

VECTOR GROUP LTD  
Form 8-K  
November 20, 2012

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the**

**Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): November 20, 2012**

VECTOR GROUP LTD.  
(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State or Other Jurisdiction of Incorporation)

1-5759  
(Commission File Number)

65-0949535  
(I.R.S. Employer Identification No.)

100 S.E. Second Street, Miami, Florida 33131  
(Address of Principal Executive Offices) (Zip Code)

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(305) 579-8000

(Registrant's Telephone Number, Including Area Code)

(Not Applicable)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 240.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 1.01 Entry into a Material Definitive Agreement.**

On November 20, 2012, Vector Group Ltd. (the “Company”) completed the sale of \$230.0 million of its Variable Interest Senior Convertible Notes due 2019 (the “Notes”), which includes the underwriter’s full exercise of its over-allotment option, to Jefferies & Company, Inc. in a public offering registered under the Securities Act of 1933, as amended (the “Securities Act”). The Notes were issued under an indenture, dated November 20, 2012, between the Company and Wells Fargo Bank, National Association, as trustee (the “Base Indenture”), as supplemented by a first supplemental indenture, dated November 20, 2012 (the “Supplemental Indenture” and, together with the Base Indenture, the “Indenture”). The Notes were offered pursuant to an automatic shelf registration statement on Form S-3ASR (File No. 333-184878) filed on November 9, 2012 (the “Registration Statement”) with the United States Securities and Exchange Commission (the “Commission”) and amended by Post-Effective Amendment No. 1 filed by the Company with the Commission on November 13, 2012.

The aggregate net proceeds from the sale of the Notes were approximately \$219.0 million after deducting underwriting discounts and commissions, fees and estimated offering expenses. The net proceeds from the sale of the Notes will be used for general corporate purposes, including in the Company’s existing tobacco business and in additional investments in real estate through its wholly owned subsidiary, New Valley LLC.

The Notes will be convertible, at the option of the holders, at any time on or prior to maturity, into shares of the Company’s common stock, par value \$0.10 per share (the “Common Stock”). The Notes will initially be convertible at a conversion price of approximately \$18.50 per share, which is equal to a conversion rate of approximately 54.0541 shares of Common Stock per \$1,000 principal amount of Notes, subject to adjustment.

Interest on the Notes will be payable quarterly on January 15, April 15, July 15 and October 15 of each year, beginning on January 15, 2013. The Notes will accrue cash interest at 2.50% per annum, with an additional amount of interest payable on each interest payment date equal to the product of (i) the total amount of cash dividends and cash distributions paid by the Company on shares of Common Stock during the prior three-month period ending on the record date for such interest payment and (ii) the total number of shares of Common Stock into which the Notes will be convertible on such record date (together, the “Total Interest”), provided that the interest payable on each interest payment date shall be the higher of (i) the Total Interest and (ii) 7.50% per annum. The Notes will mature on January 15, 2019.

The Notes will be the Company’s senior unsecured obligations and will rank equal in right of payment with all of the Company’s existing and future senior unsecured indebtedness. The Notes will be subordinated to the Company’s existing and any future secured indebtedness to the extent of the assets securing such indebtedness and will be structurally subordinated to all liabilities and commitments of the Company’s subsidiaries.

In the event of a fundamental change (as defined in the Indenture), each holder of the Notes may require the Company to repurchase some or all of its Notes at a repurchase price equal to 100% of the aggregate principal amount of the Notes plus accrued and unpaid interest, if any (subject to limited exceptions). In addition, the Company will, under certain circumstances, increase the conversion rate for the Notes surrendered upon the occurrence of a fundamental change by a number of additional shares of Common Stock as set forth in the Indenture.

If an event of default (as defined in the Indenture) occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Notes may declare the Notes immediately due and payable at their principal amount together with accrued interest, except that an event of default resulting from a bankruptcy or similar proceeding will automatically cause the Notes to become immediately due and payable without any declaration or other act on the part of the Trustee or any Note holder.

The foregoing summary of the Notes and the Indenture does not purport to be complete and is qualified in its entirety by reference to the Base Indenture and the First Supplemental Indenture, attached hereto as Exhibits 4.1 and 4.2, respectively, and incorporated herein by reference.

In connection with the sale of the Notes, in order to facilitate transactions by which investors in the Notes may hedge their investments through short sales of Common Stock, the Company offered up to 6,114,000 shares (the "Borrowed Shares") of its common stock, par value \$0.10 per share (the "Common Stock"), which Borrowed Shares were lent to Jefferies & Company, Inc. (in such capacity, the "Share Borrower") pursuant to the terms of a Share Lending Agreement, dated November 15, 2012 (the "Share Lending Agreement"), between the Company and the Share Borrower. The Borrowed Shares are registered under the Securities Act. The Company did not receive any proceeds from the sale of the Borrowed Shares, other than a nominal loan fee from the Share Borrower equal to \$0.10 per share loaned to the Share Borrower. The Company expects to use those proceeds for general corporate purposes.

The foregoing summary is qualified in its entirety by reference to the text of the Share Lending Agreement, filed with the Commission as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 16, 2012 and incorporated herein by reference.

#### **Item 7.01 Regulation FD Disclosure.**

On November 20, 2012, the Company issued a press release announcing that it had closed the offering of the Notes. A copy of such press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information furnished under Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section.

#### **Item 9.01 Financial Statements and Exhibits.**

*(d) Exhibits.*

4.1 Indenture, dated as of November 20, 2012, by and between Vector Group Ltd. and Wells Fargo Bank, National Association, as trustee (the "Base Indenture").

4.2

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First Supplemental Indenture, dated as of November 20, 2012, to the Base Indenture, by and between Vector Group Ltd. and Wells Fargo Bank, National Association, as trustee.

4.3 Form of Global Note (included in Exhibit 4.2 hereto).

5.1 Opinion of O'Melveny & Myers LLP, relating to the Notes.

5.2 Opinion of O'Melveny & Myers LLP, relating to the Borrowed Shares.

23.1 Consent of O'Melveny & Myers LLP (included in Exhibit 5.1 hereto).

23.2 Consent of O'Melveny & Myers LLP (included in Exhibit 5.2 hereto).

99.1 Press Release dated November 20, 2012.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VECTOR GROUP LTD.

Date: November 20, 2012      By: /s/ J. Bryant Kirkland III  
J. Bryant Kirkland III  
Vice President, Treasurer and Chief Financial Officer