VECTOR GROUP LTD
Form 424B5
November 15, 2012

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-184878

The information contained in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. A registration statement relating to the securities has become effective under the Securities Act of 1933. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 14, 2012

PRELIMINARY PROSPECTUS SUPPLEMENT (to Prospectus dated November 9, 2012)

$150,000,000

Variable Interest Convertible Senior Notes due 2019
Offering Price: %

We are offering $150,000,000 in aggregate principal amount of % Variable Interest Convertible Senior Notes due 2019.

Unless earlier converted or repurchased, the notes will mature on January 15, 2019.

The notes bear cash interest at a rate of % per annum, which we refer to as the fixed interest, with an additional amount of interest payable on the notes on each interest payment date based on the amount of cash dividends per share actually paid by us on our common stock during the prior three-month period ending on the record date for such interest payment multiplied by the total number of shares of our common stock into which the notes are convertible on such record date, which we refer to as the dividend interest, and together with the fixed interest, the total interest. Notwithstanding the foregoing, however, the interest payable on each interest payment date shall be the higher of (a) the total interest and (b) % per annum. In addition, if the notes would otherwise constitute applicable high yield discount obligations within the meaning of Section 163(i)(1) of the Internal Revenue Code of 1986, as amended, on each interest payment date on or after January 15, 2018, we will pay additional interest on a note in an amount equal to the amount required to be paid to prevent such note from being treated as an applicable high yield discount obligation. Interest will be payable every quarter on January 15, April 15, July 15 and October 15.

The notes will be our senior, unsecured obligations and will rank equal in right of payment with our existing and future senior, unsecured indebtedness. The notes will rank senior in right of payment to any future indebtedness that is expressly subordinated to the notes. The notes will be effectively subordinated to our existing or future secured indebtedness to the extent of the assets securing such indebtedness and will be structurally subordinated to all indebtedness and other liabilities and commitments of our subsidiaries, including trade payables and any guarantees that they may provide with respect to any of our existing or future indebtedness. As of September 30, 2012, we had $446.7 million in outstanding secured indebtedness ($447.2 million at face value including unamortized discount) and $83.9 million in outstanding senior unsecured indebtedness ($200.8 million at face value including unamortized discount). As of September 30 2012, the aggregate amount of liabilities of our subsidiaries was $292.5 million, including trade and other payables and excluding intercompany liabilities.

We may not redeem the notes prior to the stated maturity date. No sinking fund is provided for the notes.

You may convert your notes, at your option, at any time prior to the close of business on the business day immediately preceding the maturity date. Upon conversion of your notes, we will deliver shares of our common stock and cash in lieu of fractional shares of our common stock.

The initial conversion rate for the notes will be shares of our common stock per $1,000 principal amount of notes (which represents an initial conversion price of approximately $ per share of our common stock), and will be subject to adjustment as described in this prospectus supplement. In addition, we will, in certain circumstances, increase the conversion rate for holders who convert their notes in connection with a make-whole fundamental change.

Upon a fundamental change, subject to certain exceptions, we must offer to repurchase the notes.

For a more detailed description of the notes, see Description of Notes beginning on page S-33.

Concurrently with this offering, we are offering up to 7,000,000 shares of our common stock (which shares we refer to as the borrowed shares) which we will lend to Jefferies & Company, Inc., the underwriter for the concurrent offering of our common stock by means of a separate prospectus supplement and accompanying prospectus. The offering of the notes hereunder is contingent upon the closing of the concurrent offering of the borrowed shares, and the concurrent offering of the borrowed shares is contingent upon the closing of the offering of the notes hereunder.

The notes will not be listed on any national securities exchange. Currently, there is no public market for the notes. Our common stock is listed on The New York Stock Exchange under the symbol VGR. The last reported sale price of our common stock on The New York Stock Exchange on November 13, 2012 was $16.00 per share.

We have granted the underwriter the right to purchase, within the 13-day period beginning on the date the notes are first issued, up to an additional $22.5 million aggregate principal amount of notes solely to cover over-allotments, if any.

Investing in the notes involves a high degree of risk. Please read Risk Factors beginning on page S-7 of this prospectus supplement, on page 5 of the accompanying prospectus and in the documents incorporated by reference into this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PUBLIC OFFERING PRICE(1)	UNDERWRITING DISCOUNT	PROCEEDS, BEFORE EXPENSES, TO US
Per note	%	%	%
Total	$	$	$

(1) Plus accrued interest, if any, from November , 2012 to date of delivery.

The underwriter expects to deliver the notes sold on November , 2012.

Jefferies

Prospectus Supplement dated November   , 2012

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT

We provide information to you about this offering in two separate documents. The accompanying prospectus provides general information about us and the securities we may offer from time to time, some of which may not apply to this offering. This prospectus supplement provides additional information about us and describes the specific details regarding this offering and the securities offered hereby. Generally, when we refer to this prospectus, we are referring to both this prospectus supplement and the accompanying prospectus combined. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or in any document incorporated by reference that was filed with the Securities and Exchange Commission, or SEC, before the date of this prospectus supplement, on the other hand, you should rely on the information in this prospectus supplement.

As permitted under the rules of the SEC, this prospectus incorporates important business information about Vector Group Ltd. that is contained in documents that we file with the SEC, but that are not included in or delivered with this prospectus. You may obtain copies of these documents, without charge, from the web site maintained by the SEC at www.sec.gov, as well as other sources. See Where You Can Find More Information. Before purchasing any securities, you should carefully read this prospectus together with the additional information described under the headings Where You Can Find More Information and Information We Incorporate by Reference.

You should rely only on the information contained or incorporated by reference in this prospectus and any free writing prospectus prepared by or on behalf of us or to which we have referred you. Neither we nor the underwriter have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. You should assume that the information contained in this prospectus or any free writing prospectus is accurate as of the date on its respective cover, and that any information incorporated by reference is accurate only as of the date of the document incorporated by reference, unless we indicate otherwise. Our business, financial condition, results of operations and prospects may have changed since those dates.

Neither we nor the underwriter is making offers to sell the securities described in this prospectus in any jurisdiction in which an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make an offer or solicitation.

References in this prospectus to the terms we,   us,   our,   the Company or other similar terms mean Vector Group Lt and its consolidated subsidiaries and the term Vector refers only to Vector Group Ltd., unless we state otherwise or the context indicates otherwise.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we file with the SEC, including the registration statement of which the accompanying prospectus is a part and the exhibits to such registration statement, at the SEC s Public Reference Room located at 100 F Street, N.E., Washington D.C. 20549. You may obtain further information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available to the public at the SEC s web site at www.sec.gov. These documents may also be accessed on our web site at www.vectorgroupltd.com. Information contained on our web site is not incorporated by reference into this prospectus and you should not consider information contained on our web site to be part of this prospectus.

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INFORMATION WE INCORPORATE BY REFERENCE

The SEC allows us to incorporate by reference in this prospectus the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and later information filed with the SEC will automatically update and supersede the information included or incorporated by reference in this prospectus. We incorporate by reference in this prospectus the following information (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules):

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2011;
- our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2012, June 30, 2012 and September 30, 2012;
- our Current Reports on Form 8-K or Form 8-K/A, as applicable, filed on February 27, 2012, February 28, 2012, May 22, 2012, September 14, 2012 and November 2, 2012; and
- the description of our common stock contained in the S-1 Registration Statement filed on June 15, 1998, including any subsequently filed amendments and reports updating such description.

We also incorporate by reference each of the documents that we file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), on or after the date of this prospectus and prior to the termination of the offering under this prospectus. We will not, however, incorporate by reference in this prospectus any documents or portions thereof that are not deemed filed with the SEC, including any information furnished pursuant to Item 2.02 or Item 7.01 of our Current Reports on Form 8-K after the date of this prospectus unless, and except to the extent, specified in such Current Reports.

We will provide to each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any of these filings (other than an exhibit to these filings, unless the exhibit is specifically incorporated by reference into the filing requested) at no cost, upon a request to us by writing or telephoning us at the following address and telephone number:

Vector Group Ltd.
100 S.E. Second Street
Miami, Florida 33131
Telephone Number: (305) 579-8000

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the documents incorporated by reference, contains forward-looking statements within the meaning of the federal securities law. Forward-looking statements include information relating to our intent, belief or current expectations, primarily with respect to, but not limited to:

- economic outlook;
- capital expenditures;
- cost reduction;
- legislation and regulations;
- cash flows;
- operating performance;
- litigation;
- impairment charges and cost saving associated with restructurings of our tobacco operations; and
- related industry developments (including trends affecting our business, financial condition and results of operations).

You can identify forward-looking statements by terminology such as anticipate, believe, estimate, expect, intend, be, objective, plan, seek, predict, project and will be and similar words or phrases or their negatives. forward-looking information involves important risks and uncertainties that could cause our actual results, performance or achievements to differ materially from our anticipated results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause actual results to differ materially from those suggested by the forward-looking statements include, without limitation, the following:

- general economic and market conditions and any changes therein, due to acts of war and terrorism or otherwise;
- governmental regulations and policies;
- effects of industry competition;
- impact of business combinations, including acquisitions and divestitures, both internally for us and externally in the tobacco industry;
- impact of legislation on our competitors payment obligations, results of operations and product costs, i.e. the impact of federal legislation eliminating the federal tobacco quota system and providing for regulation of tobacco products by the Food and Drug Administration (the FDA);
- impact of substantial increases in federal, state and local excise taxes;
- uncertainty related to product liability litigation including the *Engle* progeny cases pending in Florida; and
- potential additional payment obligations for us under the Master Settlement Agreement (the MSA) and other settlement agreements relating to tobacco-related litigation with the states.

Any forward-looking statement you read in this prospectus reflects our current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our operations, operating results, growth strategy and liquidity. We urge you to carefully review the disclosures we make concerning risks and other factors that may affect our business and operating results, including those made

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under the heading Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and in our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2012, June 30, 2012 and September 30, 2012, as such risk factors may be amended, supplemented or superseded from time to time by other reports we file with the SEC in the future, including subsequent Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. We caution you that any forward-looking statements made in this prospectus and the documents incorporated herein by reference are not guarantees of future performance and you should not place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus or any other document incorporated by reference into this prospectus. We do not intend, and we undertake no obligation, to update any forward-looking information to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events, unless required by law to do so.

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SUMMARY

This summary highlights selected information contained elsewhere or incorporated by reference in this prospectus. This summary is not complete and does not contain all of the information that you should consider when making your investment decision. You should read and consider carefully the more detailed information in this prospectus, including the factors described and incorporated by reference under the heading Risk Factors in this prospectus supplement beginning on page S-2 and the financial and other information incorporated by reference in this prospectus, as well as the information included in any free writing prospectus that we have authorized for use in connection with this offering, before making an investment decision.

Our Company

We are a holding company and are engaged principally in:

- the manufacture and sale of cigarettes in the United States through our Liggett Group LLC (Liggett) and Vector Tobacco Inc. (Vector Tobacco) subsidiaries; and
- the real estate business through our New Valley LLC (New Valley) subsidiary, which is seeking to acquire additional operating companies and real estate properties. New Valley owns 50% of Douglas Elliman Realty, LLC, which operates the largest residential brokerage company in the New York metropolitan area.

For the year ended December 31, 2011, Liggett was the fourth largest manufacturer of cigarettes in the United States in terms of unit sales. Our tobacco subsidiaries manufacture and sell cigarettes in the United States and all of our tobacco operation s unit sales volume in 2011 and for the first nine months of 2012 was in the discount segment, which management believes has been the primary growth segment in the industry for more than a decade. Our tobacco subsidiaries produce cigarettes in approximately 117 different brand styles as well as private labels for other companies, which are typically retail or wholesale distributors who supply supermarkets and convenience stores. Liggett s current brand portfolio includes Pyramid, Grand Prix, Liggett Select, Eve, USA and various partner brands and private label brands. Liggett s manufacturing facilities are located in Mebane, North Carolina where it manufactures most of Vector Tobacco s cigarettes pursuant to a contract manufacturing agreement. Liggett s products are distributed from a central distribution center in Mebane, North Carolina to 16 public warehouses located throughout the United States that serve as local distribution centers for Liggett s customers. Liggett s customers are primarily candy and tobacco distributors, the military and large grocery, drug and convenience store chains.

In addition to New Valley s investment in Douglas Elliman, New Valley holds investment interests in various real estate projects in Manhattan, New York, Baltimore County, Maryland, southern California and Milan, Italy through both debt and equity investments.

We have approximately 590 employees, of which approximately 300 are employed at Liggett s Mebane, North Carolina facility and approximately 265 are employed in sales and administrative functions at our subsidiary Liggett Vector Brands LLC, which coordinates our tobacco subsidiaries sales and marketing efforts.

Concurrent Transaction

Concurrently with this offering, we are offering, by means of a separate prospectus supplement and accompanying prospectus, up to 7,000,000 shares of our common stock, par value $0.10 per share (which shares we refer to as the borrowed shares), that we will lend to Jefferies & Company, Inc. (which we refer to when acting in this capacity as the share borrower), in an offering registered under the Securities Act of 1933, as amended (the Securities Act).

We will not receive any proceeds from the sale of the borrowed shares in the concurrent offering, but we will receive from the share borrower a nominal loan fee for the use of those shares. We have been informed by the share borrower that it, or its affiliates, intends to use the short position created by the share loan and the concurrent short sales of the borrowed shares to facilitate transactions by which investors in the notes offered

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hereby may hedge their investments through short sales of our common stock. We expect to make delivery of the borrowed shares concurrently with the closing of this offering. See Description of Share Lending Agreement and Underwriting.

The offering of the notes pursuant to this prospectus supplement and the accompanying prospectus is contingent upon the closing of the borrowed shares offering, and the concurrent offering of the borrowed shares is contingent upon the closing of the offering of the notes hereunder.

Corporate Information

Our principal executive offices are located at 100 S.E. Second Street, Miami, Florida 33131, our telephone number is (305) 579-8000 and our web site is http://www.vectorgroupltd.com. You should not consider information contained on our web site or that can be accessed through our web site to be part of this prospectus.

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THE OFFERING

The summary below describes the principal terms of the notes. Certain descriptions below are subject to important exceptions and/or limitations. The Description of Notes section of this prospectus supplement contains a more detailed description of the terms and conditions of the notes. Unless otherwise specified, we assume throughout this prospectus supplement that the underwriter will not exercise its option to purchase additional notes.

Issuer

Vector Group Ltd., a Delaware corporation.

Notes

$150,000,000 aggregate principal amount of % Variable Interest Convertible Senior Notes due 2019 (plus up to an additional $22,500,000 aggregate principal amount if the underwriter exercises its option to purchase additional notes).

Maturity date

January 15, 2019 (the maturity date), unless earlier converted or repurchased.

Interest and payment dates

Annual Rate: %, with an additional amount of cash interest payable on each interest payment date based on the amount of cash dividends per share paid by us on our common stock during the prior three-month period ending on the record date for such interest payment multiplied by the total number of shares of our common stock into which the notes are convertible on such record date (together, the total interest). Notwithstanding the foregoing, however, the interest payable on each interest payment date shall be the higher of (a) the total interest and (b) % per annum. In addition, if the notes would otherwise constitute applicable high yield discount obligations within the meaning of Section 163(i)(1) of the Internal Revenue Code of 1986, on each interest payment date on or after January 15, 2018, we will pay additional interest on a note in an amount equal to the amount required to be paid to prevent such note from being treated as an applicable high yield discount obligation.

Payment Frequency: Every quarter on January 15, April 15, July 15 and October 15.

First Payment: January 15, 2013.

Record Dates: Every quarter on January 1, April 1, July 1 and October 1.

Ranking

The notes will be our senior, unsecured obligations and will rank equal in right of payment with our existing and future senior, unsecured indebtedness, and will be senior in right of payment to any future indebtedness that is expressly subordinated to the notes. The notes will be effectively subordinated to our existing or future secured indebtedness to the extent of the assets securing such indebtedness and will be structurally subordinated to all indebtedness and other liabilities and commitments of our subsidiaries, including trade payables and any guarantees that they may provide with respect to any of our existing or future indebtedness.

As of September 30, 2012, we had $446.7 million in outstanding secured indebtedness ($447.2 million at face value including unamortized discount) and $83.9 million in outstanding senior unsecured indebtedness ($200.8 million at face value including unamortized discount). As of September 30, 2012, the aggregate amount of liabilities of our subsidiaries was $292.5 million, including trade and other payables and excluding intercompany liabilities. After giving effect to the issuance of the notes (assuming no exercise of the underwriter s over-allotment option), the face value of our outstanding senior unsecured indebtedness would have been increased to $330.8 million. See Capitalization.

The indenture governing the notes will not limit the amount of debt that we or our subsidiaries may incur in the future.

No redemption

We may not redeem the notes prior to the stated maturity date. No sinking fund is provided for the notes.

Conversion rights

You may convert your notes, at your option, at any time prior to the close of business on the business day immediately preceding the maturity date. Upon conversion of your notes, we will deliver shares of our common stock, par value $0.10 per share, and cash in lieu of fractional shares of our common stock, all as described in Description of Notes Conversion Rights Settlement upon Conversion.

The initial conversion rate for the notes will be shares of our common stock per $1,000 principal amount of notes (equivalent to a conversion price of approximately $ per share of our common stock), and will be subject to adjustment as described in this prospectus supplement. In addition, we will, in certain circumstances, increase the conversion rate for holders who convert their notes in connection with a make-whole fundamental change. See Description of Notes Conversion Rights Adjustment to Shares Delivered upon Conversion upon a Make-Whole Fundamental Change.

Except in the limited circumstances described in Description of Notes Conversion Rights, upon conversion, you will not receive any separate cash payment for accrued and unpaid interest, if any. Instead, our delivery to you of the number of shares of our common stock and the amount of cash in lieu of fractional shares of our common stock, if any, into which your note is convertible will be deemed to satisfy in full our obligation to pay the principal amount of your note and any accrued and unpaid interest on your note to, but excluding, the conversion date.

Fundamental changes

Following certain corporate transactions or events specified as fundamental changes herein at any time prior to the maturity date, holders will have the right to require us to repurchase their notes in cash at a price equal to 100% of

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the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. See Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes. In addition, following certain corporate transactions or events specified as make-whole fundamental changes, we will, in certain circumstances, increase the conversion rate for holders who convert their notes on or after the effective date for a make-whole fundamental change and up to, and including, the later of the close of business on the business day immediately prior to the related fundamental change repurchase date and the close of business on the 35th business day immediately following the date we give notice to holders of the occurrence of the fundamental change. See Description of Notes Conversion Rights Adjustment to Shares Delivered upon Conversion upon a Make-Whole Fundamental Change.

Use of proceeds

We estimate that the net proceeds to us from this offering, after deducting the underwriter s discounts and commissions and estimated offering expenses payable by us, will equal approximately $ million (or approximately $ million if the underwriter exercises its option to purchase add