holding Inc., Liggett

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Group, Vector Tobacco Inc. and New Valley Corporation. The disclosure of this information should not be construed as an admission that Mr. LeBow is the beneficial owner of any securities of Vector's subsidiaries under Rule 13d-3 of the Securities Exchange Act of 1934 or for any other purpose, and beneficial ownership is expressly disclaimed. None of Vector's other directors or executive officers beneficially owns any equity securities of any of Vector's subsidiaries, except for (i) Mr. Lorber and his affiliates who own 898,608 common shares of New Valley and hold currently exercisable options to acquire 65,333 New Valley common shares, (ii) Mr. Beinstein who owns 833 common shares of New Valley and holds currently exercisable options to acquire 30,000 New Valley common shares, and (iii) Mr. Eide who owns 5 New Valley common shares.

MISCELLANEOUS

All information in this proxy statement concerning Vector Common Stock has been adjusted to give effect to the 5% stock dividends paid to the stockholders of Vector on September 30, 1999, September 28, 2000, September 28, 2001, September 27, 2002, September 29, 2003, September 29, 2004 and September 29, 2005.

The cost of this solicitation of proxies will be borne by Vector. In addition to the use of the mails, some of the directors, officers and regular employees of Vector may, without additional compensation, solicit proxies personally or by telephone. Vector will reimburse brokerage houses, banks and other custodians, nominees and fiduciaries for customary and reasonable expenses incurred in forwarding soliciting material to the beneficial owners of Vector Common Stock.

WHERE YOU CAN FIND MORE INFORMATION

Vector and New Valley file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). You may read and copy any reports, statements or other information that Vector and New Valley file at the SEC's public reference room at 100 F. Street, N.E., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on the public reference rooms. Vector and New Valley's SEC filings are also available to the public from commercial retrieval services and at the website maintained by the SEC at www.sec.gov.

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OTHER MATTERS

The board knows of no other matters which will be presented at the special meeting. If, however, any other matter is properly presented at the special meeting, the proxy solicited by this proxy statement will be voted in accordance with the judgment of the person or persons holding such proxy.

By Order of the Board of Directors,

Bennett S. LeBow
Chairman of the Board of Directors
Dated: [___], 2005

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ANNEX A

THE INFORMATION IN THIS PROSPECTUS MAY CHANGE. WE MAY NOT COMPLETE THIS OFFER AND ISSUE SHARES OF OUR COMMON STOCK UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION TO WHICH THIS PROSPECTUS RELATES IS EFFECTIVE. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL SHARES OF OUR COMMON STOCK, AND WE ARE NOT SOLICITING OFFERS TO EXCHANGE OUR SHARES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

**Offer by VGR Holding Inc.
to Exchange
0.461 of a Share of Common Stock
of
Vector Group Ltd.
for
Each Outstanding Common Share
of
New Valley Corporation**

THIS OFFER, AND YOUR RIGHT TO WITHDRAW THE COMMON SHARES OF NEW VALLEY CORPORATION YOU TENDER INTO THIS OFFER, WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON THURSDAY, DECEMBER 1, 2005, UNLESS WE EXTEND THIS OFFER.

We are offering to exchange 0.461 of a share of Vector Group Ltd., or Vector, common stock for each outstanding common share of New Valley Corporation, or New Valley, on the terms and conditions contained in this Prospectus and in the related Letter of Transmittal.

Stockholders who wish to tender should follow the instructions included in this Prospectus and the accompanying Letter of Transmittal.

VGR Holding Inc., or VGR Holding, is a wholly-owned subsidiary of Vector, and we currently own approximately 57.7% of the outstanding common shares of New Valley. This offer is conditioned on, among other things, the tender of a sufficient number of the outstanding common shares of New Valley such that, after giving effect to the offer, we own at least 90% of the outstanding common shares of New Valley. If this minimum tender condition is satisfied, more than a majority of the minority stockholders of New Valley (*i.e.*, stockholders unaffiliated with Vector and its subsidiaries and stockholders who are not directors or officers of New Valley) will have also validly tendered and not properly withdrawn their common shares of New Valley in our offer. Our obligation to exchange shares of Vector common stock for common shares of New Valley is also subject to other conditions described in this Prospectus under *The Offer* *Conditions of the Offer* beginning on page 58. We do not intend to have a subsequent offering period.

If we successfully complete this offer, we will own more than 90% of the outstanding common shares of New Valley, and we would then effect a short form merger of one of our wholly-owned subsidiaries with New Valley. Under Delaware law, this short form merger would be effected without the approval of New Valley's board of directors or the remaining holders of New Valley's common shares. We will effect the subsequent merger as soon as practicable after we complete this offer, unless we are prevented from doing so by a court or other legal requirement. Each common share of New Valley that we do not own or acquire in this offer would be converted in the subsequent merger into the right to receive 0.461 of a share of Vector common stock, unless the holder of the common shares of New Valley properly perfects appraisal rights under Delaware law. After we complete the subsequent merger, New Valley will be our wholly-owned subsidiary.

See Risk Factors beginning on page 10 for a discussion of issues that you should consider in determining whether to tender your shares into this offer.

Vector's common stock is listed on the New York Stock Exchange and trades under the symbol *VGR*. New Valley's common shares are listed on The Nasdaq Stock Market and trade under the symbol *NVAL*.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE VECTOR COMMON STOCK TO BE ISSUED IN THIS OFFER AND THE SUBSEQUENT MERGER OR DETERMINED IF THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Dealer Manager for the Offer is:
Georgeson Shareholder Securities Corporation

The date of this prospectus is October 20, 2005.

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As permitted under the rules of the Securities and Exchange Commission, or SEC, this Prospectus incorporates important business and financial information about Vector and New Valley that is contained in documents filed with the SEC but that is not included in or delivered with this Prospectus. You may obtain copies of these documents, without charge, from the website maintained by the SEC at www.sec.gov, as well as other sources. See **Where You Can Find More Information** beginning on page 74.

You may also obtain copies of these documents, without charge, upon written or oral request to our Information Agent, Georgeson Shareholder Communications Inc., at (877) 388-2794 (toll free), or from our Dealer Manager for this offer, Georgeson Shareholder Securities Corporation, collect at (212) 440-9800. To obtain timely delivery of copies of these documents, you should request them no later than five business days prior to the expiration of this offer. Unless this offer is extended, the latest you should request copies of these documents is Tuesday, November 22, 2005.

Except as otherwise specifically noted, **we**, **our**, **us** and similar words in this Prospectus refer to VGR Holding Inc. or VGR Holding, and/or Vector Group Ltd., or Vector. In addition, we refer to New Valley Corporation as New Valley.

In **Questions and Answers About the Offer** below and in the **Summary** beginning on page 1, we highlight selected information from this Prospectus but we have not included all of the information that may be important to you. To better understand the offer and the subsequent merger and for a more complete description of their legal terms, you should read carefully this entire Prospectus, including the Annexes, as well as the documents we have incorporated by reference into this Prospectus. See **Where You Can Find More Information** beginning on page 74.

QUESTIONS AND ANSWERS ABOUT THE OFFER

Q. Why Are We Making The Offer?

- A. We currently own 12,849,118 outstanding common shares of New Valley, representing approximately 57.7% of all of the outstanding common shares of New Valley. We are making the offer for the purpose of acquiring all of the remaining outstanding common shares of New Valley, in order to combine New Valley with Vector.

Q. What Will I Receive In Exchange For The Common Shares Of New Valley That I Tender Into The Offer?

- A. If we successfully complete the offer, you will receive 0.461 of a share of Vector common stock in exchange for each common share of New Valley that you validly tender into the offer. We will not issue fractional shares of Vector common stock. Instead, any New Valley stockholder entitled to receive a fractional share of Vector common stock will receive cash in an amount equal to the fraction, multiplied by the closing price of a share of Vector common stock on the New York Stock Exchange on the last trading day before the time that the offer expires. See **The Offer – Cash Instead of Fractional Shares of Vector Common Stock** on page 50.

Q. What Are The Potential Benefits Of This Offer To New Valley Stockholders?

- A. We believe that this offer should be attractive to New Valley stockholders for the reasons described elsewhere in this Prospectus as well as for the following reasons:

based on the closing price of Vector common stock on September 26, 2005, the last day prior to our announcement of this offer, the value of the consideration we are offering for each New Valley common share was \$9.00, representing a premium of 21% over \$7.45, the last closing price for New Valley common shares before we announced the offer on September 27, 2005;

if we successfully complete the offer, you will hold shares in a larger combined company which we believe will have a more liquid market for its shares than New Valley on a stand-alone basis;

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as a result of your exchange of common shares of New Valley for shares of Vector common stock, you will become entitled to receive quarterly cash dividends from Vector, which we expect to continue to pay at our current quarterly rate of \$0.40 per share. See Comparative Per Share Market Price and Dividend Information Vector Vector Dividend Policy on page 46. New Valley does not currently pay a regular cash dividend with respect to its shares; and

you will have the opportunity to continue to participate in New Valley's growth through your ownership of shares of Vector common stock.

Q. What Are Some Of The Other Factors I Should Consider In Deciding Whether To Tender My Common Shares Of New Valley?

A. In addition to the factors described elsewhere in this Prospectus, you should consider the following:

the exchange ratio reflects a value of approximately \$9.00 per common share of New Valley, based on the closing price of Vector common stock on September 26, 2005, the last trading day prior to our announcement of the 0.461 exchange ratio for our offer. This value is above the closing price of New Valley common shares on September 26, 2005, \$7.45, and above the highest closing price at which common shares of New Valley had closed in the one year period before the announcement of our offer, \$7.63, which was reached on August 25, 2005. However, this value is below the closing price of New Valley common shares of \$9.15 on October 5, 2005, the highest price at which common shares of New Valley have closed following the announcement of our offer; and

as a stockholder of Vector, your interest in the performance and prospects of New Valley will be only indirect and in proportion to your share ownership in Vector. You therefore may not realize the same financial benefits of any future appreciation in the value of New Valley that you may realize if the offer and subsequent merger were not completed and you were to remain a New Valley stockholder.

We describe various factors New Valley stockholders should consider in deciding whether to tender their shares under Risk Factors beginning on page 10 and Additional Factors for Consideration by New Valley Stockholders beginning on page 36.

Q. If I Decide Not To Tender, How Will This Affect The Offer And My Common Shares Of New Valley?

A. We will not acquire any common shares of New Valley in the offer unless New Valley stockholders (other than Vector and its subsidiaries) have tendered into the offer, and not withdrawn, as of the expiration of the offer, a sufficient number of common shares of New Valley such that we would hold following the offer at least 90% of the outstanding common shares of New Valley. Your failure to tender your common shares of New Valley will reduce the likelihood that we will receive tenders of a sufficient number of common shares of New Valley to be able to complete the offer. See The Offer Conditions of the Offer beginning on page 58.

If you do not tender your common shares of New Valley and we nonetheless successfully complete the offer, as permitted under Delaware law, we would then effect a short form merger with New Valley without the approval of New Valley's board of directors or the remaining holders of New Valley's common shares. We will effect this subsequent merger as soon as practicable after we complete the offer unless we are prevented from doing so by a court or other legal requirement. Each common share of New Valley that we do not own or acquire in the offer would be converted in the subsequent merger into the right to receive 0.461 of a share of Vector common stock, and cash instead of fractional shares, unless you properly perfect your appraisal rights under Delaware law. See

The Offer Purpose of the Offer; The Subsequent Merger beginning on page 55 and The Offer Appraisal Rights

beginning on page 56.

If we do not successfully complete the offer, your common shares of New Valley will remain outstanding and we expect that New Valley will remain a majority owned subsidiary of Vector. See

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Certain Effects of the Offer Conduct of New Valley if the Offer is Not Completed beginning on page 64.

Q. How Long Will It Take To Complete The Offer And The Subsequent Short Form Merger?

- A. We hope to complete the offer promptly after its expiration at 5:00 p.m., New York City time, on Thursday, December 1, 2005. However, we may extend the offer if the conditions to the offer have not been satisfied as of the offer's scheduled expiration or if we are required to extend the offer pursuant to the tender offer rules of the SEC. We will complete the subsequent merger as soon as practicable after the successful completion of the offer, unless a court or other legal requirement prevents us from doing so.

Q. Has The New Valley Board Formed A Special Committee Of Independent Directors To Evaluate Vector's Offer?

- A. Yes, we understand that New Valley has formed a special committee consisting of independent directors Arnold I. Burns (Chairman), Ronald J. Kramer, Barry W. Ridings and Victor M. Rivas to evaluate our offer.

Q. Has New Valley's Board Of Directors Made A Recommendation Concerning The Offer?

- A. We do not know whether the New Valley board will make a recommendation. Under SEC rules, New Valley will be required to make a recommendation or state that it is neutral or is unable to take a position with respect to the offer, and file with the SEC a solicitation/recommendation statement on Schedule 14D-9 describing its position, if any, and related matters, no later than ten business days from the date of the distribution of this Prospectus. New Valley is also required to send to you a copy of its Schedule 14D-9. In evaluating this offer, you should be aware that four of eight members of the New Valley board are Vector directors and/or executive officers. For additional information on interests that New Valley's board members and executive officers may have in the offer and subsequent merger, see Interests of Certain Persons in the Offer and Subsequent Merger beginning on page 67.

Q. Has Vector Negotiated, Or Sought The Approval Of, The Terms Of This Offer Or The Subsequent Merger With New Valley?

- A. No. We have not negotiated the terms of this offer or the subsequent merger with New Valley, its board of directors or any special committee of its board. Moreover, we have not requested that New Valley, its board of directors or any special committee of its board approve this offer.

Q. What Percentage Of Vector Common Stock Will Current New Valley Stockholders Receive After The Successful Completion Of The Offer And Subsequent Merger?

- A. We anticipate that the completion of the offer and subsequent merger will result in the exchange of the outstanding common shares of New Valley that we do not currently own into approximately 8.9% of the shares of Vector's common stock outstanding at the conclusion of the transactions, without regard to outstanding stock options or outstanding series of convertible notes of Vector, and 6.4% on a fully diluted basis. In general, this assumes that:

up to approximately 4,339,000 shares of Vector common stock would be issued in the offer and the subsequent merger and, if all New Valley stock options vest and are exercised by the holders thereof, up to a maximum of approximately an additional 4,433,000 shares of Vector common stock would be issued;

44,592,890 shares of Vector common stock are outstanding before giving effect to the completion of the offer and the subsequent merger; and

no New Valley stockholders exercise appraisal rights.

The holders of Vector common stock are entitled to one vote for each share they hold. The former stockholders of New Valley, who would receive Vector common stock, will, therefore, receive approximately 8.9% of the outstanding voting power of Vector immediately following the offer and the

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subsequent merger, without regard to outstanding stock options or outstanding series of convertible notes of Vector, and 6.4% of the voting power on a fully diluted basis.

Q. What Are The Most Significant Conditions To The Offer?

- A. The offer is conditioned upon, among other things, satisfaction of the minimum tender condition. In particular, there must be validly tendered, and not properly withdrawn prior to the expiration of the offer, at least 7,185,429 shares (based on the number of outstanding common shares of New Valley as of the date of this Prospectus) such that, after giving effect to the offer, we own at least 90% of the total number of outstanding common shares of New Valley (or 22,260,607, as of October 19, 2005). If this minimum tender condition is satisfied, more than a majority of the minority stockholders of New Valley (i.e., stockholders unaffiliated with Vector and its subsidiaries and stockholders who are not directors or officers of New Valley) will have also validly tendered and not properly withdrawn their common shares of New Valley in our offer. We will not waive this minimum tender condition. In addition, the following conditions, among others, must also be met:

the Registration Statement, of which this Prospectus is a part, having been declared effective by the SEC;

the issuance of certain shares of Vector common stock to be issued in the offer and the subsequent merger having been approved by Vector stockholders entitled to vote thereon;

the shares of Vector common stock to be issued in the offer and the subsequent merger having been approved for listing on the New York Stock Exchange;

the absence of any event that would be expected to have an adverse effect on New Valley such that, regardless of the circumstances, in our good faith judgment, it would be inadvisable to proceed with the offer;

we are satisfied with the status of the New Valley stockholder litigations against us which are pending, including any appeals; and

the absence of legal impediments to the offer or the subsequent merger.

These conditions and other conditions to the offer are discussed in this Prospectus under **The Offer Conditions of the Offer** beginning on page 58.

Q. Will I Be Taxed On The Vector Common Stock That I Receive?

- A. The offer and the subsequent merger are intended to qualify as a reorganization for United States federal income tax purposes under which you would generally not recognize gain or loss upon the receipt of shares of Vector common stock in exchange for your common shares of New Valley, other than any gain or loss recognized on the receipt of cash instead of fractional shares. However, there is no condition to the offer relating to the tax-free treatment of the offer and the subsequent merger. See **The Offer Material U.S. Federal Income Tax Consequences** beginning on page 52. The tax consequences to you will depend on the facts and circumstances of your own situation. Please consult your tax advisor for a full understanding of the tax consequences to you.

Q. Do The Statements On The Cover Page Regarding This Prospectus Being Subject To Change And The Registration Statement Filed With The SEC Not Yet Being Effective Mean That The Offer Has Not Commenced?

- A.

No. As permitted under SEC rules, we have commenced the offer without the Registration Statement, of which this Prospectus is a part, having been declared effective by the SEC. We cannot, however, complete the offer and accept for exchange any common shares of New Valley tendered in the offer until the Registration Statement is declared effective by the SEC and the other conditions to our offer have been satisfied or, where permissible, waived.

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Q. Are Vector's Business, Prospects And Financial Condition Relevant To My Decision To Tender My Shares In The Offer?

- A. Yes. Common shares of New Valley accepted in the offer will be exchanged for shares of Vector common stock and therefore you should consider Vector's business, prospects and financial condition before you decide whether to tender your shares in the offer. In considering our business, prospects and financial condition, you should review the documents incorporated by reference in this Prospectus because they contain detailed business, financial and other information about us. See *Where You Can Find More Information* beginning on page 74.

Q. Whom Can I Call With Questions About The Offer?

- A. You can contact our Information Agent or Dealer Manager for the offer:

The Information Agent for the Offer is:
Georgeson Shareholder Communications Inc.
17 State Street, 10th Floor
New York, NY 10004
(877) 388-2794 (Toll Free)
Banks and Brokerage Firms please call:
(212) 440-9800

The Dealer Manager for the Offer is:
Georgeson Shareholder Securities Corporation
17 State Street, 10th Floor
New York, NY 10004
(212) 440-9800

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SUMMARY

Introduction

We are proposing to acquire all of the outstanding common shares of New Valley that we do not already own. We currently own 12,849,118 common shares of New Valley, representing approximately 57.7% of the outstanding common shares of New Valley.

We are offering to exchange 0.461 of a share of Vector common stock for each outstanding common share of New Valley, upon the terms and conditions set forth in this Prospectus and the related Letter of Transmittal. We will not acquire any shares of New Valley in the offer unless New Valley stockholders (other than Vector and its subsidiaries) have validly tendered and not properly withdrawn prior to the expiration of the offer a number of common shares of New Valley such that, after giving effect to the offer, we own at least 90% of the total number of outstanding common shares of New Valley. If this minimum tender condition is satisfied, more than a majority of the minority stockholders of New Valley (*i.e.*, stockholders unaffiliated with Vector and its subsidiaries and stockholders who are not directors or officers of New Valley) will have also validly tendered and not properly withdrawn their common shares of New Valley in our offer. We will not waive this minimum tender condition. As of October 19, 2005, there were 22,260,607 common shares of New Valley outstanding. Accordingly, for