WEC ENERGY GROUP, INC.
Form 10-Q
August 03, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2018

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	IRS Employer Identification No.
001-09057	WEC ENERGY GROUP, INC. (A Wisconsin Corporation) 231 West Michigan Street P.O. Box 1331 Milwaukee, WI 53201 (414) 221-2345	39-1391525

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X]   No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [X]   No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]
	Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ]   No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common Stock, $.01 Par Value,
315,533,448 shares outstanding at
June 30, 2018

Table of Contents

WEC ENERGY GROUP, INC.
QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended June 30, 2018
TABLE OF CONTENTS

Table of Contents

GLOSSARY OF TERMS AND ABBREVIATIONS

The abbreviations and terms set forth below are used throughout this report and have the meanings assigned to them below:

Subsidiaries and Affiliates

ATC	American Transmission Company LLC
ATC Holdco	ATC Holdco, LLC
Bluewater	Bluewater Natural Gas Holding, LLC
Bostco	Bostco LLC
Integrys	Integrys Holding, Inc.
MERC	Minnesota Energy Resources Corporation
MGU	Michigan Gas Utilities Corporation
NSG	North Shore Gas Company
PDL	WPS Power Development, LLC
PGL	The Peoples Gas Light and Coke Company
UMERC	Upper Michigan Energy Resources Corporation
WBS	WEC Business Services LLC
WE	Wisconsin Electric Power Company
We Power	W.E. Power, LLC
WG	Wisconsin Gas LLC
WPS	Wisconsin Public Service Corporation

Federal and State Regulatory Agencies

EPA	United States Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
ICC	Illinois Commerce Commission
MDEQ	Michigan Department of Environmental Quality
MPSC	Michigan Public Service Commission
MPUC	Minnesota Public Utilities Commission
PSCW	Public Service Commission of Wisconsin
SEC	United States Securities and Exchange Commission
WDNR	Wisconsin Department of Natural Resources

Accounting Terms

AFUDC	Allowance for Funds Used During Construction
ASU	Accounting Standards Update
FASB	Financial Accounting Standards Board
GAAP	United States Generally Accepted Accounting Principles
LIFO	Last-In, First-Out
OPEB	Other Postretirement Employee Benefits

Environmental Terms

CAA	Clean Air Act
CO_2	Carbon Dioxide
CPP	Clean Power Plan
GHG	Greenhouse Gas
NOV	Notice of Violation
WPDES	Wisconsin Pollutant Discharge Elimination System

Measurements	
Dth	Dekatherm
MW	Megawatt
MWh	Megawatt-hour

Table of Contents

Other Terms and Abbreviations

2006 Junior Notes	Integrys's 2006 Junior Subordinated Notes Due 2066
2007 Junior Notes	WEC Energy Group, Inc.'s 2007 Junior Subordinated Notes Due 2067
ALJ	Administrative Law Judge
D.C. Circuit Court of Appeals	United States Court of Appeals for the District of Columbia Circuit
ERGS	Elm Road Generating Station
Exchange Act	Securities Exchange Act of 1934, as amended
FTRs	Financial Transmission Rights
MISO	Midcontinent Independent System Operator, Inc.
MISO Energy Markets	MISO Energy and Operating Reserves Markets
OCPP	Oak Creek Power Plant
OC 5	Oak Creek Power Plant Unit 5
OC 6	Oak Creek Power Plant Unit 6
OC 7	Oak Creek Power Plant Unit 7
OC 8	Oak Creek Power Plant Unit 8
PIPP	Presque Isle Power Plant
QIP	Qualifying Infrastructure Plant
ROE	Return on Equity

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 Liggett Vector Brands 401(k) plan. 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. Finally, the Company s executive officers are eligible to receive certain payments upon retirement pursuant to the Supplemental Retirement Plan.

Perquisites

The Company provides the perquisites or personal benefits to its executive officers discussed below. The Company s corporate aircraft are made available for the personal use of Messrs. LeBow and Lorber and, at their discretion, other executive officers. The Company has a corporate aircraft policy which permits personal use of corporate aircraft by executives, subject to annual limits on cost of $200,000 for Mr. LeBow and $100,000 for Mr. Lorber. For purposes of the policy, the value of the personal usage is calculated using the applicable standard industry fare level formula established by the Internal Revenue Service, and Messrs. LeBow, Lorber and any other executive officers pay income tax on such value. In addition, Mr. LeBow is entitled to a $7,500 per month personal allowance for lodging and related business expense, and 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 for the years ended December 31, 2006 and 2007.

Change in Control Provisions

Each of the employment agreements entered into between the Company and Messrs. LeBow and Lorber contain change in control provisions. 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 assurance 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 on page 20.

Dividend Equivalents

Under the terms of various stock option grants made to the Company s named executive officers under the Plans, dividend equivalent payments are made to the executive officers with respect to the shares of Common Stock underlying the unexercised portion of the options. These payments are made at the same rate as dividends paid on the Company s issued and outstanding shares of Common Stock. Named executive officers received payments for such dividend equivalent rights on options for 2006 and 2007 as follows: Mr. LeBow $4,290,215 and $4,449,109; Mr. Lorber $1,602,366 and $1,661,710; Mr. Lampen $217,093 and $225,133; and Mr. Kirkland $97,687 and $101,306. In accordance with the rules of the SEC, these amounts have not been included in the Summary Compensation Table because the dividend equivalent rights were included in the initial fair value of the underlying options grants.

Inter-Relationship of Elements of Compensation Packages

The various elements of the compensation package for the Company s executive officers are not directly inter-related. For example, if it does not appear as though the target bonus will be achieved, the number of options that will be granted is not affected. There is no significant interplay of the various elements of total compensation between each other. If options that are granted in one year become underwater due to a decrease in the Company s stock price, the amount of the bonus amount 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 bonus to be award 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 element thereof. While the Compensation Committee has discretion to make exceptions to any compensation or bonus payouts under the Bonus

Plan, it has not approved any exceptions to the Bonus Plan with regard to any executive officers. The Compensation Committee exercised negative discretion in determining not to pay a bonus to Mr. Bernstein for failure to meet one of the performance criteria established for him by the Compensation Committee under the Bonus Plan in 2006.

Employment Agreements

In January 2006, the Company negotiated and entered into employment agreements with Messrs. Lorber, Lampen and Kirkland, which replaced existing agreements with the Company or New Valley Corporation, its former majority-owned subsidiary. In addition, Mr. LeBow s employment agreement, which was entered into in September 2005, was amended in January 2006, and Mr. Bernstein entered into an amended employment agreement in November 2005. In exchange for the benefits offered under the agreements, these executives have agreed not to engage in competitive activities or to interfere with the Company s business relations for specified periods following the termination of their employment. A summary of the employment agreements is set forth under the heading Employment Agreements and Severance Arrangements on page 14.

Tax and Accounting Implications

Deductibility of Executive Compensation

The Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, which generally provides that no publicly held company may deduct compensation in excess of $1,000,000 paid in any taxable year to its chief executive officer or any of its four other highest paid officers unless:

- the compensation is payable solely on account of the attainment of performance goals;
- the performance goals are determined by a compensation committee of two or more outside directors;
- the material terms under which compensation is to be paid are disclosed to and approved by the stockholders of the Company; and
- the compensation committee certifies that the performance goals were met.

In certain situations, the Compensation Committee 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 our executive officers. In this regard, for fiscal 2006 and fiscal 2007, the amount of base salary and restricted stock in excess of $1,000,000 for any named executive officer was not deductible for federal income tax purposes.

Accounting for Stock-Based Compensation

Beginning on January 1, 2006, the Company began accounting for stock-based payments including stock option and restricted stock awards under the Plans in accordance with the requirements of SFAS 123(R).

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

Robert J. Eide, Chairman
Henry C. Beinstein
Jeffrey S. Podell

Table of Contents

SUMMARY COMPENSATION TABLE

The following table below summarizes the compensation of the named executive officers for the years ended December 31, 2006 and 2007. 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). Effective April 1, 2006, Mr. Kirkland, who had previously served as a Vice President, became Chief Financial Officer and Treasurer.

ncipal Position	Year	Salary ($)(1)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)	
ow	2007	$ 3,950,000	$ 0	$ 0	$ 0	$ 0	$ 4,102,000	$ 299,127(5)	$
irman of the	2006	$ 3,950,000	$ 0	$ 0	$ 0	$ 0	$ 3,500,000	$ 335,127(5)	$
rber	2007	$ 2,666,727	$ 0	$ 2,835,225(2)	$ 0	$ 3,066,736	$ 1,592,000	$ 266,138(6)	$
Chief Executive	2006	$ 2,581,286	$ 0	$ 2,987,458(2)	$ 0	$ 2,581,286	$ 2,100,000	$ 264,274(6)	$
pen	2007	$ 750,000	$ 0	$ 0	$ 0	$ 287,500	$ 210,000	$ 6,750(7)	$
e President	2006	$ 750,000	$ 0	$ 0	$ 0	$ 250,000	$ 190,000	$ 6,600(7)	$
and III	2007	$ 350,000	$ 0	$ 0	$ 0	$ 100,625	$ 39,000	$ 6,750(7)	$
, Chief Financial easurer	2006	$ 287,500	$ 0	$ 0	$ 0	$ 75,000	$ 40,000	$ 6,600(7)	$
stein	2007	$ 799,459	$ 0	$ 254,375(2)	$ 158,519(2)	$ 399,730	$ 336,000	$ 47,750(8)	$
Chief Executive ett Vector gett	2006	$ 776,400	$ 0	$ 254,375(2)	$ 59,444(2)	$ 0	$ 300,000	$ 32,001(8)	$

(1) Reflects actual base salary amounts paid for 2006 and 2007.

(2) Represents the dollar amount recognized for financial statement reporting purposes (excluding forfeitures) for the years ended December 31, 2006 and 2007, in accordance with SFAS 123(R), for the grant of restricted stock or options under the 1999 Plan, rather than an amount paid to or realized by the named executive officer. Assumptions used in the calculation of such amount are included in note 11 to the Company s audited financial statements for the year ended December 31, 2007 included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2008. The SFAS 123(R) value as of the grant date for restricted stock or options is spread over the number of months of service required for the grant to become non-forfeitable. The SFAS 123(R) amounts from these grants may never be realized by the named executive officer.

(3) These amounts reflect cash awards under the Bonus Plan paid during 2007 and 2008 in respect of service performed in 2006 and 2007, respectively. This plan is discussed in further detail on page 9 under the heading Annual Bonus Plan .

(4) Amounts shown are solely an estimate of the increase in actuarial present value of the named executive officer s accrued benefit at the latter of age 60 during active service or the completion of eight years of full-time continuous service under the Company s pension plans for 2006 and 2007. Assumptions are further described under the Pension Benefits at 2007 Fiscal Year End table on page 18. The amounts reflect the actuarial increase in the present value of the named executive officer s benefits under the Supplemental Retirement Plan determined using interest rate and mortality rate assumptions consistent with those used in the Company s financial statements. Except in the case of Mr. LeBow, no amount is payable from this plan before a participant attains the latter of age 60 during active service or the completion of eight years of full-time continuous service (except in the case of death, disability or termination without cause). There can be no assurance that the amounts shown will ever be realized by the named executive officers. For Mr. Bernstein, the reported amount also includes $1,580 in each of 2007 and 2006 in connection with Liggett Group Inc. Retirement Plan for Salaried Non-Bargaining Unit Employees (the Qualified Plan).

(5) Represents $202,377 and $238,527 for personal use of corporate aircraft in 2007 and 2006, respectively, a $90,000 allowance paid to an entity affiliated with him for lodging and related business expenses in 2007 and 2006, and $6,750 and $6,600 for 401(k) plan matching contributions in 2007 and 2006, respectively.*

(6) Represents $169,388 and $167,674 for personal use of corporate aircraft in 2007 and 2006, respectively, a $90,000 allowance for lodging and related business expenses in 2007 and 2006, and $6,750 and $6,600 for 401(k) plan contributions in 2007 and 2006, respectively.*

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

(8) Represents $5,401 in 2006 for personal use of corporate aircraft, and $6,750 and $6,600 for 401(k) contributions in 2007 and 2006, respectively.*

* For purposes of determining the value of corporate aircraft use, the personal use is calculated based on the aggregate incremental cost to the Company. For flights on corporate aircraft, aggregate incremental cost is calculated based on a cost-per-flight-mile charge developed by a nationally recognized and independent service as reflective of the operating costs of the aircraft.

Employment Agreements and Severance Arrangements

On September 27, 2005, Mr. Lorber was named Chief Executive Officer of the Company and Mr. LeBow was named Executive Chairman of the Board. These new appointments were effective January 1, 2006.

In connection with the foregoing, on September 27, 2005, the Company and Mr. LeBow entered into an Amended and Restated Employment Agreement (the Amended LeBow Agreement), under which Mr. LeBow has agreed to serve as the Executive Chairman of the Board of the Company from January 1, 2006 through December 30, 2008, unless his employment is terminated earlier in accordance with the Amended LeBow Agreement. The Amended LeBow Agreement replaced his prior employment agreements with the Company and with New Valley Corporation. The Amended LeBow Agreement provides that Mr. LeBow will receive an annual salary of $3,950,000. Following termination of Mr. LeBow s employment or his retirement, Mr. LeBow shall be subject to certain non-competition, non-hire, and other provisions in favor of the Company. The Amended LeBow Agreement provides Mr. LeBow will be treated as having reached normal retirement date under the Company s Supplemental Retirement Plan if he is employed through December 30, 2008. In addition, the Company has agreed to establish a separate trust for Mr. LeBow that is not subject to the claims of the Company s creditors and shall make a contribution to such trust of $125,000 per quarter during each year of the employment term, and a proportional part of each payment to Mr. LeBow under the Supplemental Retirement Plan will be made from the assets of such trust. During the period of his employment, Mr. LeBow will be entitled to various benefits including a $7,500 per month allowance for lodging and related business expenses and use of corporate aircraft in accordance with the Company s Corporate Aircraft Policy. In addition, for a period of five years following such retirement, Mr. LeBow will be required to provide consulting services and advice to the Company for up to 15 days per year, for which he will be paid a daily fee of $17,000.

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 Corporation. The Amended Lorber Agreement has an initial term of three years effective as of January 1, 2006, with an automatic one-year extension on each anniversary of the effective date unless notice of non-extension is given by either party within 60 days before this date. As of January 1, 2008, Mr. Lorber s annual base salary was $2,764,329. Mr. Lorber s salary is subject to an annual cost of living adjustment. 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 will be eligible on an annual basis to receive a target bonus of 100% of his base salary under the Bonus Plan. During the period of his employment, Mr. Lorber will be 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 certain reasons specified in the Amended Lorber Agreement or upon death or disability, he (or his beneficiary in the case of death) would continue to receive for a period of 36 months following the termination date his base salary and the bonus amount earned by him for the prior year (with such bonus amount limited to 100% of base salary). In addition, all of Mr. Lorber s outstanding equity awards would be vested with any stock options granted after January 27, 2006 remaining exercisable for no less than two years or the remainder of the original term if shorter. Following termination of his employment for any of the reasons described above (other than death or disability) within two years of a change in control (as defined in the Amended Lorber Agreement), he would receive a lump sum payment equal to 2.99 times the sum of his then current base salary and the bonus amount earned by him for the prior year (with such bonus amount limited to 100% of base salary). In addition, Mr. Lorber is indemnified against excise taxes that are imposed on change-of-control payments under Section 4999 of the Internal Revenue Code of 1986. In the event of a termination of his employment under the circumstances where he is entitled to the severance payments discussed above, Mr. Lorber will also be credited with an additional 36 months of service towards vesting under the Company s Supplemental Retirement Plan.

On January 27, 2006, the Company entered into Employment Agreements (the Other Executive Agreements) with Richard J. Lampen, the Company s Executive Vice President, and J. Bryant Kirkland III, the Company s Vice President and, effective April 1, 2006, Chief Financial Officer. The Other Executive Agreements replaced prior employment agreements with the Company or New Valley Corporation. The Other Executive Agreements have 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, 2008, the annual base salaries provided for in these Other Executive Agreements were $750,000 for Mr. Lampen and $375,000 for Mr. Kirkland (increased from $300,000 in March 2007, effective as of January 1, 2007, and further increased to $375,000 in February 2008, effective as of January 1, 2008). In addition, the Company s board must periodically review these base salaries and may increase but not decrease them from time to time in its sole discretion. These executives will be eligible to receive a target bonus of 33.3% for Mr. Lampen, and 25% for Mr. Kirkland, of their base salaries under the 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 certain reasons 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 33.3% of base salary for Mr. Lampen and 25% of base salary for Mr. Kirkland).

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 will continue to serve as President and Chief Executive Officer of Liggett and affiliated companies. The Bernstein Employment Agreement has 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. As of January 1, 2008, Mr. Bernstein s annual base salary was $829,959. Mr. Bernstein s salary is subject to an annual cost of living adjustment. Under the terms of the Bernstein Employment Agreement, Mr. Bernstein received a $500,000 special bonus from Liggett within 10 days of execution of the Bernstein Employment Agreement and is eligible on an annual basis to receive a bonus of up to 100% of his base salary under the Bonus Plan predicated on Liggett and Vector Tobacco meeting certain pre-established operating goals. Following termination of his employment without cause, he would continue to receive his base salary for a period of 24 months.

On November 11, 2005, Mr. Bernstein agreed to the cancellation of an option to purchase 335,022 shares of the Company s common stock at $28.66 per share granted under the 1999 Plan in September 2001. In this regard, Mr. Bernstein and the Company entered into an agreement, in which the Company, in accordance with the 1999 Plan, agreed after the passage of more than six months and assuming Mr. Bernstein s continued employment with the Company or an affiliate of the Company, to grant Mr. Bernstein another stock option under the 1999 Plan covering 275,625 shares of the Company s Common Stock with the exercise price equal to the value of the Common Stock on the grant date of the replacement option. The grant of the replacement option was made in August 2006 with an exercise price of $16.09.

Restricted Stock Awards

On January 10, 2005, New Valley Corporation awarded Mr. Lorber, the President and Chief Operating Officer of New Valley Corporation, who also served in the same positions with the Company, a restricted stock grant of 1,250,000 shares of New Valley Corporation s common shares pursuant to New Valley Corporation s 2000 Long-Term Incentive Plan. Under the terms of the award, one-seventh of the shares vested on July 15, 2005, with an additional one-seventh vesting on each of the five succeeding one-year anniversaries of the first vesting date through July 15, 2010 and an additional one-seventh vesting on January 15, 2011. In the event his employment with New Valley Corporation was terminated for any reason other than his death, his disability or a change of control of New Valley Corporation or the Company, any remaining balance of the shares not previously vested would be forfeited by him. On September 27, 2005, in connection with Mr. Lorber s election as Chief Executive Officer of the Company, he renounced and waived, as of that date, the unvested 1,071,429 common shares deliverable by New Valley Corporation to him in the future.

On September 27, 2005, Mr. Lorber was awarded a restricted stock grant of 551,250 shares of the Company s Common Stock and, on November 16, 2005, Mr. Lorber was awarded an additional restricted stock grant of 86,622 shares of the Company s Common Stock, in each case, pursuant to the Company s 1999 Plan. In connection with the grants, the Company entered into separate Restricted Share Award Agreements with Mr. Lorber on those dates. Pursuant to the Restricted Share Agreements, one-fourth of the shares vest on September 15, 2006, with an additional one-fourth vesting on each of the three succeeding one-year anniversaries of the first vesting date through September 15, 2009. In the event Mr. Lorber s employment with the Company is terminated for any reason other than his death, his disability or a change of control (as defined in the Restricted Share Agreements) of the Company, any remaining balance of the shares not previously vested will be forfeited by Mr. Lorber. These restricted stock awards by the Company replaced the unvested portion of the New Valley Corporation restricted stock grant relinquished by Mr. Lorber. The number of restricted shares of the Company s Common Stock awarded to Mr. Lorber by the Company (637,872 shares) was the equivalent of the number of shares of the Company s Common Stock that would have been issued to Mr. Lorber had he retained his unvested New Valley Corporation restricted shares and those shares were exchanged for the Company s Common Stock in the exchange offer and subsequent merger whereby the Company acquired the remaining minority interest in New Valley Corporation in December 2005.

On November 11, 2005, Mr. Bernstein was awarded a restricted stock grant of 55,125 shares of the Company s Common Stock pursuant to the 1999 Plan, in connection with the grant, the Company entered into a Restricted Share Award Agreement with Mr. Bernstein on that date. Pursuant to his Restricted Share Agreement, one-fourth of the shares vest on November 1, 2006, with an additional one-fourth vesting on each of the three succeeding one-year anniversaries of the first vesting date through November 1, 2009. In the event Mr. Bernstein s employment with the Company is terminated for any reason other than his death, his disability or a change of control (as defined in his Restricted Share Agreement) of the Company, any remaining balance of the shares not previously vested will be forfeited by Mr. Bernstein.

Grants of Plan-Based Awards

The table below provides information with respect to incentive compensation granted to each of the named executive officers for the year ended December 31, 2007. No stock options or restricted stock awards were granted to the named executive officers for the year ended December 31, 2007.

GRANTS OF PLAN-BASED AWARDS

	Estimated Future Payouts Under Non-	**Estimated Future Payouts**	**All Other Stock Awards:**	**All Other Option Awards: Number of**	**Exercise or**	**Grant Date Fair Value of Stock**

		Equity Incentive Plan Awards(1)			Under Equity Incentive Plan Awards			Number of Shares	of Securities	Base Price of	and
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	of Stock (#)	Underlying Options (#)	Option Awards ($)	Option Awards ($)
Bennett S. LeBow		$ 0	$ 0	$ 0							
Howard M. Lorber		$ 0	$ 2,666,727	$ 3,333,409							
Richard J. Lampen		$ 0	$ 250,000	$ 312,500							
J. Bryant Kirkland III		$ 0	$ 87,500	$ 109,375							
Ronald J. Bernstein		$ 0	$ 399,730	$ 799,459							

(1) The amounts shown above represent the target level under the Bonus Plan, which is 100% of base salary for Messrs. Lorber, 50% of base salary for Mr. Bernstein, 33.3% of base salary for Mr. Lampen and 25% of base salary for Mr. Kirkland. The maximum amount is 125% of the target amount for Messrs. Lorber, Lampen and Kirkland and 200% of the target amount for Mr. Bernstein. There is no minimum amount. The Compensation

Committee approved the performance criteria for determining the award opportunities for each named executive officer under the Bonus Plan on March 6, 2007. The actual bonus amounts paid for 2007 are reflected in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table on page 13.

The table below provides information with respect to the outstanding equity awards of the named executive officers as of December 31, 2007.

OUTSTANDING EQUITY AWARDS AT 2007 FISCAL YEAR-END

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
Bennett S. LeBow(1)	3,878,317			$ 6.29	7/20/08				
	2,216,180			$ 10.45	11/4/09				
	703,547			$ 13.59	1/22/11				
Howard M. Lorber	738,724			$ 10.45	11/4/09	318,936(2)	$ 6,397,856(3)		
	351,773			$ 13.59	1/22/11				
Richard J. Lampen	147,743			$ 10.45	11/4/09				
J. Bryant Kirkland III	66,481			$ 10.45	11/4/09				
Ronald J. Bernstein	137,812	137,813(4)		$ 16.09	8/16/16	27,563(5)	$ 552,914(3)		

(1) In December 2001, Mr. LeBow sold his beneficial interest in these options to a partnership controlled by Mr. LeBow and certain members of his family in consideration of a private annuity from the partnership to Mr. LeBow. Subsequently, this partnership contributed the options to a subsidiary partnership also controlled by Mr. LeBow and certain members of his family. These options have not been exercised by the partnership. See note 2 to the Security Ownership of Certain Beneficial Owners and Management table on page 2.

(2) Restricted stock award vesting as to 159,467 shares on of September 15, 2008 and 159,469 shares on September 15, 2009, subject to earlier vesting upon death, disability or change of control. See Restricted Stock Awards on page 15.

(3) The market value of the restricted stock equals the number of shares of restricted stock multiplied by the closing price of the Common Stock on December 31, 2007, which was $20.06 per share, and the dividends payable on non-vested shares upon vesting at December 31, 2007.

(4) Option grant vesting as to 68,906 shares on December 31, 2008 and 68,907 shares on December 31, 2009. See Employment Agreements and Severance Arrangements on page 14.

(5) Restricted stock award vesting as to 13,781 and 13,782 shares on each of November 1, 2008 and November 1, 2009, respectively, subject to earlier vesting upon death, disability or change of control. See Restricted Stock Awards on page 15.

Table of Contents

The table below provides information with respect to the number of options or shares of restricted stock granted under the Plans to the named executive officers in previous years that were exercised or vested during 2007, as well as the value of the stock on the exercise or vesting date.

OPTION EXERCISES AND STOCK VESTED IN YEAR ENDED DECEMBER 31, 2007

	Option Awards		Stock Awards(1)	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
Bennett S. LeBow				
Howard M. Lorber			159,468	$ 4,297,677
Richard J. Lampen				
J. Bryant Kirkland III				
Ronald J. Bernstein			13,781	$ 338,521

(1) Reflects shares and dividends associated with such shares received upon vesting of restricted stock awards under the 1999 Plan made in 2005. See Restricted Stock Awards on page 15.

PENSION BENEFITS AT 2007 FISCAL YEAR END

The table below quantifies the benefits expected to be paid from the Company s Supplemental Retirement Plan and, in the case of Mr. Bernstein, also from Liggett s Qualified Plan. The terms of the plans are described below the table.

PENSION BENEFITS

Name	**Plan Name**	**Number of Years of Credited Service (#)(1)**	**Present Value of Accumulated Benefit ($)(2),(3)**	**Payments During Last Fiscal Year ($)**
Bennett S. LeBow	Supplemental Retirement Plan	6	$ 15,557,671(4)	$ 0
Howard M. Lorber	Supplemental Retirement Plan	6	$ 9,428,221	$ 0
Richard J. Lampen	Supplemental Retirement Plan	4	$ 671,084	$ 0
J. Bryant Kirkland III	Supplemental Retirement Plan	4	$ 119,369	$ 0

Ronald J. Bernstein	Supplemental Retirement Plan	6	$	1,504,906	$	0
	Qualified Plan	2	$	36,200	$	0

(1) Equals number of years of credited service as of December 31, 2007. Credited service under the Supplemental Retirement Plan is based on a named executive officer s period of full time continuous covered employment after commencing participation in the Supplemental Retirement Plan.

(2) Represents actuarial present value in accordance with the same assumptions outlined in note 9 to the Company s audited financial statements for the year ended December 31, 2007 included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2008.

(3) Includes amounts which the named executive officer is not currently entitled to receive because such amounts are not vested.

(4) The Company is contributing $125,000 per quarter to a secular trust for Mr. LeBow, who is not vested in that amount.

Supplemental Retirement Plan

The Supplemental Retirement Plan provides for the payment to a participant at his normal retirement date of a lump sum amount that is the actuarial equivalent of a single life annuity commencing on that date. The normal retirement date under the Supplemental Retirement Plan is defined as the January 1st following attainment by a participant of the later age 60 or the completion of eight years of employment following January 1, 2002 (in the case of Messrs. Lorber and Bernstein) or January 1, 2004 (in the case of Messrs. Lampen and Kirkland). Mr. LeBow s normal retirement date is December 30, 2008.

The following table sets forth for each named executive officer his hypothetical single life annuity, his normal retirement date and his projected lump sum payment at his normal retirement date.

Executive Officer	Hypothetical Single Life Annuity	Normal Retirement Date	Lump-Sum Equivalent
Bennett S. LeBow	$ 2,524,163	December 30, 2008	$ 20,584,044
Howard M. Lorber	$ 1,051,875	January 1, 2010	$ 10,855,666
Richard J. Lampen	$ 250,000	January 1, 2014	$ 2,625,275
J. Bryant Kirkland III	$ 202,500	January 1, 2026	$ 2,126,473
Ronald J. Bernstein	$ 438,750	January 1, 2014	$ 4,607,358

No benefits are payable under the Supplement Retirement Plan if a named executive officer resigns without good reason before attaining his normal retirement date. In the case of a participant who becomes disabled prior to his normal retirement date or whose service is terminated without cause, the participant s benefit consists of a pro-rata portion of the full projected retirement benefit to which he would have been entitled had he remained employed through his normal retirement date, as actuarially discounted back to the date of payment. The beneficiary of a participant who dies while working for the Company or a subsidiary (and before becoming disabled or attaining his normal retirement date) will be paid an actuarially discounted equivalent of his projected retirement benefit; conversely, a participant who retires beyond his normal retirement date will receive an actuarially increased lump sum payment to reflect the delay in payment using a post retirement interest rate of 7.5%. The lump sum amount under the Supplemental Retirement Plan is paid six months following the named executive officer s retirement on or after his normal retirement date or termination of employment without cause, along with interest at the prime lending rate as published in the Wall Street Journal on the lump sum amount for this six month period.

Qualified Plan

Liggett s salaried employees are entitled to benefits payable under the Qualified Plan based on a formula that yields an annual amount payable over the participant s life beginning at age 65. Liggett discontinued providing additional benefits under the Qualified Plan for service on and after January 1, 1994. As of December 31, 2007, none of the named executive officers was eligible to receive any benefits under the Qualified Plan, except for Mr. Bernstein who is entitled to a monthly benefit of $372 at age 65.

Potential Termination and Change in Control Payments

The compensation payable to named executive officers upon voluntary termination, involuntary termination without cause, termination for cause, termination following a change in control and in the event of disability or death of the executive is described below.

Payments Made Upon Termination

Regardless of the manner in which a named executive officer s employment terminates, he or she may be entitled to receive amounts earned during his or her term of employment. Such amounts include:

- unpaid base salary through the date of termination;
- any accrued and unused vacation pay;
- any unpaid award under the Plans or bonus under the Bonus Plan with respect to a completed performance period;

all accrued and vested benefits under our compensation and benefit programs, including the pension plan and the Supplemental Retirement Plan; and

with respect solely to Mr. Lorber, payment by the Company of a tax gross-up for any excise taxes and related income taxes on gross-ups for benefits received upon termination of employment.

Payments Made Upon Involuntary Termination of Employment without Cause or for Good Reason, Death or Disability

In the event of the termination of a named executive officer by the Company without cause or by the named executive officer for good reason, or upon the death or disability of a named executive officer, in addition to the benefits listed under the heading Payments Made Upon Termination , the named executive officer or his designated beneficiary upon his death will receive the following benefits:

with respect to the named executive officers other than Mr. LeBow, payments for a specified period of either 24 or 36 months (the Severance Period) equal to 100% of the executive s then-current base salary and (except for Mr. Bernstein) the most recent bonus paid to the executive (up to the amount of the executive s target bonus under his employment agreement);

with respect solely to Mr. LeBow, his annual base salary in effect through December 30, 2008 and the Company shall continue to provide the employee benefits in effect immediately prior to such termination through December 30, 2008;

with respect to the named executive officers other than Mr. LeBow, continued participation, at the Company s expense, during the Severance Period in all employee welfare and health benefit plans, including life insurance, health, medical, dental and disability plans which cover the executive and the executive s eligible dependents (or, if such plans do not permit the executive and his eligible dependents to participate after his termination, the Company is required to pay an amount each quarter (not to exceed $35,000 per year in the case of Messrs. Lampen and Kirkland) to keep them in the same economic position on an after-tax basis as if they had continued in such plans);

with respect solely to Mr. LeBow, such additional payments relating to death, retirement and other matters as may be determined by the Board or a committee thereof;

with respect solely to Mr. Bernstein, a pro rata amount of any award under the Bonus Plan for which the performance period has not been completed based upon 100% of the target bonus amount for such period to the extent that Mr. Bernstein is terminated on or after July 1 of the applicable year and bonuses are otherwise paid to the management of Liggett for that year;

acceleration of the vesting of his restricted shares upon death or disability; and

with respect solely to Mr. Lorber, acceleration of the vesting of all outstanding equity awards.

Payments Made Upon a Change in Control

The employment agreements with Messrs. LeBow and Lorber have change in control provisions.

Howard M. Lorber

If Mr. Lorber s employment is terminated without cause or by the executive for good reason within two years of a change in control, Mr. Lorber will be entitled to receive the following severance benefits:

a lump-sum cash payment equal to 2.99 times the sum of his base salary plus the last annual bonus earned by him up to 100% of base salary (including any deferred amount) for the performance period immediately preceding the date of termination;

participation by Mr. Lorber and his eligible dependents in all welfare benefit plans in which they were participating on the date of termination until the earlier of (x) the end of the employment period under his employment agreement and (y) the date that he receives equivalent coverage and benefit under the plans and programs of a subsequent employer;

continued participation at the Company s expense for 36 months in life, disability, accident, health and medical insurance benefits substantially similar to those received by Mr. Lorber and his eligible dependents prior to such termination, subject to reduction if comparable benefits are actually received from a subsequent employer;

full vesting of his outstanding equity awards;

crediting of an additional period of three years plus any remaining term of his employment agreement as continuous service under the Supplemental Retirement Plan; and

termination of certain restrictive covenants in his employment agreement, including covenants not to compete and non-solicitation covenants.

Bennett S. LeBow

The employment agreement with Mr. LeBow permits him to terminate his employment for any reason after a change of control , unless such change of control is directly caused by Mr. LeBow through the sale of common stock of which he is the beneficial owner without the approval of the Company s board of directors. In the event of such a termination, Mr. LeBow is entitled to the following benefits:

a lump sum payment in cash equal to his annual base salary in effect prior to such termination through December 30, 2008;

his obligation to consult with the Company after his termination under the terms of his employment agreement terminates; and

such termination will be deemed a termination of the executive without cause under the Supplemental Retirement Plan which is discussed under Supplemental Retirement Plan on page 19.

Richard J. Lampen, J. Bryant Kirkland III and Ronald J. Bernstein

While their respective employment agreements do not contain any change of control provisions, the event of the termination of Messrs. Lampen, Kirkland and Bernstein by the Company without cause or by the named executive officer for good reason upon a change of control, such named executive officers will receive the same severance benefits described in the previous section.

Definition of Change in Control

Pursuant to the employment agreement between the Company and Mr. Lorber, a change in control is deemed to occur if:

a person unaffiliated with the Company acquires more than 40 percent control over its voting securities;

the individuals who, as of January 1, 2006 are members of the Company s board of directors (the Incumbent Board), cease to constitute at least two-thirds of the Incumbent Board; however, a newly-elected board member that was elected or nominated by two-thirds of the Incumbent Board shall be considered a member of the Incumbent Board;

the Company s stockholders approve a merger, consolidation or reorganization with an unrelated entity, unless the Company s stockholders would own at least 51 percent of the voting power of the surviving entity; the individuals who were members of the Incumbent Board constitute at least a majority of the members of the board of directors of the surviving entity; and no person (other than one of the Company s affiliates) has beneficial ownership of 40 percent or more of the combined voting power of the surviving entity s then outstanding voting securities;

the Company s stockholders approve a plan of complete liquidation or dissolution of the Company; or

Table of Contents

the Company s stockholders approve the sale or disposition of all or substantially all of the Company s assets.

Pursuant to the employment agreement between the Company and Mr. LeBow, a change in control is deemed to occur if:

a person (other than Mr. LeBow) of beneficial ownership of 40% or more of the Company s Common Stock; and,

the Company sells or transfers 40% or more of its assets.

Definition of Termination for Cause

Under each of the employment agreements with Messrs. Lorber, Lampen and Kirkland, termination by the Company for cause is defined as:

the executive being convicted of or entering a plea of nolo contendere with respect to a criminal offense constituting a felony;

the executive committing in the performance of his duties under his employment agreement one or more acts or omissions constituting fraud, dishonesty or willful injury to the Company which results in a material adverse effect on the business, financial condition or results of operations of the Company;

the executive committing one or more acts constituting gross neglect or willful misconduct which results in a material adverse effect on the business, financial condition or results of operations of the Company;

the executive exposing the Company to criminal liability substantially and knowingly caused by the executive which results in a material adverse effect on the business, financial condition or results of operations of the Company; or

the executive failing to substantially perform his duties under his employment agreement (excluding any failure to meet any performance targets or to raise capital or any failure as a result of an approved absence or any mental or physical impairment that could reasonably be expected to result in a disability), after written warning from the Board specifying in reasonable detail the breach(es) complained of.

Under the employment agreement with Mr. LeBow, cause is defined as an act of fraud or dishonesty by Mr. LeBow which constitutes a violation of the penal law of the State of New York and which results in gain or personal enrichment of Mr. LeBow at the expense of the Company or any affiliated entities.

Under the employment agreement between Liggett and Mr. Bernstein, cause is defined as:

a material breach by Mr. Bernstein of his duties and obligations under his employment agreement which breach is not remedied to the satisfaction of the board of directors of Liggett (Liggett Board), within 30 days after receipt by Mr. Bernstein of written notice of such breach from the Liggett Board;

Mr. Bernstein s conviction or indictment for a felony;

an act or acts of personal dishonesty by Mr. Bernstein intended to result in personal enrichment of Mr. Bernstein at the expense of the Company or any of its affiliates or any other material breach or violation of

Mr. Bernstein s fiduciary duty owed to the Company or any of its affiliates;

material violation of any Company or Liggett policy or the Company s Code of Business Conduct and Ethics; or

any grossly negligent act or omission or any willful and deliberate misconduct by Mr. Bernstein that results, or is likely to result, in material economic, or other harm, to the Company or any of its affiliates (other than any act or omission by Mr. Bernstein if it was taken or omitted to be done by Mr. Bernstein in good faith and with a reasonable belief that such action or omission was in the best interests of the Company).

Table of Contents

Definition of Termination for Good Reason

Under each of the employment agreements with Messrs. Lorber, Lampen and Kirkland, termination by the executive for good reason is defined as:

a material diminution of the executive s duties and responsibilities provided in his employment agreement, including, without limitation, the failure to elect or re-elect the executive to his position (including with respect solely to Mr. Lorber, his position as a member of the Board) or the removal of the executive from any such position;

a reduction of the executive s base salary or target bonus opportunity as a percentage of base salary or any other material breach of any material provision of his employment agreement by the Company;

relocation of the executive s office from the Miami (or with respect solely to Mr. Lorber, the Miami or New York City) metropolitan areas;

the change in the executive s reporting relationship from direct reporting to the Board, in the case of Mr. Lorber, to the Executive Chairman and the Chief Executive Officer, in the case of Mr. Lampen, or to the Executive Chairman, Chief Executive Officer or the Executive Vice President, in the case of Mr. Kirkland; or

the failure of a successor to all or substantially all of the Company s business or assets to promptly assume and continue his employment agreement obligations whether contractually or as a matter of law, within 15 days of such transaction.

Under the employment agreement with Mr. LeBow, termination by Mr. LeBow for good reason is defined as a material breach by the Company of any of its material obligations under the employment agreement, which breach is not cured by the Company within 30 days after receipt of notice to cure such breach.

Under the employment agreement with Mr. Bernstein, good reason exists if, without the prior written consent of Mr. Bernstein:

the Liggett Board removes Mr. Bernstein as President and Chief Executive Officer of Liggett, other than in connection with the termination of his employment;

Mr. Bernstein is not appointed as a member of the Liggett Board;

the Liggett Board reduces Mr. Bernstein s rate of salary or bonus opportunity or materially reduces Mr. Bernstein s welfare, perquisites or other benefits described in his employment agreement;

Mr. Bernstein s duties and responsibilities at Liggett are significantly diminished or there are assigned to him duties and responsibilities materially inconsistent with his position;

Liggett fails to obtain a written agreement reasonably satisfactory to Mr. Bernstein from any successor of the Company to assume and perform his employment agreement; or

there occurs a change of control and Mr. Bernstein is required to relocate more than 50 miles from Mr. Bernstein s current work location.

Assumptions Regarding Post Termination Payment Tables

The following tables were prepared as though each named executive officer s employment was terminated on December 31, 2007 (the last business day of 2007) using the closing price of the Company s Common Stock as of that day ($20.06). The amounts under the columns which reflect a Change in Control assume that a change in control occurred on December 31, 2007. However, the executives employment was not terminated on December 31, 2007 and a change in control did not occur on that date. There can be no assurance that a

Table of Contents

termination of employment, a change in control or both would produce the same or similar results as those described if either or both of them occur on any other date or at any other price, or if any assumption is not correct in fact.

Tax Gross-Up Assumptions

Mr. Lorber was assumed to be subject to the maximum federal and state income and other payroll taxes, including excise taxes, aggregating to a net combined effective tax of approximately 61%, when calculating his excise tax gross-up.

Calculations for any tax gross-up are based on Mr. Lorber s taxable wages (Form W-2, Box 1) for the years 2001 through 2005.

No other named executive officer is entitled to an excise tax gross-up under the terms of his employment agreement.

Equity-Based Assumptions

Stock options held by Mr. Bernstein vested on December 29, 2006 with respect to a change in control or termination by him on death or disability.

No other named executive officer held unvested options at that date.

Stock options that become vested due to a change in control are valued based on their spread (i.e., the difference between the stock s fair market value and the exercise price).

It is possible that IRS rules would require these items to be valued using a valuation method such as the Black-Scholes model if they continued after a change in control. Using a Black-Scholes value in lieu of the spread would cause higher value for excise taxes and the related tax gross-up payment.

Restricted stock held by Messrs. Lorber and Bernstein vested on December 31, 2007 with respect to a change of control, or termination by the executive on death or disability.

Incentive Plan Assumptions

All amounts under the Bonus Plan were earned for 2007 in full based on actual performance and are not treated as subject to the excise tax upon a change in control.

Retirement Benefit Assumptions

All benefits are payable in a single lump sum at the participant s earliest retirement-eligible date.

For Mr. Lorber, the present value of the additional service credit for retirement benefits of three additional years is already included in the present value of accumulated benefit disclosed in the Pension Benefits table on page 18.

Bennett S. LeBow

Termination by

	Company without Cause or by Named Executive Officer with Good Reason or Disability	Death	Termination by Company for Cause or Voluntary Termination by Named Executive Officer Without Good Reason	Termination upon Change in Control
Cash Severance(1)	$ 3,950,000	$ 3,950,000		$ 3,950,000(5)
Acceleration of Long Term Incentive Grants at Target				
Value of Accelerated Unvested Equity(2)				
Benefits Continuation(3)	$ 14,186	$ 14,186		$ 14,186
Value of Supplemental Retirement Plan(4)	$ 16,412,613	$ 19,148,048		$ 16,412,613
Excise Tax and Gross-Up				

Table of Contents

(1) Reflects the value of the sum of Mr. LeBow s 2007 base salary ($3,950,000) paid from January 1, 2008 through December 30, 2008.

(2) Reflects the value of any unvested stock options or restricted stock and related dividends that vested upon the event using the closing price of the Company s Common Stock on December 31, 2007 ($20.06). The executive also had vested but unexercised stock options on that date. See Outstanding Equity Awards at 2007 Fiscal Year-End on page 17.

(3) Reflects the value of premium payments to be made for life insurance, medical, dental and disability plans for 12 months at the Company s cost, based on 2007 premiums.

(4) This amount includes amounts that the named executive officer has accrued under the Supplemental Retirement Plan as of December 31, 2007, which are disclosed in the Pension Benefits table on page 18.

(5) Under his employment agreement, Mr. LeBow may terminate the agreement for any reason after a change in control, provided that Mr. Le Bow will not receive the cash severance amount set forth in this table if such change of control is directly caused by Mr. LeBow through the sale of common stock of which he is the beneficial owner without the approval of the Company s board of directors.

Howard M. Lorber

	Termination by Company without Cause or by Named Executive Officer with Good Reason or Disability	Death	Termination by Company for Cause or Voluntary Termination by Named Executive Officer Without Good Reason	Termination by Company without Cause or by Named Executive Officer with Good Reason upon a Change in Control
Cash Severance	$ 15,744,039(1)	$ 15,744,039(1)		$ 15,691,559(2)
Acceleration of Long Term Incentive Grants at Target				
Value of Accelerated Unvested Equity(3)	$ 7,474,285	$ 7,474,285		$ 7,474,285
Benefits Continuation(4)	$ 49,610	$ 49,610		$ 49,610
Value of Supplemental Retirement Plan(5)	$ 9,393,770	$ 9,393,770		$ 9,393,770
Excise Tax and Gross-Up				$ 7,799,996

(1) Reflects the value of the sum of Mr. Lorber s 2007 base salary ($2,666,727) and last paid bonus limited to 100% of base salary ($2,581,286) paid over a period of 36 months commencing after termination.

(2) Reflects the value of the sum of Mr. Lorber s 2007 base salary ($2,666,727) and last paid bonus limited to 100% of base salary ($2,581,286) paid over a period of 2.99 years commencing after termination.

(3) Reflects the value of 318,936 unvested stock options or restricted stock and related dividends that vested upon the event using the closing price of the Company s Common Stock on December 31, 2007 ($20.06). The executive also had vested but unexercised stock options on that date. See Outstanding Equity Awards at 2007 Fiscal Year-End on page 17.

(4) Reflects the value of premium payments to be made for life insurance, medical, dental and disability plans for 36 months at the Company s cost, based on 2007 premiums.

(5) This amount includes amounts that the named executive officer accrued under the Supplemental Retirement Plan as of December 31, 2007, which are disclosed in the Pension Benefits table on page 18.

Richard J. Lampen

	Termination by Company without Cause or by Named Executive Officer with Good Reason or Disability	Death	Termination by Company for Cause or Voluntary Termination by Named Executive Officer Without Good Reason	Termination by Company without Cause or by Named Executive Officer with Good Reason upon a Change in Control
Cash Severance(1)	$ 2,000,000	$ 2,000,000		$ 2,000,000
Acceleration of Long Term Incentive Grants at Target				
Value of Accelerated Unvested Equity(2)				
Benefits Continuation(3)	$ 43,093	$ 43,093		$ 43,093
Value of Supplemental Retirement Plan(4)	$ 680,430	$ 1,701,075		$ 680,430
Excise Tax and Gross-Up				

(1) Reflects the value of the sum of Mr. Lampen s 2007 base salary ($750,000) and last paid bonus limited to 33% of base salary ($250,000) paid over a period of 24 months commencing after termination.

(2) Reflects the value of any unvested stock options or restricted stock and related dividends that vested upon the event using the closing price of the Company s Common Stock on December 31, 2007 ($20.06). The executive also had vested but unexercised stock options on that date. See Outstanding Equity Awards at 2007 Fiscal Year-End on page 17.

(3) Reflects the value of premium payments to be made for life insurance, medical, dental and disability plans for 24 months at the Company s cost, based on 2007 premiums.

(4) This amount includes amounts that the named executive officer accrued under the Supplemental Retirement Plan as of December 31, 2007, which are disclosed in the Pension Benefits table on page 18.

J. Bryant Kirkland III

Termination by Company without Cause or by Named	Termination by Company	Termination by Company without Cause

	Executive Officer with Good Reason or Disability	Death	for Cause or Voluntary Termination by Named Executive Officer Without Good Reason	or by Named Executive Officer with Good Reason upon a Change in Control
Cash Severance(1)	$ 850,000	$ 850,000		$ 850,000
Acceleration of Long Term Incentive Grants at Target				
Value of Accelerated Unvested Equity(2)				
Benefits Continuation(3)	$ 27,305	$ 27,305		$ 27,305
Value of Supplemental Retirement Plan(4)	$ 105,182	$ 578,502		$ 105,182
Excise Tax and Gross-Up				

(1) Reflects the value of the sum of Mr. Kirkland s 2007 base salary ($350,000) and last paid bonus limited to 25% of base salary ($75,000) paid over a period of 24 months commencing after termination.

(2) Reflects the value of any unvested stock options or restricted stock and related dividends that vested upon the event using the closing price of the Company s Common Stock on December 31, 2007 ($20.06). The executive also had vested but unexercised stock options on that date. See Outstanding Equity Awards at 2007 Fiscal Year-End on page 17.

(3) Reflects the value of premium payments to be made for life insurance, medical, dental and disability plans for 24 months at the Company s cost, based on 2007 premiums.

(4) This amount includes amounts that the named executive officer accrued under the Supplemental Retirement Plan as of December 31, 2007, which are disclosed in the Pension Benefits table on page 18.

Ronald J. Bernstein

	Termination by Company without Cause or by Named Executive Officer with Good Reason or Disability	Death	Termination by Company for Cause or Voluntary Termination by Named Executive Officer Without Good Reason	Termination by Company without Cause or by Named Executive Officer with Good Reason upon a Change in Control
Cash Severance(1)	$ 1,598,918	$ 1,598,918		$ 1,598,918
Acceleration of Long Term Incentive Grants at Target				
Value of Accelerated Unvested Equity(2)	$ 645,919	$ 645,919		$ 645,919
Benefits Continuation(3)	$ 30,073	$ 30,073		$ 30,073
Value of Retirement Benefits(4)	$ 1,492,693	$ 2,985,387		$ 1,492,693
Excise Tax and Gross-Up				

(1) Reflects the value of the sum of Mr. Bernstein s 2007 base salary ($799,459) paid over a period of 24 months commencing after termination.

(2) Reflects the value of any unvested stock options or restricted stock (27,562 shares) and related dividends that vested upon the event using the closing price of the Company s Common Stock on December 31, 2007 ($20.06). The executive also had vested but unexercised stock options on that date. See Outstanding Equity Awards at 2007 Fiscal Year-End on page 17.

(3) Reflects the value of premium payments to be made for life insurance, medical, dental and disability plans for 24 months at the Company s cost, based on 2007 premiums.

(4) This amount includes amounts that the named executive officer accrued under the Supplement Retirement Plan as of December 31, 2007, which is disclosed in the Pension Benefits table on page 18. The amount does not include the value of Mr. Bernstein s monthly payment of $372 at age 65 under the Qualified Plan, which is disclosed in the Pension Benefits table on page 18 because lump sum payments are not generally available to participants in the Qualified Plan. If the lump sum option had been available to Mr. Bernstein in the Qualified Plan, the amounts shown would have been increased by approximately $31,200.

Compensation of Directors

Each of the non-management directors receives:

annual cash retainer fee of $35,000;

$2,500 per annum for each committee membership ($5,000 for the committee chairman);

$1,000 per meeting for each Board meeting attended in person or by telephone;

$500 per meeting for each committee meeting attended in person or by telephone;

periodic grants of restricted shares;

reimbursed for reasonable out-of-pocket expenses incurred in serving on our Board; and

access to our health, dental and life insurance coverage.

No stock options of Common Stock were granted to the non-management directors in 2007.

In June 2004, the Company granted 12,155 restricted shares of Common Stock under the 1999 Plan to each of its four non-management directors of the Company. The stock grant vests over a period of three years, commencing on the first anniversary of the date of grant, based on continued service as a director and subject to accelerated vesting upon death, disability or the occurrence of a change in control.

In June 2007, the Company granted 10,500 restricted shares of Common Stock under the 1999 Plan to each of its four non-management directors. The stock grant will vest in three equal annual installments commencing on the first anniversary of the date of grant based on continued service as a director, subject to earlier vesting upon death, disability or the occurrence of a change in control.

The table below summarizes the compensation the Company paid to the non-management directors for the year ended December 31, 2007.

NON-MANAGEMENT DIRECTOR COMPENSATION IN FISCAL YEAR 2007

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Changes in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Henry C. Beinstein	$ 61,000	$ 60,894				1,727(2)	$ 123,621
Robert J. Eide	$ 63,500	$ 60,894				1,115(2)	$ 125,509
Jeffrey S. Podell	$ 55,500	$ 60,894				2,758(2)	$ 119,152
Jean E. Sharpe	$ 57,000	$ 60,894				$ 25,096(3)	$ 142,990

(1) Represents the dollar amount recognized for financial statement reporting purposes (excluding forfeitures) for the year ended December 31, 2007, in accordance with SFAS 123(R), for grants of restricted stock under the 1999 Plan, rather than an amount paid to or realized by the non-management director. In June 2007 and June 2004, the Company granted 10,500 and 12,155 restricted shares of Common Stock, respectively, to each non-management director. The stock s closing price on such dates was $18.87 and $13.25 per share, respectively.

(2) Represents life insurance premiums paid by the Company.

(3) Represents health and life insurance premiums paid by the Company.

Compensation Committee Interlocks and Insider Participation

No member of the Company s Compensation Committee is, or has been, an employee or officer of the Company. During 2007, (i) no member of the Company s Compensation Committee had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K; and (ii) none of the Company s executive officers served on the compensation committee (or equivalent) or board of directors of another entity whose executive officer(s) served on the Company s Compensation Committee or board of directors.

Audit Committee Report

The audit committee report shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

Management is responsible for the Company s internal controls and the financial reporting process, including its financial statements and management s assessment of the effectiveness of the Company s internal control over financial reporting. PricewaterhouseCoopers LLP, the Company s independent registered certified public accounting firm, issues opinions on the conformity of the Company s audited financial statements with generally accepted accounting principles and on the effectiveness of the Company s internal control over financial reporting. The audit committee reviews these processes on behalf of the board of directors. In this context, the committee has reviewed and discussed with management and PricewaterhouseCoopers LLP the audited financial statements for the year ended December 31, 2007, management s assessment of the effectiveness of the Company s internal control over financial reporting and the evaluation by PricewaterhouseCoopers LLP of the Company s internal control over financial reporting.

The committee has discussed with the independent auditors the matters required to be discussed by the Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended.

The committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as amended, and has discussed with the independent auditors their independence. The committee has also considered whether the provision of the services described under the caption Audit Fees and Non-Audit Fees is compatible with maintaining the independence of the independent auditors.

Based on the review and discussions referred to above, the committee recommended to the board of directors that the audited financial statements and management s assessment of the effectiveness of the Company s internal control over financial reporting be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission.

This report is submitted by the audit committee of the Company.

Henry C. Beinstein, Chairman
Robert J. Eide
Jeffrey S. Podell
Jean E. Sharpe

Audit and Non-Audit Fees

The audit committee reviews and approves audit and permissible non-audit services performed by PricewaterhouseCoopers LLP, as well as the fees charged by PricewaterhouseCoopers LLP for such services. In accordance with Section 10A(i) of the Securities Exchange Act, before PricewaterhouseCoopers LLP is engaged to render audit or non-audit services, the engagement is approved by the audit committee. All of the services provided and fees charged by PricewaterhouseCoopers LLP in 2007 and 2006 were pre-approved by the audit committee.

Audit Fees. The aggregate fees billed by PricewaterhouseCoopers LLP for professional services for the audit of the annual financial statements of the Company and its consolidated subsidiaries, audit of internal control over financial reporting under Sarbanes-Oxley Section 404, audits of subsidiary financial statements, reviews of the financial statements included in the Company s quarterly reports on Form 10-Q, comfort letters, consents and review of documents filed with the SEC were $2,225,851 for 2007 and $2,225,307 for 2006.

Audit-Related Fees. No fees were billed by PricewaterhouseCoopers LLP for audit-related professional services in 2007 and 2006.

Tax Fees. The aggregate fees billed by PricewaterhouseCoopers LLP for professional services for tax services were $31,400 in 2007 and $38,940 in 2006. The services were primarily for federal and state tax advice.

All Other Fees. The aggregate fees billed by PricewaterhouseCoopers LLP for other services were $4,500 in 2007 and $4,500 in 2006. These amounts consisted of licensing of accounting research software.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax and other services performed by the independent registered certified public accounting firm. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. Unless the specific service has been previously pre-approved with respect to that year, the Audit Committee must approve the permitted service before the independent registered certified public accounting firm is engaged to perform it. The Audit Committee approved all services provided by PricewaterhouseCoopers LLP.

Table of Contents

Equity Compensation Plan Information

The following table summarizes information about the options, warrants and rights and other equity compensation under the Company s equity plans as of December 31, 2007.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)		Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders(1)	8,920,714	$	9.62	4,925,000
Equity compensation plans not approved by security holders				
Total	8,920,714	$	9.62	4,925,000

(1) Includes options to purchase shares of the Company s Common Stock under the following stockholder-approved plans: 1998 Long-Term Incentive Plan and Amended and Restated 1999 Long-Term Incentive Plan.

Certain Relationships and Related Party Transactions

The board of directors has adopted a written policy for the review and approval of transactions between the Company and its directors, director nominees, executive officers, greater than five percent beneficial owners and their immediate family members. The policy covers any related party transaction that meets the minimum threshold for disclosure in the Company s proxy statement under the relevant Securities and Exchange Commission rules. The Audit Committee is responsible for reviewing and, if appropriate, approving or ratifying any related party transactions. In determining whether to approve, disapprove or ratify a related party transaction, the Audit Committee will take into account, among other factors it deems appropriate, (i) whether the transaction is on terms no less favorable to the Company than terms that would have been reached with an unrelated third party, (ii) the extent of the interest of the related party in the transaction and (iii) the purpose and the potential benefits to the Company of the transaction.

The related party transactions described in this proxy statement entered into before this policy was adopted were approved by the board of directors or audit committee.

In connection with the Company s private offering of convertible notes in November 2004, in order to permit hedging transactions by the purchasers, the purchasers of the notes required Bennett S. LeBow, who serves as Executive Chairman of the Company, to enter into an agreement granting an affiliate of Jefferies, the placement agent for the offering, the right, in its sole discretion, to borrow up to 4,020,285 shares of Common Stock from this stockholder or an entity affiliated with him during a 30-month period through May 2007, subject to extension under various conditions, and that he agree not to dispose of such shares during this period, subject to limited exceptions. In consideration for this stockholder agreeing to lend his shares in order to facilitate the Company s offering and accepting the resulting liquidity risk, the Company agreed to pay him or an affiliate designated by him an annual fee, payable on a quarterly basis in cash or, by mutual agreement of the Company and this stockholder, shares of Common Stock, equal to 1% of the aggregate market value of 4,020,285 shares of Common Stock. In addition, the Company agreed to hold this stockholder harmless on an after-tax basis against any increase, if any, in the income tax rate applicable to dividends paid on the shares as a result of the share loan agreement. For the year ended December 31, 2007, the Company recognized expense of $504,000 for amounts payable to an entity affiliated with Mr. LeBow under this agreement. This stockholder has the right to assign to one of the Company s other principal stockholders, Howard M. Lorber, who serves as the Company s President and Chief Executive Officer and as a director of the Company, some or all of his obligation to lend the shares under such agreement. In May 2006, Mr. LeBow assigned to Mr. Lorber the obligation to lend 590,472 shares of Common Stock under this agreement.

In connection with the April 2005 placement of additional convertible notes, the Company entered into a similar arrangement through May 2007 with Mr. Lorber with respect to 347,287 shares of Common Stock. For the year ended December 31, 2007, the Company recognized expense of $62,000 for amounts payable to an entity affiliated with Mr. Lorber under this agreement and for the assigned obligation to lend shares.

In August 2006, the Company invested $25,000,000 in Icahn Partners, LP, a privately managed investment partnership, of which Mr. Icahn is the portfolio manager and the controlling person of the general partner, and manager of the partnership. In September 2007, the Company invested an additional $25,000,000.

As of the record date, Jefferies was the beneficial owner of 6.5% of the Common Stock. Jefferies or its affiliates have from time to time provided investment banking, general financing and banking services to the Company and its affiliates, for which they have received customary compensation. During 2007, the Company paid to Jefferies and its affiliates fees in the amount of approximately $8,662,500. Jefferies or its affiliates may provide similar services in the future. Affiliates of Jefferies owned convertible notes of the Company in 2007.

On November 1, 2006, the Company invested $10,000,000 in Jefferies Buckeye Fund, LLC, a privately managed investment partnership, of which Jefferies Asset Management, LLC is the portfolio manager. The Company had invested approximately 13.4% of the funds invested in the Jefferies Buckeye Fund at December 31, 2007.

In September 2006, the Company entered into an agreement with Ladenburg Thalmann Financial Services Inc. (LTS) pursuant to which the Company agreed to make available to LTS the services of Richard Lampen, the Company s Executive Vice President, to serve as the President and Chief Executive Officer of LTS and to provide certain other financial and accounting services, including assistance with complying with Section 404 of the Sarbanes-Oxley Act of 2002. In consideration for such services, LTS had agreed to pay the Company an annual fee of $250,000 plus reimbursement of expenses and will indemnify the Company. The agreement is terminable by either party upon 30 days prior written notice. Various executive officers and directors of the Company serve as members of the Board of Directors of LTS. In December 2007, LTS and Vector entered into an amendment to the agreement to amend the fees payable thereunder as follows: (i) a special management fee payment of $150,000 for 2007 (resulting in a total payment of $400,000 for 2007), (ii) an increase in the annual fee from $250,000 to $400,000 effective January 1, 2008 and (iii) an increase in the annual fee from $400,000 to $600,000, effective July 1, 2008 (payment of $500,000 for 2008). For 2007, LTS paid compensation of $600,000 to each of Mr. Lorber, the President of the Company, who serves as Vice Chairman of LTS, and to Mr. Lampen, the Executive Vice President of the Company, who serves as President and CEO of LTS.

Mr. Lorber serves as a consultant to Hallman & Lorber. During 2007, Mr. Lorber and Hallman & Lorber and its affiliates received ordinary and customary insurance commissions aggregating approximately $241,000 on various insurance policies issued for the Company and its subsidiaries and investees. Hallman & Lorber and its affiliates have continued to provide services to the Company in 2008.

INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP has been the independent registered certified public accounting firm for the Company since December 1986 and will serve in that capacity for the 2008 fiscal year unless the audit committee deems it advisable to make a substitution. It is expected that one or more representatives of such firm will attend the annual meeting and be available to respond to any questions. These representatives will be given an opportunity to make statements at the annual meeting if they desire.

MISCELLANEOUS

Annual Report

The Company has mailed, with this proxy statement, a copy of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2007 to each stockholder as of the record date. If a stockholder requires an additional copy of such Annual Report, the Company will provide one, without charge, on the written request of any such stockholder addressed to the Company s secretary at Vector Group Ltd., 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires directors and executive officers of the Company, as well as persons who beneficially own more than 10% of a registered class of the Company s equity securities, to file reports of initial beneficial ownership and changes in beneficial ownership on Forms 3, 4 and 5 with the SEC. These persons are also required by SEC regulations to furnish the Company with copies of all reports that they file. As a practical matter, the Company assists its directors and officers by monitoring transactions and completing and filing Section 16 reports on their behalf.

To the Company s knowledge, based solely on review of the copies of such reports furnished to the Company and representations that no other reports were required, during and with respect to the fiscal year ended December 31, 2007, all reporting persons have timely complied with all filing requirements applicable to them.

Communications with Directors

Any stockholder and other interested parties wishing to communicate with any of the Company s directors regarding the Company may write to the director, c/o the Company s secretary at Vector Group Ltd., 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131. The secretary will forward these communications directly to the director(s) in question. The independent directors of the Board review and approve this communication process periodically to ensure effective communication with stockholders and other interested parties.

Although the Company does not have a policy with regard to Board members attendance at the annual meeting of stockholders, all of the directors are invited to attend such meeting. Two of the Company s directors were in attendance at the Company s 2007 annual meeting.

Stockholder Proposals for the 2009 Annual Meeting

Proposals of stockholders intended to be presented at the 2009 annual meeting of stockholders of the Company and included in the Company s proxy statement for that meeting pursuant to Rule 14a-8 of the Exchange Act must be received by the Company at its principal executive offices, 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131, Attention: Marc N. Bell, Secretary, on or before January 2, 2009 in order to be eligible for inclusion in the Company s proxy statement relating to that meeting. Notice of a stockholder proposal submitted outside the processes of Rule 14a-8 will be considered untimely unless submitted by March 16, 2009.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIAL FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 27, 2008

A copy of this proxy statement, the enclosed proxy card and the 2007 Annual Report of Vector Group Ltd. can be found at the website address: www.vectorgroupltd.com/invest.asp.

HOUSEHOLDING OF ANNUAL MEETING MATERIALS

Some banks, brokers, broker-dealers and other similar organizations acting as nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of this proxy statement and the Annual Report may have been sent to multiple shareholders in your household. If you would prefer to receive separate copies of a proxy statement or Annual Report for other shareholders in your household, either now or in the future, please contact your bank, broker, broker-dealer or other similar organization serving as your nominee. Upon written or oral request to Vector Group Ltd., 100 S.E. Second Street, 32nd Floor, Miami, Florida 33131, or via telephone at 305-579-8000, we will provide separate copies of the Annual Report and/or this proxy statement.

Other Matters

All information in this proxy statement concerning the Common Stock has been adjusted to give effect to the 5% stock dividends paid to the stockholders of the Company on September 30, 1999, September 28, 2000, September 28, 2001, September 27, 2002, September 29, 2003, September 29, 2004, September 29, 2005, September 29, 2006 and September 28, 2007.

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

By Order of the Board of Directors,

Howard M. Lorber
President and Chief Executive Officer

Dated: April 24, 2008

Table of Contents

VECTOR GROUP LTD.

PROXY

SOLICITED BY THE BOARD OF DIRECTORS FOR USE AT THE 2008 ANNUAL MEETING OF STOCKHOLDERS OF VECTOR GROUP LTD.

The undersigned stockholder of Vector Group Ltd. (the Company) hereby constitutes and appoints each of Marc N. Bell and J. Bryant Kirkland III attorney and proxy of the undersigned, with power of substitution, to attend, vote and act for the undersigned at the 2008 Annual Meeting of Stockholders of the Company, a Delaware corporation, to be held at the Bank of America Tower, 100 S.E. Second Street, 19th Floor Auditorium, Miami, Florida 33131 on Tuesday, May 27, 2008 at 11:00 a.m. local time, and at any adjournments or postponements thereof, with respect to the following on the reverse side of this proxy card and, in their discretion, on such other matters as may properly come before the meeting and at any adjournments or postponements thereof.

(Continued and to be signed on the reverse side.)

The Board of Directors recommends a vote FOR the election of directors. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE þ

Item 1.	Election of Directors:	
	FOR ALL NOMINEES	[ ]
	WITHHOLD AUTHORITY FOR ALL NOMINEES	[ ]
	FOR ALL EXCEPT (See instructions below)	[ ]

Nominees: Bennett S. LeBow, Howard M. Lorber, Ronald J. Bernstein, Henry C. Beinstein, Robert J. Eide, Jeffrey S. Podell and Jean E. Sharpe

INSTRUCTION: To withhold authority to vote for any individual nominee(s), mark FOR ALL EXCEPT and fill in the circle next to each nominee you wish to withhold, as shown here: þ

The shares represented by this proxy will be voted in the manner directed by the undersigned stockholder. If not otherwise directed, this proxy will be voted FOR the election of the nominees.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. o

Signature of Stockholder _____ Date _____ Signature of Stockholder _____ Date _____

NOTE: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.