

VECTOR GROUP LTD

Form DEF 14A

March 18, 2019

Table of Contents

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

Filed by the Registrant ☐

Filed by a Party other than the Registrant ☐

Check the appropriate box:

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

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

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

Vector Group Ltd.

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

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

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

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(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:

(5) Total fee paid:

☐ 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:

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(3) Filing Party:

(4) Date Filed:

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TABLE OF CONTENTS

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

INTRODUCTION

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

EXECUTIVE OFFICERS OF THE COMPANY

BOARD PROPOSAL 1 -- NOMINATION AND ELECTION OF DIRECTORS

COMPENSATION DISCUSSION AND ANALYSIS

SUMMARY COMPENSATION TABLE FOR YEARS 2016 - 2018

GRANTS OF PLAN-BASED AWARDS IN 2018

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2018

OPTION EXERCISES AND STOCK VESTED IN YEAR ENDED DECEMBER 31, 2018

PENSION BENEFITS AT 2018 FISCAL YEAR END

COMPENSATION OF DIRECTORS

AUDIT COMMITTEE REPORT

EQUITY COMPENSATION PLAN INFORMATION

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

BOARD PROPOSAL 2 -- ADVISORY VOTE ON EXECUTIVE COMPENSATION (THE SAY ON PAY VOTE)

BOARD PROPOSAL 3 -- RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC

ACCOUNTING FIRM

PROPOSAL 4 -- INDEPENDENT BOARD CHAIRMAN

MISCELLANEOUS

HOUSEHOLDING OF ANNUAL MEETING MATERIALS

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Table of Contents

VECTOR GROUP LTD.

4400 Biscayne Blvd.

Miami, Florida 33137

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 2, 2019

To the Stockholders of Vector Group Ltd.:

The Annual Meeting of Stockholders of Vector Group Ltd., a Delaware corporation (the “Company” or “Vector”), will be held at the Hilton Downtown Miami, 1601 Biscayne Boulevard, Miami, FL 33132 on Thursday, May 2, 2019 at 10:00 a.m., and at any postponement or adjournment thereof, for the following purposes:

1. To elect eight directors to hold office until the next annual meeting of stockholders and until their successors are elected and qualified;
2. To hold an advisory vote on executive compensation (the “say on pay vote”);
3. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the year ending December 31, 2019;
4. To consider a non-binding stockholder proposal that requests the Company to amend its governing documents to require the Chairman of the Board of Directors to be an independent director; and
5. To transact such other business as properly may come before the meeting or any adjournments or postponements of the meeting.

Every holder of record of Common Stock of the Company at the close of business on March 4, 2019 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 April 18, 2019 to May 2, 2019, at the headquarters of the Company located at 4400 Biscayne Boulevard, 10th Floor, Miami, Florida 33137. A proxy statement, form of proxy and the Company's Annual Report on Form 10-K for the year ended December 31, 2018 are enclosed herewith.

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

Miami, Florida  
March 18, 2019

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.



Table of Contents

VECTOR GROUP LTD.  
4400 Biscayne Boulevard  
Miami, Florida 33137

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PROXY STATEMENT

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INTRODUCTION

The board of directors of Vector Group Ltd., a Delaware corporation (the “Company” or “Vector”) is soliciting the proxy accompanying the proxy statement for use at the annual meeting of stockholders to be held at the Hilton Downtown Miami, 1601 Biscayne Boulevard, Miami, FL 33132 on Thursday, May 2, 2019, at 10:00 a.m., and at any postponement or adjournment. The Company’s offices are located at 4400 Biscayne Boulevard, 10th Floor, Miami, Florida 33137, and its telephone number is (305) 579-8000.

VOTING RIGHTS AND SOLICITATION OF PROXIES

Every holder of record of Common Stock of the Company at the close of business on March 4, 2019 is entitled to notice of the meeting and any adjournments or postponements and to cast, in person or by proxy, one vote for each share of Common Stock held by such holder. At the record date, the Company had outstanding 140,914,642 shares of Common Stock.

To expedite delivery, reduce our costs and decrease the environmental impact of our proxy materials, we used “Notice and Access” in accordance with an SEC rule that permits us to provide proxy materials to our stockholders over the Internet. On March 22, 2019, we sent a Notice of Internet Availability of Proxy Materials to certain of our stockholders containing instructions on how to access our proxy materials online. Our Notice of Annual Meeting of Stockholders, Proxy Statement, form of Electronic Proxy Card and Annual Report on Form 10-K are available for viewing online at <http://www.astproxyportal.com/ast/03819/>. If you received a Notice, you will not receive a printed copy of the proxy materials in the mail. Instead, the Notice instructs you on how to access and review all of the important information contained in the proxy materials. The Notice also instructs you on how you may submit your proxy via the Internet. If you received a Notice and would like to receive a copy of our proxy materials, follow the instructions contained in the Notice to request a copy electronically or in paper form on a one-time or ongoing basis. Stockholders who do not receive the Notice will continue to receive either a paper or electronic copy of our Proxy Statement and 2018 Annual Report to Stockholders, which will be sent on or before March 22, 2019.

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

The presence, in person or represented by proxy, of the holders of a majority of the issued and outstanding shares of Common Stock will constitute a quorum for the transaction of business at the annual meeting. The affirmative vote of holders of a plurality of the shares represented and entitled to vote is required for the election of each director. The affirmative vote of the holders of a majority of the shares represented and entitled to vote at the meeting is required for the advisory approval of the say on pay vote, the ratification of the appointment of Deloitte & Touche LLP as the Company’s independent registered public accounting firm and the stockholder’s non-binding proposal, and abstentions will have the effect of votes against each such matter.

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

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All proxies received and not revoked will be voted as directed. If no directions are specified, proxies which have been signed and returned will be voted "FOR" the election of the board's nominees as directors, the advisory say on pay vote and the ratification of Deloitte & Touche LLP as the Company's independent registered public accounting firm and "AGAINST" the stockholder's non-binding proposal requesting the Company to amend its governing documents to require the Chairman of the Board of Directors to be an independent director.

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Table of Contents

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

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

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

Name and Address of Beneficial Owner	Number of Shares	Percent of Class
Dr. Phillip Frost (1) 4400 Biscayne Boulevard Miami, FL 33137	19,536,686	13.9 %
The Vanguard Group, Inc. (2) 100 Vanguard Blvd. Malvern, PA 19355	10,848,157	7.7 %
BlackRock, Inc. (3) 55 East 52nd Street New York, NY 10055	10,688,472	7.6 %
Renaissance Technologies LLC (4) 800 Third Avenue New York, NY 10022	9,767,227	6.9 %
Howard M. Lorber (5) (7) (8) 4400 Biscayne Boulevard Miami, FL 33137	7,388,210	5.1 %
Bennett S. LeBow (6) (7) 667 Madison Avenue New York, NY 10065	7,274,567	5.2 %
Stanley S. Arkin (7)	34,350	(*)
Henry C. Beinstein (7) (9)	126,527	(*)
Paul V. Carlucci (7)	3,499	(*)
Jean E. Sharpe (7) (10)	132,226	(*)
Barry Watkins (7)	3,499	(*)
Richard J. Lampen (8) (11) (12)	788,665	(*)
J. Bryant Kirkland III (8) (13)	445,676	(*)
Marc N. Bell (8) (14)	351,421	(*)
Ronald J. Bernstein (7) (15)	94,273	(*)
All directors and executive officers as a group (11 persons)	16,642,913	11.5 %

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



Table of Contents

- Based upon Schedule 13-D/A filed by Dr. Frost with the Securities and Exchange Commission (“SEC”) on February 14, 2019, which reports ownership of 15,992,142 shares of Common Stock owned by Frost Gamma Investments Trust (“Frost Gamma Trust”), a trust organized under Florida law and 3,528,260 shares held by Frost Nevada Investments Trust (“Frost Nevada Trust”), a trust organized under Florida law. Dr. Frost is the sole trustee of Frost Gamma Trust and Frost Nevada Trust. As the sole trustee, Dr. Frost may be deemed the beneficial owner of all shares owned by Frost Gamma Trust and Frost Nevada Trust, by virtue of his shared power to vote or direct the vote of such shares or to dispose or direct the disposition of such shares owned by these trusts. Frost Gamma
- (1) Limited Partnership (“Frost Gamma LP”) is the sole and exclusive beneficiary of Frost Gamma Trust. Dr. Frost is one of two limited partners of Frost Gamma LP. The general partner of Frost Gamma LP is Frost Gamma, Inc. The sole shareholder of Frost Gamma, Inc. is Frost-Nevada Corporation. Frost-Nevada Limited Partnership (“Frost Nevada LP”) is the sole and exclusive beneficiary of the Frost Nevada Trust. Dr. Frost is one of five limited partners of Frost-Nevada LP. The general partner of Frost Nevada LP is Frost-Nevada Corporation. Dr. Frost is the sole shareholder of Frost-Nevada Corporation. Includes 16,284 shares owned by Dr. Frost’s spouse, as to which shares Dr. Frost disclaims beneficial ownership.
  - Based on Schedule 13-G/A filed by The Vanguard Group, Inc. (“Vanguard”) with the SEC on February 11, 2019. Includes 141,647 shares, where Vanguard has sole voting and dispositive power, owned by Fiduciary Trust Company, a wholly-owned subsidiary of Vanguard, and 17,841 shares, where Vanguard has sole voting power, owned by Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of Vanguard.
  - (2) Based on Schedule 13-G filed by BlackRock, Inc. with the SEC on February 11, 2019.
  - (3) Based on Schedule 13-G/A filed by Renaissance Technologies LLC and Renaissance Technologies Holding Corporation with the SEC on February 13, 2019.
  - (4) Includes 1,759,317 shares of Common Stock held directly by Mr. Lorber, 2,503,845 shares held by Lorber Alpha II Limited Partnership, a Nevada limited partnership and 19 shares in an Individual Retirement Account. Mr. Lorber's beneficial ownership also includes 3,125,029 shares of Common Stock that may be acquired by him within 60 days upon exercise of options. Mr. Lorber exercises sole voting power and sole dispositive power over the shares of
  - (5) Common Stock held by the partnerships and by himself. Lorber Alpha II, LLC, a Delaware limited liability company, is the general partner of Lorber Alpha II Limited Partnership. Mr. Lorber is the managing member of Lorber Alpha II, LLC. Mr. Lorber disclaims beneficial ownership of 11,907 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.
  - Includes 1,195,306 shares held directly by Mr. LeBow, 5,420,271 shares of Common Stock held by LeBow Gamma Limited Partnership, a Delaware limited partnership, 193,595 shares of Common Stock held by LeBow Epsilon 2001 Limited Partnership, a Delaware limited partnership, and 465,395 shares of Common Stock held by LeBow Alpha LLLP, a Delaware limited liability limited partnership. There are 995,516 common shares and 195,932 common shares held by Mr. LeBow in two separate accounts that are pledged to collateralize two separate
  - (6) margin loans. LeBow 2011 Management Trust is the managing member of LeBow Holdings LLC, a Delaware limited liability company, which is the sole stockholder of LeBow Gamma, Inc., a Nevada corporation, which is the general partner of LeBow Gamma Limited Partnership. LeBow Holdings LLC is the general partner of LeBow Alpha LLLP, which is the controlling member of LeBow Epsilon 2001 LLC, which is the general partner of LeBow Epsilon 2001 Limited Partnership. Mr. LeBow is trustee of LeBow 2011 Management Trust, a director and officer of LeBow Gamma, Inc. and a manager of LeBow Epsilon 2001 LLC.
  - (7) The named individual is a director of the Company.
  - (8) The named individual is an executive officer of the Company.
  - (9) Includes 837 shares beneficially owned by Mr. Beinstein’s spouse, as to which shares Mr. Beinstein disclaims beneficial ownership.
  - (10) Includes 120,045 shares held by Wisdom Living Trust, of which Ms. Sharpe is a trustee and primary beneficiary. There are 8,920 shares held by Wisdom Living Trust that are pledged to collateralize a margin loan.

- (11) Includes 5,885 shares held by Mr. Lampen's spouse, as to which Mr. Lampen disclaims beneficial ownership.
- (12) Includes 571,453 shares issuable upon exercise of outstanding options to purchase Common Stock exercisable within 60 days of the record date.
- (13) Includes 318,049 shares issuable upon exercise of outstanding options to purchase Common Stock exercisable within 60 days of record date.

Table of Contents

- (14) Includes 284,546 shares issuable upon exercise of outstanding options to purchase Common Stock exercisable within 60 days of record date.
- (15) The named individual is an executive officer of the Company's subsidiaries Liggett Vector Brands LLC and Liggett Group LLC.

Table of Contents**EXECUTIVE OFFICERS OF THE COMPANY**

Information regarding each of the executive officers of the Company, including name, age, positions and offices held with the Company, and term of office as an officer of the Company, is provided in Item 5 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

**BOARD PROPOSAL 1 — 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 eight. The present term of office of all directors will expire at the 2019 annual meeting. Eight directors are to be elected at the 2019 annual meeting to serve until the next annual meeting of stockholders and until their respective successors are duly elected and qualified or until their earlier resignation or removal.

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

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

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

**Information with Respect to Nominees**

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

Name and Address	Age	Principal Occupation
Bennett S. LeBow	81	Chairman of the Board; Private Investor
Howard M. Lorber	70	President and Chief Executive Officer
Ronald J. Bernstein	65	President and Chief Executive Officer, Liggett Group LLC and Liggett Vector Brands LLC Founding and Senior Partner,
Stanley S. Arkin	81	Arkin Solbakken LLP and Chairman of The Arkin Group LLC
Henry C. Beinstein	76	Partner, Gagnon Securities LLC
Paul V. Carlucci	71	Private Investor
Jean E. Sharpe	72	Private Investor
Barry Watkins	54	CEO of Clairvoyant Media Strategies and Senior Advisor, Madison Square Garden Company

## Table of Contents

### Business Experience and Qualifications of Nominees

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

Bennett S. LeBow is the Chairman of the Company's Board of Directors and has been a director of the Company since October 1986. Mr. LeBow, currently a private investor, served as the Company's Chairman and Chief Executive Officer from June 1990 to December 2005 and Executive Chairman from January 2006 until his retirement on December 30, 2008. He has served as Chairman of the Board of Signal Genetics Inc. (NASDAQ: SGNL) from January 2010 to February 2017, when it was acquired by Miragen Therapeutics, Inc. (NASDAQ: MGEN). Mr. LeBow served as Chairman of the Board of Directors of Borders Group Inc. from May 2010 until January 2012 and, from June 2010 until January 2012, as Chief Executive Officer of Borders Group Inc., which filed for protection under Chapter 11 of Title 11 of the United States Bankruptcy Code in February 2011. Mr. LeBow was Chairman of the Board of New Valley Corporation ("New Valley") from January 1988 to December 2005 and served as its Chief Executive Officer from November 1994 to December 2005. New Valley was a majority-owned subsidiary of the Company until December 2005, when the Company acquired the remaining minority interest, became engaged in the real estate business and began seeking to acquire additional operating companies and real estate properties.

Mr. LeBow's pertinent experience, qualifications, attributes and skills include his decades of experience as an investor and the knowledge and experience in the cigarette industry he has attained through his service as the Company's Chief Executive Officer from 1990 to 2005 and as Chairman of the Board since 1990.

Howard M. Lorber has been President and Chief Executive Officer of the Company since January 2006. He served as President and Chief Operating Officer of the Company from January 2001 to December 2005 and has served as a director of the Company since January 2001. 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. (NASDAQ: NATH), a chain of fast food restaurants; Chairman of the Board of Ladenburg Thalmann Financial Services (NYSE American: LTS) from May 2001 to July 2006 and Vice Chairman since July 2006; and as a director of Clipper Realty Inc. (NYSE: CLPR) since July 2015. Mr. Lorber was a member of the Board of Directors of Morgans Hotel Group Co. (NASDAQ: MHGC) from March 2015 until November 2016 and served as Chairman from May 2015 to November 2016. From November 1994 to December 2005, Mr. Lorber served as President and Chief Operating Officer of New Valley, where he also served as a director. Mr. Lorber was Chairman of the Board of Hallman & Lorber Assoc., Inc., consultants and actuaries of qualified pension and profit sharing plans, and various of its affiliates from 1975 to December 2004 and has been a consultant to these entities since January 2005. He is also a trustee of Long Island University. Mr. Lorber's pertinent experience, qualifications, attributes and skills include the knowledge and experience in the real estate and cigarette industry he has attained through his service as our President and a member of our Board of Directors since 2001 as well as his service as a director of other publicly-traded corporations.

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

Stanley S. Arkin has been a director since November 2011. Mr. Arkin is the founding member and the senior partner of the law firm of Arkin Solbakken LLP and is Chairman of The Arkin Group, a private intelligence agency. Mr. Arkin was a member of the Board of Directors of Authentic Fitness Corp, a fitness apparel company that ceased to be publicly traded in 1999, from 1995 to 1998. He is a member of the Council on Foreign Relations, and has served on or chaired numerous committees in other professional organizations, such as the American College of Trial Lawyers, the

Judicial Conference of the State of New York, the Association of the Bar of the City of New York, the American Bar Association, the New York State Bar Association, and the New York County Lawyers Association. Mr. Arkin's pertinent experience, qualifications, attributes and skills include his managerial experience, financial literacy and the knowledge and experience he has attained through his career in the legal profession as well as his service as a director of a publicly-traded corporation.

## Table of Contents

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

Paul V. Carlucci has been a director of the Company since March 2018 and was the Chairman and Chief Executive Officer of News America Marketing, a subsidiary of News Corporation (NASDAQ: NWSA) and a single-source provider of consumer advertising and promotional services, from October 1997 until his retirement in June 2014. He also served as publisher of the New York Post from September 2005 to September 2012 and was a member of the Executive Committee of News Corporation from October 1996 until his retirement in June 2014. He continued to consult to News Corporation until June 2017. He was also President and CEO of News America Publishing, Inc. (the parent company of TV Guide, Weekly Standard and News America New Media), and has held executive positions in Caldor, Inc., a 175-store general merchandise chain, RH Macy’s and the New York Daily News. He has also served on the Boards of Directors of Herald Media, Inc., the American Jewish Committee, the Children’s Miracle Network and the Guardian Angels. Mr. Carlucci holds a Bachelor of Science degree in Marketing from Fordham University. Mr. Carlucci’s pertinent experience, qualifications, attributes and skills include managerial experience and the knowledge and experience he has attained through his service as an executive officer of large media corporations and his expertise in marketing and communications involving various industries, including the U.S. tobacco industry and the New York metropolitan area real estate market.

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

Barry Watkins has been a director of the Company since March 2018 and has been CEO of Clairvoyant Media Strategies, one of the country’s most in-demand media training companies, since 2018. From July 2017 to January 2019, he was Of Counsel to DKC, a full-service public relations, marketing and government affairs firm. He also serves as a senior advisor to the Madison Square Garden Company (NYSE: MSG). From 1997 to November 2017, Mr. Watkins was head of communications for Madison Square Garden L.P., Madison Square Garden Company and MSG Networks Inc. (NYSE: MSGN) and served as Executive Vice President and Chief Communications Officer from 2010 until November 2017. In his role, Mr. Watkins oversaw MSG’s communications and government relations activities, as well as its extensive philanthropic efforts, and, from 2010 to 2014, the human resources department of the MSG companies. Since 2014, Mr. Watkins has also served as Chairman of the Garden of Dreams Foundation, a non-profit organization that works with the MSG companies to positively impact the lives of children facing obstacles. Mr. Watkins is a graduate of St. John’s University. The pertinent experience, qualifications, attributes and skills of Mr. Watkins include his managerial experience as well as the knowledge and experience in communications,

government relations and human resources that he attained through his service as an executive officer of publicly-traded corporations.

**Board of Directors and Committees**

The board of directors held eight meetings in 2018 and currently has eight members. The board of directors had seven members from January 2018 to March 2018, nine members from March 2018 to August 2018 (upon the appointment of Messrs. Carlucci and Watkins), and eight members since August 2018 with the death of Jeffrey S. Podell, a former member of the board of directors. Each director attended at least 75% of the aggregate number of meetings of the board and of each committee on which the director served as a member during such period. To ensure free and open discussion and communication among the independent directors of the board, the independent directors meet in executive sessions periodically, with no members of management present. The chair of the corporate governance and nominating committee presides at the executive sessions.

The Company's Corporate Governance Guidelines provide that the board shall be free to choose its chair in any way it deems best for the Company at any time. The board believes that it is desirable to have the flexibility to decide whether the roles of Chairman of the Board and Chief Executive Officer should be combined or separate in light of the Company's circumstances from



## Table of Contents

time to time. The roles of Chief Executive Officer and Chairman of the Board are presently held by two different directors. The Chief Executive Officer is responsible for setting the strategic direction of the Company and the day-to-day leadership and performance of the Company, while the Chairman of the Board provides guidance to the Chief Executive Officer, reviews the agenda for board meetings and presides over meetings of the full board. The board of directors oversees the risks that could affect the Company through its committees and reports from officers responsible for particular risks within the Company.

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

The executive committee, whose members are presently Messrs. LeBow, chairman, and Lorber, did not meet in 2018. 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 presently Messrs. Beinstein, chairman, and Carlucci (since May 2018) and Ms. Sharpe, met eight times in 2018. Mr. Podell also served as a member of the audit committee until his death. The committee is governed by a written charter which requires that it discuss policies and guidelines to govern the process by which risk assessment and risk management are handled and that it meet periodically with management to review and assess the Company's major financial risk exposures and the manner in which such risks are being monitored and controlled. Accordingly, in addition to its other duties, the audit committee periodically reviews the Company's risk assessment and management, including in the areas of legal compliance, internal auditing and financial controls. In this role, the audit committee considers the nature of the material risks the Company faces, and the adequacy of the Company's policies and procedures designed to respond to and mitigate these risks and receives reports from management and other advisors. Although the board's primary risk oversight has been assigned to the audit committee, the full board also receives regular reports from members of senior management on areas of material risk to the Company, including operational, financial, competitive and legal risks. In addition to an ongoing compliance program, the board encourages management to promote a corporate culture that understands risk management and incorporates it into the overall corporate strategy and day-to-day business operations. The Company's board of directors and its audit committee regularly discuss with management the Company's major risk exposures, their potential financial impact on the Company, and the steps (both short-term and long-term) the Company takes to manage them. The audit committee oversees the Company's financial statements, system of internal controls, and auditing, accounting and financial reporting processes and risks related thereto; the audit committee appoints, compensates, evaluates and, where appropriate, replaces the Company's independent accountants; reviews annually the audit committee charter; and reviews and pre-approves audit and permissible non-audit services. See "Audit Committee Report." Each of the members of the audit committee is financially literate as required of audit committee members by the New York Stock Exchange and independent as defined by the rules of the New York Stock Exchange and the SEC. The board of directors has determined that Mr. Beinstein is an "audit committee financial expert" as defined by the rules of the SEC. The compensation committee, whose members are presently Messrs. Arkin, chairman, and Carlucci (since February 2019), and Ms. Sharpe, met four times in 2018. Mr. Podell also served as a member of the compensation committee until his death. The committee is governed by a written charter. The compensation committee is responsible for risks relating to employment policies and the Company's compensation and benefits systems. To aid the compensation committee with its responsibilities, the compensation committee retains an independent consultant, as necessary, to understand the implications of compensation decisions being made. See "Compensation Discussion and Analysis" for a discussion of the consulting services provided to the compensation committee by GK Partners. The compensation committee has assessed the independence of GK Partners pursuant to SEC and New York Stock Exchange rules and concluded that GK Partners' work for the compensation committee does not raise any conflict of interest. The compensation committee reviews, approves and administers management compensation and executive compensation

plans. The compensation committee also administers the Company's 1998 Long-Term Incentive Plan, the Amended and Restated 1999 Long-Term Incentive Plan (the "1999 Plan") and the Senior Executive Incentive Compensation Plan (the "Bonus Plan") and the 2014 Management Incentive Plan (the "2014 Plan"). See "Compensation Discussion and Analysis." In March 2009, the compensation committee formed a Performance-Based Compensation Subcommittee (the "Subcommittee"), which consisted of Messrs. Arkin and Podell until August 2018, when Mr. Podell died, and now consists of Messrs. Arkin and Carlucci, and delegated to the Subcommittee the authority to grant compensation to executive officers that is intended to qualify as "performance-based compensation" exempt from the \$1,000,000 deduction limitation of Section 162(m) of the Internal Revenue Code of 1986, as amended. The Subcommittee administers the participation of named executive officers in the Bonus Plan, the 1999 Plan and the 2014 Plan. The corporate governance and nominating committee, whose members are presently Ms. Sharpe, chair, and Messrs. Arkin, Beinstein and Watkins (since May 2018), met three times in 2018. The committee is governed by a written charter. This committee

## Table of Contents

is responsible for the oversight of risks relating to the management and board succession planning. The committee assists the board of directors in identifying individuals qualified to become board members and recommends to the board the nominees for election as directors at the next annual meeting of stockholders, develops and recommends to the board the corporate governance guidelines applicable to the Company, and oversees the evaluation of the board and management. In recommending candidates for the board, the committee takes into consideration applicable to independence criteria and 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 does not assign specific weights to particular criteria and no particular criteria is necessarily applicable to all nominees. The Company believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the board to fulfill its responsibilities. In March 2018, the size of the board of directors was increased by two from seven members to nine, and Paul V. Carlucci and Barry Watkins were added as directors on the recommendation of the corporate governance and nominating committee. The committee will consider nominees recommended by stockholders, which nominations should be submitted by directing an appropriate letter and resume to Marc N. Bell, the secretary of the Company, 4400 Biscayne Boulevard, 10th Floor, Miami, Florida 33137. If the Company were to receive recommendations of candidates from the Company's stockholders, the committee would consider such recommendations in the same manner as all other candidates.

### Corporate Governance Materials

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

## Table of Contents

### EXECUTIVE COMPENSATION

#### Compensation Discussion and Analysis

##### Overview

The Company designed its compensation program in 2018 with an intent to maximize stockholder returns and deliver compensation in a manner that supports long-term value creation for the Company. Compensation for the Company's executives is largely at-risk and contingent upon the Company meeting various performance goals that are consistent with the Company's business plan. The Company's compensation committee recognizes, and its policies reflect, that Vector is a complex and diversified company that operates in two challenging industries - tobacco and real estate. Moreover, both of these industries are impacted by exogenous forces.

Beginning in 2016, Vector meaningfully enhanced its stockholder outreach program to expand the scope of its discussions with institutional investors beyond the traditional emphasis on Vector's Tobacco and Real Estate operations and engaged in productive dialogue on a variety of corporate and governance-related matters. These initiatives are discussed below in "Most Recent Say On Pay Vote Results." The Company is committed to sound governance policies and practices, values stockholder input, and takes into consideration the views of its stockholders as it assesses and refines its means of most effectively incentivizing management to enhance long-term stockholder value.

##### Compensation Objectives

The compensation committee's primary objectives for our executive compensation program are:

- to base a meaningful portion of management's pay on achievement of the Company's annual and long-term goals to ensure alignment of pay and performance;
- to provide long and short-term incentives intended to enhance stockholder value;
- to provide competitive levels of compensation;
- to recognize individual initiative and achievement; and
- to assist the Company in attracting talented executives to a challenging and demanding environment, and retain them for the benefit of the Company and its subsidiaries.

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

The Company's compensation committee has recognized that Vector is a complex and diversified company that operates in two challenging industries - tobacco and real estate. The compensation committee has also recognized that the Company's diversification creates difficulties in establishing appropriate "peer groups" permitting meaningful comparison to the Company. Due to the disparities in financial and operational characteristics between the Company and potential comparator companies, the compensation committee has chosen not to formally benchmark compensation levels for management relative to any specified group of comparable companies. The compensation committee has, however, reviewed and considered information provided by its compensation consultant concerning relevant market executive compensation practices and, as such believes that it is appropriately informed with regard to these practices as they pertain to the Company's business. In establishing levels of executive compensation in 2018, the compensation committee considered Vector's well-established record of historically creating value for stockholders by achieving stockholder returns that exceed comparable indices in the tobacco and real estate segments as well as the Company's strong operating performance in both the tobacco and real estate segments.

The Company has taken significant steps toward risk-mitigation and other long-term objectives to further align management and stockholders. Since 2013, the Company has implemented significant enhancements to discourage excessive risk-taking by adopting an Executive Compensation Clawback Policy, an Equity Retention and Hedging policy that prohibits hedging by executive officers and requires executive officers to retain at least 25% (after taxes and exercise costs) of the shares of common stock acquired under an incentive, equity or option award granted to them after January 1, 2013 and Stock Ownership Guidelines requiring each executive officer to hold a specified amount of

common stock of the Company. In addition, over the past five years, the Company's long-term equity compensation to executives included stock options with four-year cliff vesting in order to incentivize executives to focus on long-term strategic directives. Under the 2014 Plan, the vesting and payment of certain other equity awards are contingent upon achieving specified levels of long-term corporate performance.

The compensation committee may from time-to-time retain independent compensation consultants to render advice and guidance in assessing whether the Company's compensation program is reasonable and competitive. In the past, the compensation

Table of Contents

committee has engaged GK Partners Inc. to provide advice on the 2014 Plan and its administration, amendments to Mr. Bernstein's employment agreement and certain policies relating to the Company's executive compensation program. During 2018, the compensation committee retained GK Partners Inc. to provide certain information concerning prevailing marketplace compensation values and practices, and to review and advise the committee with regard to its management compensation determinations. GK Partners Inc. is directed by, and only provides services to, the compensation committee.

**Compensation Mix**

Beginning in 2013, Vector's executive compensation mix has become increasingly performance-based and consequently more clearly aligned with stockholder interests. The following charts illustrate the mix between direct compensation elements (base salary, annual cash and stock bonus, and long-term equity incentives) for Vector's Chief Executive Officer and other named executive officers and compare the years ended December 31, 2012 and 2018, respectively. These charts demonstrate how the Company's performance-based direct compensation has increased as a percentage of total direct compensation for these officers since the year ended December 31, 2012.

**Most Recent Say on Pay Vote Results**

At the 2018 annual meeting of stockholders, the Company held its eighth say on pay vote and approximately 51.5% of the Company's stockholders voted "for" the compensation of the Company's named executive officers. The Company's compensation committee thoughtfully considered the result of the 2018 vote in conducting the ongoing review and administration of management compensation. The compensation committee has noted that because Vector is a diversified company, it is difficult to reference a single "peer group." Consequently, the compensation committee continues to believe that its compensation model is appropriate and effective.

## Table of Contents

### Meetings with Institutional Stockholders

In response to the 2016 say on pay vote, the Company enhanced efforts to solicit feedback from its stockholders to better understand their concerns by inviting representatives from the corporate governance divisions of its 25 largest institutional stockholders to meet with a member of the board and management. Seven of the 25 institutional stockholders, who collectively hold approximately 17% of Vector's common shares, accepted the invitation to speak with representatives of the Company in 2016. These meetings with the corporate governance divisions of the institutional stockholders were led by Jean E. Sharpe, board member and corporate governance and nominating committee chair, and J. Bryant Kirkland III, Chief Financial Officer. Ms. Sharpe, Mr. Kirkland and Henry C. Beinstein, audit committee chair, also held a meeting with a proxy advisory firm to determine whether its views regarding Vector's pay practices were similar to the views of the Company's stockholders. During these meetings, the Company explained its core compensation practices and sought candid stockholder feedback related to key elements of its compensation program. In response, representatives from the corporate governance divisions of all participating institutions were complimentary of the Company's enhanced scope of communication with the governance divisions of its institutional investors and the Company hopes they began to appreciate more fully the challenges faced by the Company in establishing compensation levels under its bifurcated business model. The corporate governance representatives also acknowledged they understood that the Company's diversification creates difficulties in establishing executive compensation "peer groups," making it difficult to establish an appropriate barometer to measure the Company's compensation package. The investors also stated they recognized the Company's existing contracts with named executive officers may not be easily modified and most were willing to consider the elements of compensation that resulted from legacy contracts. Many of the institutions also commended the Company and its leadership team for the outstanding long-term performance of the Company's common stock. Related to specific pay practices, all seven institutional investors who participated in the calls expressed concerns about the Chief Executive Officer's compensation. Issues raised included (i) large restricted stock awards to the CEO in consecutive years (2014 and 2015), (ii) the ratio of CEO pay to the pay of other named executive officers, (iii) the "catch-up" provision of Adjusted EBITDA contained in the 2014 and 2015 performance-based restricted stock awards and (iv) a lack of detailed disclosure explaining how the Company ties compensation to its long-term strategy. The institutional investors suggested that the Company's Compensation Disclosure and Analysis in its Proxy Statement should be more robust in tying executive compensation to the Company's long-term strategy. They also requested additional disclosure of the factors, including marketplace data, that the Company considers in designing its compensation programs and making decisions.

The Company had telephonic meetings with six institutional investors during the period it was soliciting proxies for the Company's 2017 Annual Meeting. Afterwards, while the Company did not seek additional meetings with the corporate governance divisions of its institutional investors, it continued to engage with stockholders who wished to have discussions. The Company had two additional calls with institutional investors in 2017 and many of the same themes from the earlier meetings were reiterated.

The Company did not have any calls with institutional investors in 2018. However, the compensation committee, with assistance from its compensation consultant, GK Partners Inc., continues to thoughtfully consider the feedback received from the Company's institutional investors with respect to the Company's executive compensation program. While specific changes to the Company's executive compensation program have not yet been implemented since many of the observations of the institutional investors pertain to past compensation decisions, the compensation committee expects to consider these concerns in the design of the Company's compensation program for 2019 and thereafter.

See the discussion of this year's say on pay vote at "Board Proposal 2 - Advisory Vote on Executive Compensation" for further discussion.

### Compensation Components

The key components of the Company's executive compensation program consist of a base salary, an annual performance-based bonus pursuant to the 2014 Plan, equity awards under the 1999 Plan and the 2014 Plan and various benefits, including the Company's Supplemental Retirement Plan, the Liggett Vector Brands Inc. Savings Plan (the "401(k) Plan") and the use of corporate aircraft by the President and Chief Executive Officer. The employment

agreements with the Company's named executive officers also provide for severance compensation in the event of termination other than for cause during the term of the agreement or, in certain cases, following a change in control of the Company during the term of the agreements.

**Base Salary**

Base salaries for the Company's named executive officers are established based on their overall business experience and managerial competence in their respective roles, as well as their personal contributions to the Company and are intended to provide competitive levels of fixed compensation. The compensation committee believes that executive base salaries should be targeted at competitive levels while rewarding long-term outstanding performance with above-average total compensation. Base salaries are reviewed annually, based on recommendations by the Company's Chief Executive Officer with respect to the salaries of



## Table of Contents

executive officers other than himself, and may be increased from time to time based on review of the Company's results and individual executive performance. An automatic cost of living adjustment to base salary is included under the terms of Mr. Lorber's employment agreement. Effective January 1, 2019, as a result of his cost of living provision, Mr. Lorber's base salary was increased from \$3,248,391 to \$3,299,716. The compensation committee did not adjust the salaries of the other named executive officers in 2018.

### Annual Incentive Awards

The Company's executive officers are eligible to earn annual cash incentive awards under the 2014 Plan. The compensation committee has delegated to its Performance-based Compensation Subcommittee, which consisted of Messrs. Arkin and Podell until August 2018, when Mr. Podell died, and, since February 2019, has consisted of Messrs. Arkin and Carlucci, the authority to grant performance-based compensation to executive officers under the 2014 Plan that is intended to qualify or be grandfathered as "performance-based compensation" under Section 162(m) of the Code. Thus, with respect to these officers, the Subcommittee selects participants in the 2014 Plan, determines the amount of their award opportunities, selects the performance criteria and the performance goals for each year, determines whether the performance goals have been met and administers and interprets the 2014 Plan. An eligible executive may (but need not) be selected to participate in annual incentive awards under the 2014 Plan.

In 2018, each of the Company's named executive officers participated in the annual cash incentive program under the 2014 Plan. The annual incentive performance criteria for 2018 varied among the participants depending upon the entity that employed the participant after considering the differing regulatory and competitive landscapes. For Messrs. Lorber, Lampen, Kirkland and Bell, as in previous years, the criteria for 2018 were 37.5% for adjusted earnings before interest and taxes, or Adjusted EBIT, as defined in the 2014 Plan, of Liggett; 37.5% for distributions to stockholders of the Company; and 25% for adjusted earnings before interest, taxes and amortization, or Adjusted EBITA, as defined in the 2014 Plan, of Douglas Elliman Realty, LLC ("Douglas Elliman"). For Mr. Bernstein, 50% is based on Liggett Adjusted EBIT, as defined, and 50% is based on Liggett Volume. These measures were chosen because Adjusted EBIT is commonly used to measure performance in the tobacco industry and Adjusted EBITA is commonly used to measure performance in the real estate brokerage industry. In each case, these criteria are the principal drivers of business performance and stockholder value in those industries.

Under the terms of their respective employment agreements, for 2018, Messrs. Lorber, Lampen, Kirkland, Bell and Bernstein were eligible to receive a target incentive opportunity of 100%, 50%, 33.33%, 25% and 100% of their respective base salaries.

Depending on the level of achievement of the performance criteria, the actual amounts of incentive payments could also exceed the target annual incentive amounts for Messrs. Lorber, Lampen, Kirkland and Bell (see "Grants of Plan-Based Awards in 2018"). The Subcommittee may exercise negative discretion with respect to any award to reduce any amount that would otherwise be payable under the annual incentive program granted under the 2014 Plan.

The 2018 performance necessary for Messrs. Lorber, Lampen, Kirkland, Bell and Bernstein to receive annual incentive awards at the target level were set at levels which were believed to be rigorous, but reasonably achievable, based on internal corporate plans.

For Messrs. Lorber, Lampen, Kirkland and Bell, the performance necessary to achieve the minimum, target or maximum awards in 2018 was as follows:

percentages of the target cash incentive opportunity based on Liggett Adjusted EBIT were \$236,250,000 (50%), \$246,250,000 (100%), and \$251,250,000 and above (125%); the actual Liggett Adjusted EBIT for 2018 were \$256,659,000;

percentages of the target cash incentive opportunity based on cash dividends per share of the Company were \$1.40 (50%), \$1.60 (100%), and \$1.80 and above (125%); the actual cash dividends paid in 2018 were \$1.60 per share; and, percentages of the target cash incentive opportunity based on Douglas Elliman Adjusted EBITA were \$32,500,000 (50%), \$42,500,000 (100%), and \$47,500,000 and above (125%); the actual Douglas Elliman Adjusted EBITA for 2018 were \$39,016,000.

Based on actual 2018 results compared to the established performance criteria, annual cash incentive payments equal to 105.020% of target amounts were achieved and awarded to Messrs. Lorber, Lampen, Kirkland and Bell.

For Mr. Bernstein, the performance necessary to achieve the minimum target or maximum incentive award in 2018 was as follows:

percentages of target cash incentive opportunity based on Liggett Adjusted EBIT were \$246,250,000 (50%) and \$251,250,000 and above (100%); the actual Liggett Adjusted EBIT for 2018 were \$256,659,000; and, percentages of target cash incentive opportunity on Liggett Volume of 8.25 billion units (50%) and 8.75 billion units (100%); the actual Liggett Volume for 2018 was 9.326 billion units.

## Table of Contents

Based on actual 2018 results compared to the established performance criteria, 100% of Mr. Bernstein's target incentive opportunity was achieved and awarded to him.

Bonus amounts for achieving performance criteria in between the amounts listed above are determined by linear interpolation between the higher and lower amounts. The actual performance-based incentive payments made to the selected participants for the years ended December 31, 2016, 2017 and 2018 are set forth in the column labeled "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table. Annual incentive compensation earned by named executive officers after February 26, 2014 is subject to the Company's Executive Compensation Clawback Policy.

### Equity Compensation

Long-term equity compensation is intended to provide a variable pay opportunity that rewards long-term performance by the Company as a whole and serves as a significant incentive to remain with the Company. In establishing long-term equity compensation awards, the compensation committee has considered the historical returns generated by the Company. In 2018, the Company's long-term equity compensation program for its named executive officers (other than Mr. Bernstein) consisted of stock option awards and, in the case of Mr. Bell, a restricted stock grant. On February 27, 2018, the Subcommittee granted options to Messrs. Lorber (262,500 shares), Lampen (65,625 shares), Kirkland (39,375 shares) and Bell (39,375 shares) to recognize past and current performance and to serve as a means of incentivizing and retaining these key employees. The options granted are ten-year non-qualified options with cliff vesting on the fourth anniversary of grant and an exercise price equal to the market price on the date of grant (\$19.34). The options have dividend equivalent rights. Shares received upon exercise of the February 27, 2018 option grants will be subject to the Company's Equity Retention and Hedging Policy. On May 29, 2018, the Company awarded 26,250 shares of restricted stock to Mr. Bell in recognition of Mr. Bell's management of the Company's legal matters. On May 29, 2019, one half of the shares will vest with the remaining shares vesting on May 29, 2020. See "Equity Retention Policy."

### Dividend Equivalents

Under the terms of various equity awards made to the Company's named executive officers under the Company's stock plans, dividend equivalent payments and distributions are made to the executive officers with respect to the shares of Common Stock underlying the unexercised and unvested portion of the equity awards and the exercise prices of stock options are adjusted to reflect stock dividends. These payments and distributions are made at the same rate as dividends and other distributions paid on shares of the Company's Common Stock. In 2018, named executive officers earned cash dividend equivalent payments on unexercised stock options (in the case of Messrs. Lorber, Lampen, Kirkland and Bell) and unvested restricted stock (in the case of Mr. Bernstein) as follows: Mr. Lorber — \$6,098,240; Mr. Lampen — \$1,200,863; Mr. Kirkland — \$682,218; Mr. Bell — \$661,029; and Mr. Bernstein — \$54,147. In accordance with the disclosure rules of the SEC, these amounts have not been separately reported in the Summary Compensation Table because the value of the dividend equivalent rights was included in the initial grant date fair value of the underlying option grants which is reported in the table.

### Supplemental Retirement Plan

Retirement benefits are designed to reward long and continuous service by providing post-employment security and are an essential component of a competitive compensation package. The Company's named executive officers and certain other management employees are eligible to participate in the Supplemental Retirement Plan, which was adopted by the board of directors in January 2002 to promote retention of key executives and to provide them with financial security following retirement. As described more fully and quantified in "Pension Benefits at 2018 Fiscal Year End," the Supplemental Retirement Plan provides for the payment to a participant at his or her normal retirement date of a lump sum amount that is the actuarial equivalent of a single life annuity commencing on that date. The single life annuity amounts for the named executives were determined by the Company's board of directors giving consideration to a variety of pertinent factors including (but not limited to) the executive's level of annual compensation.

### Other Benefits

The Company's executive officers are eligible to participate in all of its employee benefit plans, such as medical, dental, vision, group life, disability and accidental death and dismemberment insurance and the 401(k) Plan. These

benefits are designed to provide a safety net of protection against the financial catastrophes that can result from illness, disability or death. The Company also provides vacation and other paid holidays to its executive officers, as well as certain other perquisites further described below and in the Summary Compensation Table.

## Table of Contents

### Perquisites

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

### Change in Control Provisions

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

### Inter-Relationship of Elements of Compensation Packages

The various elements of the compensation packages for the Company's executive officers are not directly inter-related. For example, if it does not appear as though the target annual cash incentive award will be achieved, the number of options that will be granted is not affected. If options that are granted in one year become underwater due to a decline in the Company's stock price, the amount of the annual cash incentive award or compensation to be paid the executive officer for the next year is not impacted. Similarly, if options become extremely valuable due to a rising stock price, the amount of compensation or annual cash incentive award to be awarded for the next year is not affected. However, the compensation committee does evaluate the total value of executive remuneration when making decisions with respect to any particular compensation element.

### Prohibition on Hedging

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

### Equity Retention Policy

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

Table of Contents

## Stock Ownership Guidelines

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

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

“Shares owned” for purposes of the policy include shares of the Company's stock owned outright, any shares held under an employee benefit plan, and restricted shares. The valuation of shares includes all shares held beneficially or directly by any covered person or the person's family members or trusts but excludes pledged shares. Compliance is tested on the last day of each quarter. As of December 31, 2018, all covered individuals were in compliance with the guidelines.

## Executive Compensation Clawback Policy

In March 2014, the Company adopted an Executive Compensation Clawback Policy (the “Clawback Policy”), which states as a condition to receive bonus or incentive-based compensation from the Company, each named executive officer must enter into an agreement with the Company providing that any performance-based compensation awarded, paid or payable by the Company or any of its subsidiaries subsequent to the date of adoption of the Clawback Policy shall be subject to recovery or “clawback” by the Company. Under the Clawback Policy, if the Company's financial results are restated, the result of which is that any performance-based compensation would have been lower had it been calculated based on such restated results, the compensation committee shall review the performance-based compensation received by the named executive officers. If the compensation committee determines that the performance-based compensation would have been lower and that a named executive officer who received such compensation engaged in fraud, material financial or ethical misconduct or recklessness in the performance of the named executive officer's duties or intentional illegal conduct which materially contributed to the restatement, then the compensation committee may seek to recover the after-tax portion of the excess amount of performance-based compensation. Under the policy, the compensation committee has the discretion to determine to seek recovery of the performance-based compensation after notice and an opportunity to be heard is provided to the named executive officer.

## Tax and Accounting Implications

## Deductibility of Executive Compensation

The compensation committee and its Subcommittee review and consider the deductibility of executive compensation under Section 162(m) of the Code of 1986, which generally imposes a \$1,000,000 limit on the amount that a publicly-traded company may deduct on compensation paid to its chief executive officer, chief financial officer and its three other highest compensated officers, when designing the Company's executive compensation program. In certain situations, the compensation committee or the Subcommittee has in the past and may in the future approve compensation that will not meet these deductibility requirements in order to ensure appropriate and competitive levels of total compensation for the Company's executive officers. The compensation committee believes that attracting, retaining and motivating the Company's employees with a compensation program that supports long-term value creation is in the best interests of the Company's stockholders.

Prior to the Tax Cuts and Jobs Act of 2017, Section 162(m) included an exception to the limit for “qualifying performance-based compensation”; however, the Tax Cuts and Jobs Act of 2017 eliminated this exception unless such payment qualifies for transition relief.

As such, compensation paid to named executive officers in excess of \$1,000,000 in 2018 will generally not be deductible for federal income tax purposes under Section 162(m) of the Code unless it qualifies for such relief.

Accounting for Stock-Based Compensation

The Company accounts for stock-based compensation, including stock option and restricted stock awards under the Plans, in accordance with the requirements of Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("FASB ASC Topic 718").

Table of Contents

Compensation Committee Report

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

THE COMPENSATION COMMITTEE

Stanley S. Arkin, Chairman

Jean E. Sharpe

Paul V. Carlucci



Table of Contents

## SUMMARY COMPENSATION TABLE FOR YEARS 2016 — 2018

The following table summarizes the compensation of the named executive officers for the years ended December 31, 2018, 2017 and 2016. The named executive officers are the Company's Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated executive officers ranked by their total compensation in the table below (not taking into account the amount in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column).

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)(2)	Stock Awards (\$)(3)	Option Awards (\$)(3)	Non-Equity Incentive Plan Compensation (\$)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(5)	All Other Compensation (\$)	Total (\$)
Howard M. Lorber President and Chief Executive Officer	2018	\$3,248,391	—	—	\$1,154,795	\$3,411,460	\$22,839	\$604,142	(6)\$8,441,627
	2017	\$3,198,494	—	—	\$1,348,296	\$3,571,278	\$2,044,565	\$471,299	\$10,633,932
	2016	\$3,132,401	—	—	\$1,272,384	\$3,457,562	\$2,826,334	\$370,426	\$11,059,107
Richard J. Lampen Executive Vice President	2018	\$900,000	—	—	\$288,699	\$472,590	\$2,702	\$8,250	(7)\$1,672,241
	2017	\$900,000	—	—	\$337,074	\$502,448	\$241,836	\$8,100	\$1,989,458
	2016	\$900,000	—	—	\$318,096	\$496,713	\$334,305	\$7,950	\$2,057,064
J. Bryant Kirkland III Senior Vice President, Chief Financial Officer and Treasurer	2018	\$500,000	—	—	\$284,276	\$175,016	\$51,676	\$8,250	(7)\$1,019,218
	2017	\$500,000	—	—	\$306,343	\$186,073	\$187,347	\$8,100	\$1,187,863
	2016	\$500,000	—	—	\$258,186	\$183,949	\$145,729	\$7,950	\$1,095,814
Marc N. Bell Senior Vice President, General Counsel and Secretary	2018	\$425,000	—	\$480,750	\$284,276	\$111,584	\$94,822	\$8,250	(7)\$1,404,682
	2017	\$425,000	—	—	\$306,343	\$118,633	\$343,770	\$8,100	\$1,201,846
	2016	\$425,000	\$250,000	—	\$258,186	\$117,279	\$267,403	\$7,950	\$1,325,818
Ronald J. Bernstein President and Chief Executive Officer of Liggett Vector	2018	\$1,000,000	—	—	—	\$1,000,000	\$168,968	\$8,250	(7)\$2,177,218
	2017	\$1,000,000	—	—	—	\$1,000,000	\$280,744	\$8,100	\$2,288,844
	2016	\$1,000,000	—	—	—	\$1,000,000	\$261,187	\$7,950	\$2,269,137

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- (1) Reflects actual base salary amounts paid for 2018, 2017 and 2016.
- (2) Mr. Bell's bonus for 2016 related to his management of the Company's litigation matters.  
Represents the aggregate grant date fair value of stock or stock options granted under the 2014 Plan, respectively, during the years ended December 31, 2018, 2017 and 2016 as determined in accordance with FASB ASC Topic 718, rather than an amount paid to or realized by the named executive officer. Assumptions used in the calculation
- (3) of such amount are included in note 14 to the Company's audited financial statements for the year ended December 31, 2018 included in its Annual Report on Form 10-K filed with the SEC on March 1, 2019. These grants are subject to continued service conditions and may be subject to performance conditions; consequently, FASB ASC Topic 718 amounts included in the table may never be realized by the named executive officer.  
These amounts reflect performance-based cash awards under the 2014 Plan paid during 2019, 2018 and 2017 in
- (4) respect of service performed in 2018, 2017 and 2016, respectively. This plan is discussed in further detail under the heading "Annual Incentive Bonus Awards."  
Amounts reported represent the increase in the actuarial present value of benefits associated with the Company's pension plans. Assumptions for 2018 amounts are further described in "Pension Benefits at 2018 Fiscal Year End."  
The amounts reflect the increase in actuarial present value for the named executive officer's benefits under the Supplemental Retirement Plan determined using interest rate, retirement date and mortality rate assumptions
- (5) consistent with those used in the Company's financial statements. No amount is payable from this plan before a participant attains age 60 during active service except in the case of death, disability or termination without cause. For Mr. Bernstein, the reported amount also includes a change of negative \$4,722 in 2018 in connection with Liggett Group Inc. Retirement Plan for Salaried Non-Bargaining Unit Employees. There can be no assurance that the amounts shown will ever be realized by the named executive officers.  
Represents perquisites consisting of \$505,892 for personal use of corporate aircraft in 2018 and a \$90,000 allowance paid for lodging and related business expenses in 2018. Also includes \$8,250 for 401(k) Plan matching contributions in 2018. For purposes of determining the value of corporate aircraft use, the personal use is
- (6) calculated based on the aggregate incremental cost to the Company. For flights on corporate aircraft, aggregate incremental cost for purposes of this table is calculated based on a cost-per-flight-mile charge developed from internal Company data. The charge reflects the direct

## Table of Contents

operating cost of the aircraft, including fuel, additives and lubricants, airport fees and catering. In addition, the charge also reflects an allocable allowance for maintenance and engine restorations.

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

### Employment Agreements and Severance Arrangements

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

On January 27, 2006, the Company and Howard M. Lorber entered into an amended and restated employment agreement (the "Amended Lorber Agreement"), which replaced his prior employment agreements with the Company and with New Valley. The Amended Lorber Agreement had an initial term of three years effective as of January 1, 2006, with an automatic one-year extension on each anniversary of the effective date unless notice of non-extension is given by either party within 60 days before this date. Mr. Lorber's salary is subject to an annual cost of living adjustment. As of January 1, 2019, Mr. Lorber's annual base salary was \$3,299,716. In addition, the Company's board must periodically review his base salary and may increase but not decrease it from time to time in its sole discretion. Mr. Lorber is eligible on an annual basis to receive a target bonus of 100% of his base salary under the Company's annual incentive bonus awards. During the period of his employment, Mr. Lorber is entitled to various benefits, including a Company-provided car and driver, a \$7,500 per month allowance for lodging and related business expenses, two club memberships and dues, and use of corporate aircraft in accordance with the Company's Corporate Aircraft Policy. Following termination of his employment by the Company without cause (as defined in the Amended Lorber Agreement), termination of his employment by him for good reason as 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, except as otherwise provided in an award agreement, 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 after a change in control (as defined in the Amended Lorber Agreement) or before a change of control that actually occurs in anticipation of or at the request of a third party effectuating such change in control, 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.

On January 27, 2006, the Company entered into employment agreements (the "Other Executive Agreements") with Richard J. Lampen, the Company's Executive Vice President, J. Bryant Kirkland III, the Company's Senior Vice President and, effective April 1, 2006, Chief Financial Officer, and Marc N. Bell, the Company's Senior Vice President, General Counsel and Secretary. The Other Executive Agreements replaced prior employment agreements with the Company or New Valley. The Other Executive Agreements had an initial term of two years effective as of January 1, 2006, with an automatic one-year extension on each anniversary of the effective date unless notice of non-extension is given by either party within 60 days before this date. As of January 1, 2019, the annual base salaries provided for in these Other Executive Agreements were \$900,000 for Mr. Lampen, \$500,000 for Mr. Kirkland and \$425,000 for Mr. Bell. In addition, the board must periodically review these base salaries and may increase but not decrease them from time to time in its sole discretion. These executives are eligible to receive a target bonus of 50% for Mr. Lampen, 33.33% for Mr. Kirkland and 25% for Mr. Bell, of their base salaries under the Company's non-equity incentive bonus plan. Following termination of their employment by the Company without cause (as defined in the Other Executive Agreements), termination of their employment by the executives for good reason as specified in the Other Executive Agreements or upon death or disability, they (or their beneficiaries in the case of death) would continue to receive for a period of 24 months following the termination date their base salary and the

bonus amount earned by them for the prior year (with such bonus amount limited to 50% of base salary for Mr. Lampen, 33.33% of base salary for Mr. Kirkland and 25% of base salary for Mr. Bell).

On November 11, 2005, Liggett, a wholly-owned subsidiary of the Company, and Ronald J. Bernstein entered into an employment agreement (the "Bernstein Employment Agreement"), pursuant to which Mr. Bernstein serves as President and Chief Executive Officer of Liggett and affiliated companies. The Bernstein Employment Agreement had an initial term expiring December 31, 2008, with an automatic one-year extension on each anniversary of the effective date unless notice of non-extension is given by either party within six months before this date. On October 29, 2013, the Bernstein Employment Agreement was amended to increase Mr. Bernstein's base salary, effective January 1, 2014, to \$1,000,000 per annum and terminate a provision in Mr. Bernstein's contract which granted him an automatic annual increase in base salary based on a cost of living adjustment. Under the terms of the Bernstein Employment Agreement, Mr. Bernstein is eligible on an annual basis to receive a target bonus of up to 100% of his base salary under the Company's non-equity incentive bonus plan if Liggett meets certain pre-established

Table of Contents

operating goals. Following termination of his employment by the Company without cause or a resignation for good reason, he would continue to receive his base salary for a period of 24 months. As of January 1, 2019, Mr. Bernstein's annual base salary was \$1,000,000.

**CEO Pay Ratio**

Pursuant to Item 402(u) of Regulation S-K and Section 953(b) of the Dodd-Frank Act, presented below is the ratio of annual total compensation of the Company's CEO to the annual total compensation of the Company's median employee (excluding the CEO) for 2018.

The ratio presented below is a reasonable estimate calculated in a manner consistent with Item 402(u). The SEC's rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices. As a result, the pay ratio reported by other companies may not be comparable to the pay ratio reported below because other companies have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates, and assumptions in calculating their own pay ratios.

In order to estimate the Company's CEO pay ratio for 2018, the Company first determined its employee population using a determination date of October 1, 2018. It identified the median employee using a compensation measure consisting of base salary or wages (as applicable), overtime pay, and any bonuses paid during the twelve-month period preceding the determination date. Conforming adjustments were made for employees who were hired during that period and did not receive pay for the full period. The median employee from the analysis had anomalous compensation characteristics, as permitted by SEC guidances, and was substituted with another employee with substantially similar compensation (based on the compensation measure described above).

The 2018 annual total compensation as determined under Item 402 of Regulation S-K for the Company's CEO was \$8,441,217, as reported in the Summary Compensation Table of this proxy statement. The 2018 annual total compensation as determined under Item 402 of Regulation S-K for the median employee identified in 2018 was \$67,667. The ratio of the Company's CEO's annual total compensation to the Company's median employee's annual total compensation for fiscal year 2018 is 125 to 1.

**GRANTS OF PLAN-BASED AWARDS IN 2018**

The table below provides information with respect to incentive compensation granted to each of the named executive officers during the year ended December 31, 2018.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)		Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock (#)	All Other Option Awards: Number of Shares of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$ (3))	Grant Date Fair Value of Stock and Option Awards (\$) (4)
		Threshold (\$\$)	Maximum (\$)	Threshold (#)	Target (#) (2)	Maximum (#)				
Howard M. Lorber	2/27/2018	—	—	—	—	—	—	262,500	\$ 19.34	\$1,154,795
	2/27/2018	—\$3,248,391	\$4,060,489	—	—	—	—	—	—	—
	2/27/2018	—	—	—	—	—	—	65,625	\$ 19.34	\$288,699

Richard  
J.  
Lampen

2/27/2018 -\$450,000 \$562,500