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DELTA REPORT

10-Q

TPB - TURNING POINT BRANDS, INC

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	901
CHANGES	180
DELETIONS	341
ADDITIONS	380

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2024 June 30, 2024

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______________ to _______________

Commission file number: 001-37763

TURNING POINT BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-0709285**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
5201 Interchange Way, Louisville, KY	**40229**
(Address of principal executive offices)	(Zip Code)

(502) 778-4421
(Registrant's telephone number, including area code)

Former name, former address and former fiscal year, if changed since last report: not applicable

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	TPB	New York Stock Exchange

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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☐	Accelerated filer	☑
Non-accelerated filer	☐	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 ☑

At April 26, 2024 July 26, 2024, there were 17,621,706 17,714,070 shares outstanding of the registrant's voting common stock, par value $0.01 per share.

TURNING POINT BRANDS, INC.
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PART I—FINANCIAL INFORMATION

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 June 30, 2024 (this "Quarterly Report"), contains forward-looking statements within the meaning of the federal securities laws. Forward-looking statements may generally be identified by the use of words such as "anticipate," "believe," "expect," "intend," "plan," and "will" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. By their nature, forward-looking statements involve risks and uncertainties because they relate to events, and depend on circumstances, that may or may not occur in the future. As a result, actual events may differ materially from those expressed in, or suggested by, the forward-looking statements. Any forward-looking statement made by Turning Point Brands, Inc. ("TPB"), in this Quarterly Report on Form 10-Q speaks only as of the date hereof. New risks and uncertainties come up from time to time, and it is impossible for TPB to predict these events or how they may affect it. TPB has no obligation, and does not intend, to update any forward-looking statements after the date hereof, except as required by federal securities laws. Factors that could cause these differences include, but are not limited to:

- declining sales of tobacco products, and expected continuing decline of sales in the tobacco industry overall;
- our dependence on a small number of third-party suppliers and producers;
- the possibility that we will be unable to identify or contract with new suppliers or producers in the event of a supply or product disruption, as well as other supply chain concerns, including delays in product shipments and increases in freight cost;
- the possibility that our licenses to use certain brands or trademarks will be terminated, challenged or restricted;

- failure to maintain consumer brand recognition and loyalty of our customers;
- our reliance on relationships with several large retailers and national chains for distribution of our products;
- intense competition and our ability to compete effectively;
- competition from illicit sources and the damage caused by illicit products to our brand equity;
- contamination of our tobacco supply or products;
- uncertainty and continued evolution of the markets for our products;
- complications with the design or implementation of our new enterprise resource planning system could adversely impact our business and operations;
- substantial and increasing regulation and changes in U.S. Food and Drug Administration ("FDA") enforcement priorities;
- regulation or marketing denials of our products by the FDA, which has broad regulatory powers;
- many of our products contain nicotine, which is considered to be a highly addictive substance;
- requirement to maintain compliance with master settlement agreement escrow account;
- possible significant increases in federal, state and local municipal tobacco- and nicotine-related taxes;
- our products are marketed pursuant to a policy of FDA enforcement priorities which could change, and our products could become subject to increased regulatory burdens by the FDA;
- uncertainty related to the PMTA application process;
- our products are subject to developing and unpredictable regulation, such as court actions that impact obligations;
- increase in state and local regulation of our products has been proposed or enacted;
- increase in tax of our products could adversely affect our business;
- sensitivity of end-customers to increased sales taxes and economic conditions, including as a result of inflation and other declines in purchasing power;
- possible increasing international control and regulation;
- failure to comply with environmental, health and safety regulations;
- imposition of significant tariffs on imports into the U.S.;
- the scientific community's lack of information regarding the long-term health effects of certain substances contained in some of our products;
- significant product liability litigation;
- our amount of indebtedness;
- the terms of our indebtedness, which may restrict our current and future operations;
- our ability to establish and maintain effective internal controls over financial reporting;
- identification of material weaknesses in our internal control over financial reporting, which, if not remediated appropriately or timely, could result in loss of investor confidence and adversely impact our stock price;
- our certificate of incorporation and bylaws, as well as Delaware law and certain regulations, could discourage or prohibit acquisition bids or merger proposals, which may adversely affect the market price of our common stock;
- our certificate of incorporation limits the ownership of our common stock by individuals and entities that are Restricted Investors. These restrictions may affect the liquidity of our common stock and may result in Restricted Investors (as defined in our Certificate of Incorporation) being required to sell or redeem their shares at a loss or relinquish their voting, dividend and distribution rights;
- future sales of our common stock in the public market could reduce our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us;

- we may issue preferred stock whose terms could adversely affect the voting power or value of our common stock;
- our business may be damaged by events outside of our suppliers' control, such as the impact of epidemics (e.g., coronavirus), political upheavals, or natural disasters;
- adverse impact of climate change;
- our reliance on information technology;
- cybersecurity and privacy breaches, which have increased in part due to artificial intelligence;
- failure to manage our growth;
- failure to successfully integrate our acquisitions or otherwise be unable to benefit from pursuing acquisitions;
- fluctuations in our results;
- exchange rate fluctuations;
- adverse U.S. and global economic conditions;
- departure of key management personnel or our inability to attract and retain talent;
- infringement on or misappropriation of our intellectual property;
- third-party claims that we infringe on their intellectual property; and

- failure to meet expectations relating to environmental, social and governance factors.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

Turning Point Brands, Inc.
Consolidated Balance Sheets
(dollars in thousands except share data)

ASSETS	(unaudited) March 31, 2024	December 31, 2023	(unaudited) June 30, 2024	December 31, 2023
Current assets:				
Cash	$ 130,903	$ 117,886	$ 142,159	$ 117,886
Accounts receivable, net of allowances of $43 in 2024 and $78 in 2023	8,198	9,989		
Accounts receivable, net of allowances of $54 in 2024 and $78 in 2023			12,557	9,989
Inventories, net	105,467	98,960	102,333	98,960
Other current assets	34,437	40,781	32,688	40,781
Total current assets	279,005	267,616	289,737	267,616
Property, plant, and equipment, net	24,790	25,300	26,441	25,300
Deferred income taxes	1,426	1,468	1,177	1,468
Right of use assets	10,868	11,480	10,305	11,480
Deferred financing costs, net	2,305	2,450	2,145	2,450
Goodwill	136,365	136,250	136,307	136,250
Other intangible assets, net	80,177	80,942	79,393	80,942
Master Settlement Agreement (MSA) escrow deposits	28,427	28,684	28,407	28,684
Other assets	22,953	15,166	17,644	15,166
Total assets	$ 586,316	$ 569,356	$ 591,556	$ 569,356
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 18,934	$ 8,407	$ 11,919	$ 8,407
Accrued liabilities	30,974	33,635	30,428	33,635
Current portion of long-term debt	59,397	58,294	118,470	58,294
Total current liabilities	109,305	100,336	160,817	100,336
Notes payable and long-term debt	306,496	307,064	247,960	307,064
Lease liabilities	9,360	9,950	8,834	9,950
Total liabilities	425,161	417,350	$ 417,611	$ 417,350
Commitments and contingencies				
Stockholders' equity:				
Preferred stock; $0.01 par value; authorized shares 40,000,000; issued and outstanding shares -0-	–	–		
Common stock, voting, $0.01 par value; authorized shares, 190,000,000; 20,016,822 issued shares and 17,627,817 outstanding shares at March 31, 2024, and 19,922,137 issued shares and 17,605,677 outstanding shares at December 31, 2023	200	199		
Preferred stock, $0.01 par value; authorized shares 40,000,000; issued and outstanding shares -0-			–	–
Common stock, voting, $0.01 par value; authorized shares, 190,000,000; 20,126,521 issued shares and 17,703,166 outstanding shares at June 30, 2024, and 19,922,137 issued shares and 17,605,677 outstanding shares at December 31, 2023			201	199
Common stock, nonvoting, $0.01 par value; authorized shares, 10,000,000; issued and outstanding shares -0-	–	–	–	–
Additional paid-in capital	119,792	119,075	121,948	119,075
Cost of repurchased common stock (2,389,005 shares at March 31, 2024 and 2,316,460 shares December 31, 2023)	(80,172)	(78,093)		
Cost of repurchased common stock (2,423,355 shares at June 30, 2024 and 2,316,460 shares December 31, 2023)			(81,144)	(78,093)

Accumulated other comprehensive loss	(3,048)	(2,648)	(3,072)	(2,648)
Accumulated earnings	123,192	112,443	134,917	112,443
Non-controlling interest	1,191	1,030	1,095	1,030
Total stockholders' equity	161,155	152,006	173,945	152,006
Total liabilities and stockholders' equity	$ 586,316	$ 569,356	$ 591,556	$ 569,356

The accompanying notes are an integral part of the consolidated financial statements.

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Turning Point Brands, Inc.
Consolidated
Consolidated Statements of Income
(dollars in thousands except share and per share data)
(unaudited)

	Three Months Ended March 31,	
	2024	2023
Net sales	$ 97,058	$ 100,956
Cost of sales	45,146	52,339
Gross profit	51,912	48,617
Selling, general, and administrative expenses	32,646	30,775
Operating income	19,266	17,842
Interest expense, net	3,479	4,010
Investment (gain) loss	(119)	4,799
Gain on extinguishment of debt	–	(777)
Income before income taxes	15,906	9,810
Income tax expense	3,727	2,468
Consolidated net income	12,179	7,342
Net income (loss) attributable to non-controlling interest	169	(255)
Net income attributable to Turning Point Brands, Inc.	$ 12,010	$ 7,597
Basic income per common share:		
Net income attributable to Turning Point Brands, Inc.	$ 0.68	$ 0.43
Diluted income per common share:		
Net income attributable to Turning Point Brands, Inc.	$ 0.63	$ 0.41
Weighted average common shares outstanding:		
Basic	17,654,684	17,531,414
Diluted	20,170,314	20,669,152

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net sales (1)	$ 108,512	$ 105,595	$ 205,570	$ 206,551
Cost of sales	54,671	53,117	99,817	105,456
Gross profit	53,841	52,478	105,753	101,095
Selling, general, and administrative expenses	32,753	31,933	65,399	62,708
Other operating income	(1,674)	–	(1,674)	–
Operating income	22,762	20,545	42,028	38,387
Interest expense, net	2,991	4,019	6,470	8,029
Investment loss	2,439	4,080	2,320	8,879
Gain on extinguishment of debt	–	(600)	–	(1,377)
Income before income taxes	17,332	13,046	33,238	22,856
Income tax expense	4,415	3,338	8,142	5,806
Consolidated net income	12,917	9,708	25,096	17,050

Net (loss) income attributable to non-controlling interest	(87)	(217)	82	(472)
Net income attributable to Turning Point Brands, Inc.	$ 13,004	$ 9,925	$ 25,014	$ 17,522
Basic income per common share:				
Net income attributable to Turning Point Brands, Inc.	$ 0.74	$ 0.56	$ 1.42	$ 1.00
Diluted income per common share:				
Net income attributable to Turning Point Brands, Inc.	$ 0.68	$ 0.53	$ 1.31	$ 0.94
Weighted average common shares outstanding:				
Basic	17,656,732	17,584,241	17,655,713	17,556,030
Diluted	20,156,854	20,409,943	20,160,139	20,538,947

(1) Net sales include excise taxes billed to customers of $0.8 million and $1.2 million for the three months ended June 30, 2024 and 2023, respectively. Net sales include excise taxes billed to customer of $1.5 million and $2.4 million for the six months ended June 30, 2024 and 2023, respectively.

The accompanying notes are an integral part of the consolidated financial statements.

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Turning Point Brands, Inc.
Consolidated Statements of Comprehensive Income
(dollars in thousands)
(unaudited)

	Three Months Ended March 31,		Three Months Ended June 30	
	2024	2023	2024	2023
Consolidated net income	$ 12,179	$ 7,342	$ 12,917	$ 9,708
Other comprehensive income (loss), net of tax				
Unrealized loss on MSA investments, net of tax of $15 in 2024 and $176 in 2023	(242)	553		
Unrealized loss on MSA investments, net of tax of $4 in 2024 and $116 in 2023			(15)	(365)
Foreign currency translation, net of tax of $0 in 2024 and 2023	13	(78)	(26)	(169)
Unrealized loss on derivative instruments, net of tax of $57 in 2024 and $109 in 2023	(185)	(344)		
Unrealized gain on investments, net of tax of $0 in 2024	6	–		
Unrealized gain (loss) on derivative instruments, net of tax of $4 in 2024 and $150 in 2023			15	(472)
Unrealized loss on captive investments, net of tax of $0 in 2024			(7)	–
	(408)	131	(33)	(1,006)
Consolidated comprehensive income	11,771	7,473	12,884	8,702
Comprehensive income (loss) attributable to non-controlling interest	169	(255)		
Comprehensive loss attributable to non-controlling interest			(87)	(217)
Comprehensive income attributable to Turning Point Brands, Inc.	$ 11,602	$ 7,728	$ 12,971	$ 8,919

	Six Months Ended June 30,	
	2024	2023
Consolidated net income	$ 25,096	$ 17,050
Other comprehensive income (loss), net of tax		
Unrealized (loss) gain on MSA investments, net of tax of $19 in 2024 and $60 in 2023	(257)	188
Foreign currency translation, net of tax of $0 in 2024 and 2023	(13)	(248)
Unrealized loss on derivative instruments, net of tax of $53 in 2024 and $259 in 2023	(171)	(815)
	(441)	(875)
Consolidated comprehensive income	24,655	16,175
Comprehensive income (loss) attributable to non-controlling interest	82	(472)
Comprehensive income attributable to Turning Point Brands, Inc.	$ 24,573	$ 16,647

The accompanying notes are an integral part of the consolidated financial statements.

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Turning Point Brands, Inc.
Consolidated Statements of Cash Flows
(dollars in thousands)
(unaudited)

	Three Months Ended March 31,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cash flows from operating activities:				
Consolidated net income	$ 12,179	$ 7,342	$ 25,096	$ 17,050
Adjustments to reconcile net income to net cash provided by operating activities:				
Gain on extinguishment of debt	–	(777)	–	(1,377)
Loss (gain) on sale of property, plant, and equipment	1	(6)		
Gain on MSA investments	6	–		
Loss on sale of property, plant, and equipment			7	44
Loss on MSA investments			6	–
Depreciation and other amortization expense	944	776	1,916	1,535
Amortization of other intangible assets	779	771	1,559	1,542
Amortization of deferred financing costs	696	626	1,393	1,225
Deferred income tax expense (benefit)	114	299		
Deferred income tax expense			363	659
Stock compensation expense	2,062	743	3,951	2,836
Noncash lease income	(42)	(14)	(85)	(29)
Loss on investments	–	4,897	2,722	8,989
Changes in operating assets and liabilities:				
Accounts receivable	1,929	(216)	(2,489)	456
Inventories	(6,296)	6,173	(3,218)	(5,146)
Other current assets	3,130	2,639	4,863	3,769
Other assets	(270)	(2,895)	(279)	(4,548)
Accounts payable	10,525	2,051	3,565	2,500
Accrued liabilities and other	(3,118)	(7,025)	(3,293)	(1,972)
Net cash provided by operating activities	$ 22,639	$ 15,384	$ 36,077	$ 27,533
Cash flows from investing activities:				
Capital expenditures	$ (366)	$ (2,435)	$ (2,858)	$ (2,993)
Purchases of investments	(7,119)	–	(7,934)	–
Proceeds from sale of investments			3,314	–
Purchases of non-marketable equity investments	(500)	–	(500)	–
Proceeds on sale of property, plan and equipment	–	3		
Proceeds on the sale of property, plant and equipment			2	3
Restricted cash, MSA escrow deposits	(1)	–	4	–
Net cash used in investing activities	$ (7,986)	$ (2,432)	$ (7,972)	$ (2,990)
Cash flows from financing activities:				
Convertible Senior Notes repurchased	$ –	$ (13,002)	$ –	$ (27,357)
Proceeds from call options	–	33	–	70
Payment of financing costs			(133)	–
Payment of dividends	(1,149)	(1,052)	(2,407)	(2,209)
Exercise of options	3	357	900	406
Redemption of options			(4)	(346)
Redemption of restricted stock units	(136)	–	(840)	–
Redemption of performance restricted stock units	(1,212)	(889)		
Redemption of performance based restricted stock units			(1,212)	(995)
Common stock repurchased	(2,079)	–	(3,051)	–
Net cash used in financing activities	$ (4,573)	$ (14,553)	$ (6,747)	$ (30,431)
Net increase (decrease) in cash	$ 10,080	$ (1,601)	$ 21,358	$ (5,888)

Effect of foreign currency translation on cash	$ (58)	$ (1)	$ (76)	$ (8)
Cash, beginning of period:				
Unrestricted	$ 117,886	$ 106,403	$ 117,886	$ 106,403
Restricted	4,929	4,929	4,929	4,929
Total cash at beginning of period	$ 122,815	$ 111,332	$ 122,815	$ 111,332
Cash, end of period:				
Unrestricted	$ 130,903	$ 104,801	$ 142,159	$ 100,507
Restricted	1,934	4,929	1,938	4,929
Total cash at end of period	$ 132,837	$ 109,730	$ 144,097	$ 105,436
Supplemental schedule of noncash investing activities:				
Accrued capital expenditures	$ 10	$ 7	$ –	$ 42
Supplemental schedule of noncash financing activities:				
Dividends declared not paid	$ 1,261	$ 1,155	$ 1,279	$ 1,188

The accompanying notes are an integral part of the consolidated financial statements.

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Turning Point Brands, Inc.
Consolidated Statements of Changes in Stockholders' Equity
For the Three Months Ended March 31, 2024 June 30, 2024 and 2023
(dollars in thousands except share data)
(unaudited)

	Voting Shares	Common Stock, Voting	Additional Paid-In Capital	Cost of Repurchased Common Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings	Non-Controlling Interest	Total	Voting Shares	Commo Stock, Voting
Beginning balance January 1, 2024	17,605,677	$ 199	$ 119,075	$ (78,093)	$ (2,648)	$ 112,443	$ 1,030	$ 152,006		
Beginning balance April 1, 2024									17,627,817	$ 20
Unrealized loss on MSA investments, net of tax of $15	–	–	–	–	(242)	–	–	(242)		
Unrealized loss on derivative instruments, net of tax of $57	–	–	–	–	(185)	–	–	(185)		
Unrealized loss on MSA investments, net of tax of $4									–	
Unrealized gain on derivative instruments, net of tax of $4									–	
Foreign currency translation, net of tax of $0	–	–	–	–	21	–	(8)	13	–	
Unrealized gain on investments, net of tax of $0	–	–	–	–	6	–	–	6		
Unrealized loss on investments, net of tax of $0									–	
Stock compensation expense	–	–	2,062	–	–	–	–	2,062	–	
Exercise of options	198	–	3	–	–	–	–	3	61,249	
Redemption of options									(168)	
Cost of repurchased common stock	(72,545)	–	–	(2,079)	–	–	–	(2,079)	(34,350)	
Issuance of performance based restricted stock units	126,109	1	–	–	–	–	–	1	3,214	
Issuance of restricted stock units	21,697	–	–	–	–	–	–	–	68,343	
Redemption of performance based restricted stock units	(48,177)	–	(1,212)	–	–	–	–	(1,212)		
Redemption of restricted stock units	(5,142)	–	(136)	–	–	–	–	(136)	(22,939)	
Dividends	–	–	–	–	–	(1,261)	–	(1,261)	–	

Net income	–	–	–	–	–	12,010	169	12,179	–	
Ending balance March 31, 2024	17,627,817	$ 200	$ 119,792	$ (80,172)	$ (3,048)	$ 123,192	$ 1,191	$ 161,155		
Ending balance June 30, 2024									17,703,166	$ 20
Beginning balance January 1, 2023	17,485,163	$ 198	$ 113,242	$ (78,093)	$ (2,393)	$ 78,691	$ 1,735	$ 113,380		
Beginning balance April 1, 2023									17,585,529	$ 19
Unrealized gain on MSA investments, net of tax of $176	–	–	–	–	553	–	–	553		
Unrealized loss on derivative instruments, net of tax of $109	–	–	–	–	(344)	–	–	(344)		
Unrealized loss on MSA investments, net of tax of $116									–	
Unrealized loss on derivative instruments, net of tax of $150									–	
Foreign currency translation, net of tax of $0	–	–	–	–	(50)	–	(28)	(78)	–	
Stock compensation expense	–	–	743	–	–	–	–	743	–	
Exercise of options	24,955	–	357	–	–	–	–	357	4,416	
Performance restricted stock units issuance	114,274	1	(1)	–	–	–	–	–		
Performance restricted stock units redeemed	(38,863)	–	(889)	–	–	–	–	(889)		
Settlement of call options, net of tax of $8	–	–	25	–	–	-	-	25		
Redemption of options									(15,985)	
Issuance of performance restricted stock units									26,050	
Redemption of performance restricted stock units									(4,431)	
Settlement of call options, net of tax of $9									–	
Dividends	–	–	–	–	–	(1,155)	–	(1,155)	–	
Net income	–	–	–	–	–	7,597	(255)	7,342	–	
Ending balance March 31, 2023	17,585,529	$ 199	$ 113,477	$ (78,093)	$ (2,234)	$ 85,133	$ 1,452	$ 119,934		
Ending balance June 30, 2023									17,595,579	$ 19

The accompanying notes are an integral part of the consolidated financial statements.

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Turning Point Brands, Inc.
Consolidated Statements of Changes in Stockholders' Equity
For the Six Months Ended June 30, 2024 and 2023
(dollars in thousands except share data)
(unaudited)

	Voting Shares	Common Stock, Voting	Additional Paid-In Capital	Cost of Repurchased Common Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings	Non-Controlling Interest	Total
Beginning balance January 1, 2024	17,605,677	$ 199	$ 119,075	$ (78,093)	$ (2,648)	$ 112,443	$ 1,030	$ 152,006
Unrealized loss on MSA investments, net of tax of $19	–	–	–	–	(257)	–	–	(257)
Unrealized loss on derivative instruments, net of tax of $53	–	–	–	–	(171)	–	–	(171)

Foreign currency translation, net of tax of $0	–	–	–	–	4	–	(17)	(13)
Stock compensation expense	–	–	3,951	–	–	–	–	3,951
Exercise of options	61,447	–	900	–	–	–	–	900
Redemption of options	(168)	–	(4)	–	–	–	–	(4)
Cost of repurchased common stock	(106,895)	–	–	(3,051)	–	–	–	(3,051)
Issuance of performance based restricted stock units	129,323	1	–	–	–	–	–	1
Redemption of performance based restricted stock units	(48,177)	–	(1,212)	–	–	–	–	(1,212)
Issuance of restricted stock units	90,040	1	78	–	–	–	–	79
Redemption of restricted stock units	(28,081)	–	(840)	–	–	–	–	(840)
Dividends	–	–	–	–	–	(2,540)	–	(2,540)
Net income	–	–	–	–	–	25,014	82	25,096
Ending balance June 30, 2024	17,703,166	$ 201	$ 121,948	$ (81,144)	$ (3,072)	$ 134,917	$ 1,095	$ 173,945
Beginning balance January 1, 2023	17,485,163	$ 198	$ 113,242	$ (78,093)	$ (2,393)	$ 78,691	$ 1,735	$ 113,380
Unrealized gain on MSA investments, net of tax of $60	–	–	–	–	188	–	–	188
Unrealized loss on derivative instruments, net of tax of $259	–	–	–	–	(815)	–	–	(815)
Foreign currency translation, net of tax of $0	–	–	–	–	(161)	–	(87)	(248)
Stock compensation expense	–	–	2,836	–	–	–	–	2,836
Exercise of options	29,371	–	406	–	–	–	–	406
Redemption of options	(15,985)	–	(346)	–	–	–	–	(346)
Issuance of performance based restricted stock units	140,324	1	77	–	–	–	–	78
Redemption of performance based restricted stock units	(43,294)	–	(995)	–	–	–	–	(995)
Settlement of call options, net of tax of $17	–	–	52	–	–	–	–	52
Dividends	–	–	–	–	–	(2,340)	–	(2,340)
Net income	–	–	–	–	–	17,522	(472)	17,050
Ending balance June 30, 2023	17,595,579	$ 199	$ 115,272	$ (78,093)	$ (3,181)	$ 93,873	$ 1,176	$ 129,246

The accompanying notes are an integral part of the consolidated financial statements.

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Turning Point Brands, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands, except where designated and per share data)

Note 1. Description of Business and Basis of Presentation

Description of Business

Turning Point Brands, Inc. and its subsidiaries (collectively referred to herein as the “Company,” “we,” “our,” or “us”) is a leading manufacturer, marketer and distributor of branded consumer products. The Company sells a wide range of products to adult consumers consisting of staple products with its iconic brands *Zig-Zag*® and *Stoker’s*® and its next generation products to fulfill evolving consumer preferences. Its segments are led by its core proprietary and iconic brands: *Zig-Zag*® and CLIPPER® in the Zig-Zag Products segment and *Stoker’s*® along with *Beech-Nut*® and *Trophy*® in the Stoker’s Products segment. The Company’s products are available in more than 217,000 retail outlets in North America. The Company operates in three segments: (i) Zig-Zag Products, (ii) Stoker’s Products, and (iii) Creative Distribution Solutions (formerly (“CDS”, formerly known as NewGen).

Basis of Presentation

The accompanying unaudited, interim, consolidated financial statements have been prepared in accordance with the accounting practices described in the Company's audited, consolidated financial statements as of and for the year ended December 31, 2023. In the opinion of management, the unaudited, interim, consolidated financial statements included herein contain all adjustments necessary to present fairly the financial position, results of operations, and cash flows of the Company for the periods presented. Such adjustments, other than nonrecurring adjustments separately disclosed, are of a normal and recurring nature. The operating results for interim periods are not necessarily indicative of results to be expected for a full year or future interim periods. The unaudited, interim, consolidated financial statements should be read in conjunction with the Company's audited, consolidated financial statements and accompanying notes as of and for the year ended December 31, 2023. The accompanying interim, consolidated financial statements are presented in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") and, accordingly, do not include all the disclosures required by generally accepted accounting principles in the United States ("GAAP") with respect to annual financial statements.

Recent accounting pronouncements

Issued but not yet adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued guidance that enhances reportable segment disclosures by requiring disclosure of significant reportable segment expenses and other items regularly provided to the Chief Operating Decision Maker ("CODM") and included within measures of a segment's profit or loss. Additional requirements include the title and position of the CODM and an explanation of how the CODM uses the reported measure of a segment's profit or loss to assess performance and allocate resources, and the amount and composition of other segment items necessary to reconcile segment revenue, significant expenses, and the reported measure of profit or loss. The guidance also expands interim disclosure requirements such that nearly all annual quantitative segment disclosures will be made on an interim basis. This guidance must be applied retrospectively to all prior periods presented and will become effective for the Company beginning with its fiscal 2024 annual financial statements and interim periods starting in fiscal 2025, with early adoption permitted. The Company is currently evaluating the impact of this guidance and expects that enhanced disclosures will likely be required upon adoption.

In December 2023, the FASB issued guidance which enhances income tax disclosures to require reporting entities to disclose annual income taxes paid, net of refunds, disaggregated by federal, state, and foreign taxes and to provide additional disaggregated information for individual jurisdictions under certain conditions. The guidance also requires disclosure of amounts *and* percentages in the annual rate reconciliation table, rather than amounts *or* percentages, and will eliminate certain existing disclosure requirements related to uncertain tax positions and unrecognized deferred tax liabilities. This guidance will be effective for the Company beginning with its fiscal 2025 annual financial statements, with early adoption permitted. The guidance may be applied prospectively, while retrospective application is permitted. The Company is currently assessing the impact of this guidance and expects its incremental disclosures will likely be provided on a prospective basis upon adoption.

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Note 2. Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries, all of which are wholly-owned, and variable interest entities for which the Company is considered the primary beneficiary. All significant intercompany transactions have been eliminated.

Revenue Recognition

The Company recognizes revenues in accordance with Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers (Topic 606), which includes excise taxes and shipping and handling charges billed to customers, net of cash discounts for prompt payment, sales returns and incentives, upon delivery of goods to the customer – at which time the Company's performance obligation is satisfied - at an amount that the Company expects to be entitled to in exchange for those goods in accordance with the five-step analysis outlined in Topic 606: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations, and (v) recognize revenue when (or as) performance obligations are satisfied. The Company excludes from the includes in its transaction price sales taxes and value-added taxes imposed at the time of sale (which do not include excise taxes on smokeless tobacco, cigars or other nicotine products billed to customers). customers, and excludes sales taxes and value-added taxes imposed at the time of sale.

The Company records an allowance for sales returns, based principally on historical volume and return rates, which is included in accrued liabilities on the consolidated balance sheets. The Company records sales incentives, which consist of consumer incentives and trade promotion activities, as a reduction in revenues (a portion of which is based on amounts estimated to be due to wholesalers, retailers and consumers at the end of the period) based principally on historical volume and utilization rates. Expected payments for sales incentives are included in accrued liabilities on the consolidated balance sheets.

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A further requirement of ASC 606 is for entities to disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Company's management views business performance through segments that closely resemble the performance of major product lines. Thus, the primary and most useful disaggregation of the Company's contract revenue for decision making purposes is the disaggregation by segment which can be found in Note 16, "Segment Information". An additional disaggregation of contract revenue by sales channel can be found within Note 16 as well.

Shipping Costs

The Company records shipping costs incurred as a component of selling, general, and administrative expenses. Shipping costs incurred were approximately $5.6 million $5.3 million and $6.2 $5.7 million for the three months ending March June 31 30, 2024 and 2023, respectively.Shipping costs incurred were approximately $10.8 million and $11.9 million for the six months ending June 30, 2024 and 2023, respectively.

Inventories

Inventories are stated at the lower of cost or net realizable value using the first-in, first-out method. Leaf tobacco is presented in current assets in accordance with standard industry practice, notwithstanding the fact that such tobaccos are carried longer than one year for the purpose of curing.

Fair Value

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under GAAP are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

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Derivative Instruments

The Company enters into foreign currency forward contracts to hedge a portion of its exposure to changes in foreign currency exchange rates on inventory purchase commitments. The Company accounts for its forward contracts under the provisions of ASC 815, Derivatives and Hedging. Under the Company's policy, the Company may hedge up to 100% of its anticipated purchases of inventory in the denominated invoice currency over a forward period not to exceed twelve months. The Company may also, from time to time, hedge up to 100% of its non-inventory purchases (e.g., production equipment) in the denominated invoice currency. Forward contracts that qualify as hedges are adjusted to their fair value through other comprehensive income as determined by market prices on the measurement date, except any hedge ineffectiveness which is recognized currently in income. Gains and losses on these forward contracts are reclassified from other comprehensive income into inventory as the related inventories are received and are transferred to net income as inventory is sold. Changes in fair value of any contracts that do not qualify for hedge accounting or are not designated as hedges are recognized currently in income.

Risks and Uncertainties

Manufacturers and sellers of tobacco products are subject to regulation at the federal, state, and local levels. Such regulations include, among others, labeling requirements, limitations on advertising, and prohibition of sales to minors. The tobacco industry is likely to continue to be heavily regulated. There can be no assurance as to the ultimate content, timing, or effect of any regulation of tobacco products by any federal, state, or local legislative or regulatory body, nor can there be any assurance that any such legislation or regulation would not have a material adverse effect on the Company's financial position, results of operations, or cash flows. In a number of states targeted flavor bans have been proposed or enacted legislatively or by the administrative process. Depending on the number and location of such bans, that legislation or regulation could have a material adverse effect on the Company's financial position, results of operations or cash flows. The U.S. Food and Drug Administration ("FDA") continues to consider various restrictive regulations around our products, including targeted flavor bans; however, the details, timing, and ultimate implementation of such measures remain unclear.

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The tobacco industry has experienced, and is experiencing, significant product liability litigation. Most tobacco liability lawsuits have been brought against manufacturers and sellers of cigarettes for injuries allegedly caused by smoking or exposure to smoke. However, several lawsuits have been brought against manufacturers and sellers of smokeless products for injuries to health allegedly caused by use of smokeless products. Typically, such claims assert that use of smokeless products is addictive and causes oral cancer. Additionally, several lawsuits have been brought against manufacturers and distributors of Creative Distribution Solutions products due to malfunctioning devices. There can be no assurance the Company will not sustain losses in connection with such lawsuits and that such losses will not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Master Settlement Agreement (MSA)

Pursuant to the Master Settlement Agreement (the "MSA") entered into in November 1998 by most states (represented by their attorneys general acting through the National Association of Attorneys General) and subsequent states' statutes, a "cigarette manufacturer" (which is defined to include a manufacturer of make-your-own ("MYO") cigarette tobacco) has the option of either becoming a signatory to the MSA or opening, funding, and maintaining an escrow account to have funds available for certain potential tobacco-related liabilities with sub-accounts on behalf of each settling state. Such companies are entitled to direct the investment of the escrowed funds and withdraw any appreciation but cannot withdraw the principal for twenty-five years from the year of each annual deposit, except to withdraw funds deposited pursuant to an individual state's escrow statute to pay a final judgement to that state's plaintiffs in the event of such a final judgement against the Company. The Company chose to open and fund an escrow account as its method of compliance. It is the Company's policy to record amounts on deposit in the escrow account for prior years as a non-current asset. As of March 31, 2024 June 30, 2024, the Company had on deposit approximately $32.1 million, the fair value of which was approximately $28.4 million. At December 31, 2023, the Company had on deposit approximately $32.1 million, the fair value of which was approximately $28.7 million. The Company discontinued its generic category of MYO in 2019 and its Zig-Zag branded MYO cigarette smoking tobacco in 2017. Thus, pending a change in MSA legislation, the Company has no remaining product lines covered by the MSA and will not be required to make future escrow deposits.

The Company has chosen to invest a portion of the MSA escrow, from time to time, in U.S. Government securities including TIPS, Treasury Notes, and Treasury Bonds. These investments are classified as available-for-sale and carried at fair value. Realized losses are prohibited under the MSA; any investment in an unrealized loss position will be held until the value is recovered, or until maturity.

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Fair values for the U.S. Governmental agency obligations are Level 2 in the fair value hierarchy. The following tables show cost and estimated fair value of the assets held in the MSA account, respectively, as well as the maturities of the U.S. Governmental agency obligations held in such account for the periods indicated.

	As of March 31, 2024			As of December 31, 2023			As of June 30, 2024			As of December 31, 2023		
	Cost	Gross Unrealized Gains (Losses)	Estimated Fair Value	Cost	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains (Losses)	Estimated Fair Value	Cost	Gross Unrealized Losses	Estimated Fair Value
Cash and cash equivalents	$ 1,934	$ –	$ 1,934	$ 1,929	$ –	$ 1,929	$ 1,938	$ –	$ 1,938	$ 1,929	$ –	$ 1,929
U.S. Governmental agency obligations (unrealized position < 12 months)	1,196	6	1,202	–	–	–	2,190	1	2,191	–	–	–
U.S. Governmental agency obligations (unrealized position > 12 months)	28,943	(3,652)	25,291	30,144	(3,389)	26,755	27,945	(3,667)	24,278	30,144	(3,389)	26,755
	$ 32,073	$ (3,646)	$ 28,427	$ 32,073	$ (3,389)	$ 28,684	$ 32,073	$ (3,666)	$ 28,407	$ 32,073	$ (3,389)	$ 28,684

	As of March 31, 2024	As of June 30, 2024
Maturities:		
Less than one year	$ 3,250	$ 2,250
One to five years	13,775	14,771
Five to ten years	11,159	11,159
Greater than ten years	1,955	1,955
Total	$ 30,139	$ 30,135

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The following shows the amount of deposits by sales year for the MSA escrow account:

Year	Sales	Deposits as of March 31, 2024	Deposits as of December 31, 2023	Deposits as of June 30, 2024	Deposits as of December 31, 2023
	1999	$ 211	$ 211	$ 211	$ 211
	2000	1,017	1,017	1,017	1,017
	2001	1,673	1,673	1,673	1,673
	2002	2,271	2,271	2,271	2,271
	2003	4,249	4,249	4,249	4,249
	2004	3,714	3,714	3,714	3,714
	2005	4,553	4,553	4,553	4,553
	2006	3,847	3,847	3,847	3,847
	2007	4,167	4,167	4,167	4,167
	2008	3,364	3,364	3,364	3,364
	2009	1,619	1,619	1,619	1,619

2010	406	406	406	406
2011	193	193	193	193
2012	199	199	199	199
2013	173	173	173	173
2014	143	143	143	143
2015	101	101	101	101
2016	91	91	91	91
2017	82	82	82	82
Total	$ 32,073	$ 32,073	$ 32,073	$ 32,073

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Note 3. Derivative Instruments

Foreign Currency

During the three six months ended March 31, 2024June 30, 2024, the Company executed no various foreign exchange contracts meeting hedge accounting requirements. for the purchase and sale of €1.5 million with maturity dates ranging from October to December 2024.

At March 31, 2024 June 30, 2024, the Company had foreign currency contracts outstanding for the purchase of €9.2 million €6.1 million and sale of €9.2 million €6.1 million. The foreign currency contracts' fair value at March 31, 2024 June 30, 2024, resulted in an asset of $0.0 million included in Other current assets and a liability of $0.1 million included in Accrued liabilities. At December 31, 2023, the Company had foreign currency contracts outstanding for the purchase of €15.2 million and sale of €15.2 million. The foreign currency contracts' fair value at December 31, 2023, resulted in an asset of $0.3 million included in Other current assets and a liability of $0.1 million included in Accrued liabilities.

Note 4. Fair Value of Financial Instruments

The estimated fair value amounts have been determined by the Company using the methods and assumptions described below. However, considerable judgment is required to interpret market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash and Cash Equivalents

Cash and cash equivalents are, by definition, short-term. Thus, the carrying amount is a reasonable estimate of fair value.

Accounts Receivable

The fair value of accounts receivable approximates their carrying value due to their short-term nature.

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Long-Term Debt

The Company's Senior Secured Notes (as defined in Note 10) bear interest at a rate of 5.625% per year. As of March 31, June 30, 2024, the fair value approximated $237.3 $235.4 million, with a carrying value of $250 million. As of December 31, 2023, the fair value of the Senior Secured Notes approximated $234.9 million, with a carrying value of $250 million.

The Convertible Senior Notes (as defined in Note 10) bear interest at a rate of 2.50% per year, and the fair value of the Convertible Senior Notes without the conversion feature approximated $117.5 120.0 million, with a carrying value of $118.5 million as of March 31,June 30, 2024. As of December 31, 2023, the fair value of the Convertible Senior Notes without the conversion feature approximated $114.7 million, with a carrying value of $118.5 million.

See Note 10, "Notes Payable and Long-Term Debt", for further information regarding the Company's long-term debt.

Note 5. Inventories

The components of inventories are as follows:

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Raw materials and work in process	$ 7,148	$ 5,201	$ 6,812	$ 5,201
Leaf tobacco	41,461	34,894	41,624	34,894
Finished goods - Zig-Zag Products	39,103	41,783	37,180	41,783
Finished goods - Stoker's Products	10,232	8,090	9,776	8,090
Finished goods - Creative Distribution Solutions	6,086	7,281	5,348	7,281

Other	1,437	1,711	1,593	1,711
Inventories	$ 105,467	$ 98,960	$ 102,333	$ 98,960

The inventory valuation allowance was $20.6 million $20.2 million as of March 31, 2024June 30, 2024 and $20.6 million as of December 31, 2023.

In December 2023, a third-party warehouse in Tennessee used to store some of the Company's leaf tobacco incurred significant tornado damage resulting in damage to the leaf tobacco. As a result, the Company recorded a $15.2 million inventory reserve related to its leaf tobacco inventory which is included in Other operating income, net in the consolidated statement of income for the quarter ended December 31, 2023. The leaf tobacco inventory is covered by the Company's stock throughput insurance policy and the Company believes the inventory loss is probable of being fully recovered under the policy. The Company does not expect to incur any delays in customer deliveries as a result of the damage.

Note 6. Other Current Assets

Other current assets consist of:

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Inventory deposits	$ 7,392	$ 5,707	$ 6,043	$ 5,707
Insurance deposit	–	3,000	–	3,000
Prepaid taxes	–	153	853	153
Settlement receivable	–	4,000	–	4,000
Insurance recovery receivable	15,181	15,181	15,181	15,181
Other	11,864	12,740	10,611	12,740
Total	$ 34,437	$ 40,781	$ 32,688	$ 40,781

Note 7. Property, Plant, and Equipment

Property, plant, and equipment consists of:

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Land	$ 22	$ 22	$ 22	$ 22
Buildings and improvements	4,217	3,956	4,217	3,956
Leasehold improvements	6,614	5,440	7,955	5,440
Machinery and equipment	28,568	29,751	29,726	29,751
Furniture and fixtures	8,439	8,391	8,188	8,391
Gross property, plant and equipment	47,860	47,560	50,108	47,560
Accumulated depreciation	(23,070)	(22,260)	(23,667)	(22,260)
Net property, plant and equipment	$ 24,790	$ 25,300		
Property, plant and equipment, net			$ 26,441	$ 25,300

Note 8. Other Assets

Other assets consist of:

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Non-marketable equity investments	$ 2,882	$ 2,405	$ 1,077	$ 2,405
Debt security investment	6,750	6,750		
Debt security investments			5,990	6,750
Capitalized software	6,108	5,923	5,869	5,923
Available-for-sale marketable securities	7,125	–	4,620	–
Other	88	88	88	88
Total	$ 22,953	$ 15,166	$ 17,644	$ 15,166

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Debt and Non-Marketable Equity Investments

The Company records its non-marketable equity investments without a readily determinable fair value, that are not accounted for under the equity method, at cost, with adjustments for impairment and observable price changes. Should assumptions underlying the determination of the fair values of the Company's non-marketable equity and debt security investments change, it could result in material future impairment charges.

In January 2024, the Company invested $0.8 million to acquire an 18.744% stake in Teaza Energy, LLC ("TeaZa"). TeaZa is an innovative brand of flavorful oral pouch products that can be dipped or sipped, designed as a health-conscious alternative to high energy drinks and other conventional oral stimulants. The investment is was comprised of $0.5 million in cash and a $0.3 million payable to be offset against the Company's allocated portion of future profit distributions. The Company also has options to purchase, at fair value, up to 51.744% of the equity interest in TeaZa between September 30, 2024 and January 31, 2025, and up to 100% of the equity interest from February 1, 2025 to June 30, 2026. The Company accounts for its investment in TeaZa using the equity method of accounting.

In July 2021, the Company invested $8.0 million in Old Pal Holding Company LLC ("Old Pal"). In July 2022, the Company invested an additional $1.0 million in Old Pal. The Company invested in the form of a convertible note which includes additional follow-on investment rights. The accrued interest of $0.2 million from July 2021 to July 2022 and $0.3 million from July 2022 to July 2023 was rolled into the convertible note in July 2022 and July 2023, respectively, resulting in a total investment of $9.2 million $9.5 million. Old Pal is a leading brand in the cannabis lifestyle space that operates a non-plant touching licensing model. The convertible note bears an interest rate of 3.0% per year and matures July 31, 2026 July 31, 2027.Interest and principal not paid to date are receivable at maturity. Old Pal has the option to extend the maturity date in one-year increments. The interest rate is subject to change based on Old Pal reaching certain sales thresholds. The weighted average interest rate on the convertible note was 3.0% for the three and six months ended March 31, 2024 June 30, 2024 and 2023. Old Pal has the option to convert the note into shares once sales reach a certain threshold. The conditions required to allow Old Pal to convert the note were not met as of March 31, 2024 June 30, 2024. Additionally, the Company has the right to convert the note into shares at any time. The Company has classified the debt security with Old Pal as available for sale. The Company reports interest income on available for sale debt securities in interest income in our Consolidated Statements of Income. Quarterly, we perform a qualitative assessment to determine if the fair value of the investment could be less than the amortized cost basis. In the second and fourth quarters quarter of 2023, based on third-party quantitative assessments of the fair value using a Monte Carlo simulation (Level 3), the Company determined the fair value to be $7.7 million and 6.9 million, respectively, $6.9 million and recorded an allowance for credit losses of $0.3 million and $1.0 million, respectively, included in investment loss at December 31, 2023. In the second quarter of 2024, the Company determined the fair value to be $6.3 million and recorded an allowance for the quarters ended June 30 and December 31, 2023 credit losses of $0.8 million included in investment loss at June 30, 2024. The Company determines fair value based on third-party quantitative assessments using a Monte Carlo simulation (Level 3). The Company has recorded an accrued interest receivable of $0.2 million $0.3 million and $0.1 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively, in Other current assets on our Consolidated Balance Sheets.

In October 2020, the Company invested $1.8 million in BOMANI Cold Buzz, LLC ("Bomani"), a manufacturer of alcohol-infused cold brew coffee. In exchange, the Company received rights to receive equity in Bomani in the event of an equity financing. In the second quarter of 2024, due to market conditions in the cold brew, alcohol-infused caffeinated beverages industry, the Company has determined that the fair value of Bomani is zero, and thus recorded a $1.8 million impairment which is included in investment loss for the three and six months ended June 30, 2024.

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In April 2021, the Company invested $8.7 million in Docklight Brands, Inc., a pioneering consumer products company with celebrated brands including Marley Natural® and Marley™. The Company has additional follow-on investment rights. As part of the investment, the Company has obtained exclusive U.S. distribution rights for Docklight's Marley™ CBD topical products. In the first quarter of 2023, based on Docklight's financial results and other operating difficulties, and the decline in the revenue multiples for public companies comparable to Docklight, the Company deemed the investment in Docklight was impaired resulting in a loss of $4.9 million which was recorded for the three months ended March 31, 2023. In the second quarter of 2023, based on a significant change in Docklight's business model, the Company deemed its investment in Docklight fully impaired. impaired resulting in an additional loss of $3.8 million. Fair value for all periods presented was determined using a valuation derived from relevant revenue multiples (Level 3).

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Available-for-Sale Marketable Securities

In December 2023, the Company formed a captive insurance company, Interchange IC, incorporated in the District of Columbia, to write a portion of our its general product, and officer and director liability coverages under deductible reinsurance policies. Interchange IC is a fully licensed captive insurance company holding a certificate of authority from the District of Columbia Department of Insurance, Securities and Banking. Interchange IC is a wholly-owned subsidiary of Turning Point Brands and is consolidated in the Company's financial statements.

The investments held within the captive are not available for operating activities and are carried at fair value on the consolidated balance sheet. They consist of money market, corporate bonds, government securities and real estate investment trusts and exchange traded funds. trusts. The Company believes any impairment of investments held with gross unrealized losses to be temporary and not the result of credit risk.

The Company's captive investments are summarized in the following table.

	As of March 31, 2024			As of June 30, 2024		
	Amortized Cost	Gross Unrealized Gains (Losses)	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains (Losses)	Estimated Fair Value
Corporate bonds	$ 1,703	$ 8	$ 1,711	$ 2,202	$ 10	$ 2,212

U.S. Governmental agency obligations	1,799	(3)	1,796	1,799	(10)	1,789
Real estate investment trusts and exchange traded funds	3,617	1	3,618			
Real estate investment trusts				616	3	619
	$ 7,119	$ 6	$ 7,125	$ 4,617	$ 3	$ 4,620

The following table summarizes the fair value of the Company's captive investments by contractual maturity.

	As of March 31, 2024	As of June 30, 2024
Due within one year	$ 1,711	$ 2,212
Due after ten years	1,796	1,789
Real estate investment trusts and exchange traded funds	3,618	
Real estate investment trusts		619
Total investments at fair value	$ 7,125	$ 4,620

Note 9. Accrued Liabilities

Accrued liabilities consist of:

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Accrued payroll and related items	$ 4,669	$ 7,085	$ 5,377	$ 7,085
Customer returns and allowances	4,642	5,239	6,041	5,239
Taxes payable	6,995	3,821	1,070	3,821
Lease liabilities	2,615	2,678	2,594	2,678
Accrued interest	2,221	6,682	6,494	6,682
Other	9,832	8,130	8,852	8,130
Total	$ 30,974	$ 33,635	$ 30,428	$ 33,635

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Note 10. Notes Payable and Long-Term Debt

Notes payable and long-term debt consists of the following in order of preference:

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Senior Secured Notes	$ 250,000	$ 250,000	$ 250,000	$ 250,000
Convertible Senior Notes	118,541	118,541	118,541	118,541
Gross notes payable and long-term debt	368,541	368,541	368,541	368,541
Less deferred finance charges	(2,648)	(3,183)	(2,111)	(3,183)
Less current maturities	(59,397)	(58,294)	(118,470)	(58,294)
Notes payable and long-term debt	$ 306,496	$ 307,064	$ 247,960	$ 307,064

Senior Secured Notes

On February 11, 2021, the Company closed a private offering (the "Offering") of $250.0 million aggregate principal amount of its 5.625% senior secured notes due 2026 (the "Senior Secured Notes" or the "Notes"). The Senior Secured Notes bear interest at a rate of 5.625% and will mature on February 15, 2026. Interest on the Senior Secured Notes is payable semi-annually in arrears on February 15 and August 15 of each year, commencing on August 15, 2021.The Company used the proceeds from the Offering (i) to repay all obligations under and terminate the 2018 First Lien Credit Facility, (ii) to pay related fees, costs, and expenses and (iii) for general corporate purposes.

Obligations under the Senior Secured Notes are guaranteed by the Company's existing and future wholly-owned domestic subsidiaries (the "Guarantors") that guarantee any credit facility (as defined in the indenture governing the Senior Secured Notes or the "Senior Secured Notes Indenture") or capital markets debt securities of the Company or Guarantors in excess of $15.0 million. The Senior Secured Notes and the related guarantees are secured by first-priority liens on substantially all of the assets of the Company and the Guarantors, subject to certain exceptions.

The Company may redeem the Senior Secured Notes, in whole or in part, at any time at the redemption prices (expressed as a percentage of the principal amount to be redeemed) set forth below, plus accrued and unpaid interest, if any, on the Senior Secured Notes to be redeemed to (but not including) the applicable redemption date if redeemed during the period indicated below:

On or after February 15, 2023	102.813 %
On or after February 15, 2024	101.406 %
On or after February 15, 2025 and thereafter	100.000 %

If the Company experiences a change of control (as defined in the Senior Secured Notes Indenture), the Company must offer to repurchase the Senior Secured Notes at a repurchase price equal to 101% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest.

The Senior Secured Notes Indenture contains covenants that, among other things, restrict the ability of the Company and its restricted subsidiaries to: (i) grant or incur liens; (ii) incur, assume or guarantee additional indebtedness; (iii) sell or otherwise dispose of assets, including capital stock of subsidiaries; (iv) make certain investments; (v) pay dividends, make distributions or redeem or repurchase capital stock; (vi) engage in certain transactions with affiliates; and (vii) consolidate or merge with or into, or sell substantially all of our assets to another entity. These covenants are subject to a number of limitations and exceptions set forth in the Senior Secured Notes Indenture. For instance, the Company is generally permitted to make restricted payments, including the payment of dividends to shareholders, provided that, at the time of payment, or as a result of payment, the Company is not in default on its debt covenants; however, there are earnings and market capitalization requirements that if not met could limit the aggregate amount of quarterly dividends payable during a fiscal year. The Senior Secured Notes Indenture provides for customary events of default. default. The Company was in compliance with all covenants as of March 31, 2024 June 30, 2024.

The Company incurred debt issuance costs attributable to the issuance of the Senior Secured Notes of $6.4 million which are amortized to interest expense using the straight-line method over the expected life of the Senior Secured Notes.

2021 Revolving Credit Facility

In connection with the Offering, the Company also entered into a $25.0 million senior secured revolving credit facility (the “2021 Revolving Credit Facility”) with the lenders party thereto and Barclays Bank PLC, as administrative agent and collateral agent (in such capacity, the “Agent”). On May 10, 2023, the Company and certain of its subsidiaries, as guarantors, entered into an amendment (the “Amendment”) to the 2021 Revolving Credit Facility (as amended, the “Amended Revolving Credit Facility”). The Amendment includes certain modifications to the 2021 Revolving Credit Facility relating to the replacement of the London Inter-Bank Offered Rate with a Secured Overnight Financing Rate (“SOFR”) as the interest rate benchmark under the 2021 Revolving Credit Facility and adjusts certain other provisions to reflect current documentation standards and other agreed modifications.

On November 7, 2023, in connection with the entry by a subsidiary of the Company in a new asset-backed revolving credit facility, the Company terminated the Amended Revolving Credit Facility. See “2023 ABL Facility” below.

The Company had letters of credit outstanding under the Amended Revolving Credit Facility of approximately $1.4 million that were terminated with the facility in the fourth quarter of 2023.

The Company incurred debt issuance costs attributable to the issuance of the Amended Revolving Credit Facility of $0.5 million, with the remaining $0.2 million written off to gain on debt extinguishment upon termination of the facility.

2023 ABL Facility

On November 7, 2023, TPB Specialty Finance, LLC, a wholly-owned subsidiary of the Company (the “ABL Borrower”), entered into a new $75.0 million asset-backed revolving credit facility (the “2023 ABL Facility”), with the several lenders thereunder, and Barclays Bank Plc, as administrative agent (the “Administrative Agent”) and as collateral agent (the “Collateral Agent”) and First-Citizens Bank & Trust Company as additional collateral agent (the “Additional Collateral Agent”). Under the 2023 ABL Facility, the ABL Borrower may draw up to $75.0 million under Revolving Credit Loans and Last In Last Out (“LILO”) Loans. The 2023 ABL Facility includes a $40.0 million accordion feature. In connection with the 2023 ABL Facility, Turning Point Brands contributed certain existing inventory to the ABL Borrower. The 2023 ABL Facility is secured on a first priority basis (subject to customary exceptions) by all assets of the ABL Borrower.

The 2023 ABL Facility contains customary borrowing conditions including a borrowing base equal to the sum of (a) the lesser of (1) 85% of the lower of (A) the market value (on a first in first out basis) of the sum of eligible inventory, plus eligible in-transit inventory of the ABL Borrower and (B) 85% of the cost of the sum of eligible inventory, plus eligible in-transit inventory of the ABL Borrower and (2) 85% of the net orderly liquidation value (“NOLV”) percentage of the lower of (1)(A) or (1)(B); plus (b) 85% of the face value of all eligible accounts of the ABL Borrower minus (c) the amount of all eligible reserves. The 2023 ABL Facility also includes a LILO borrowing base equal to the sum of (a) the lesser of: (1) 10% of the lower of (A) the market value (on a first in first out basis) of the sum of eligible inventory, plus eligible in-transit inventory of the ABL Borrower and (B) the cost of the sum of eligible inventory, plus eligible in-transit inventory and (2) 10% of the NOLV percentage of the lower of (1)(A) or (1)(B); plus (b) 10% of the face amount of eligible account; minus (c) the amount of all eligible reserves.

Amounts borrowed under the 2023 ABL Facility are subject to an interest rate margin per annum equal to (a) from and after the closing date until the last day of the first full fiscal quarter ended after the closing date, (i) 1.25% per annum, in the case base rate loans, and (ii) 2.25% per annum, in the case of revolving credit loans that are SOFR Loans, (b)(i) 2.25% per annum, in the case of LILO loans that are base rate loans, and (ii) 3.25% per annum, in the case of LILO loans that are SOFR loans, (c) on the first day of each fiscal quarter, the applicable interest rate margins will be determined from the pricing grid below based upon the historical excess availability for the most recent fiscal quarter ended immediately prior to the relevant date, as calculated by the Administrative Agent.

Level	Historical Excess Availability	Applicable Margin for SOFR Loans	Applicable Margin for Base Rate Loans
I	Greater than or equal to 66.66%	1.75%	0.75%
II	Less than 66.66%, but greater than or equal to 33.33%	2.00%	1.00%
III	Less than 33.33%	2.25%	1.25%

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The 2023 ABL Facility also requires the Company and its restricted subsidiaries to maintain a fixed charge coverage ratio of at least 1.00 to 1.00 as of the end of any four consecutive fiscal quarters if excess availability shall be less than the greater of (a) 12.5% of the line cap and (b) $9.4 million, at any time and continuing until excess availability is equal to or exceeds the greater of (i) 12.5% of the line and (ii) $9.4 million for thirty (30) consecutive calendar days; provided that such $9.4 million level shall automatically increase in proportion to the amount of any increase in the aggregate revolving credit commitments thereunder in connection with any incremental facility.

The 2023 ABL Facility shall mature on the earlier of (x) November 7, 2027 and (y) the date that is 91 days prior to the maturity date of any material debt of the ABL Borrower or the Company or any of its restricted subsidiaries (subject to customary extensions agreed by the lenders thereunder); provided that clause (y) shall not apply to the extent that on any applicable date of determination (on any date prior to the date set forth in clause (y)), (A) the sum of (x) cash that is held in escrow for the repayment of such material debt pursuant to arrangements satisfactory to the Administrative Agent, (y) cash that is held in accounts with the Administrative Agent and/or the Additional Collateral Agent, plus (z) excess availability, is sufficient to repay such material debt and (B) the ABL Borrower has excess availability of at least $15.0 million after giving effect to such repayment of material debt, including any borrowings under the commitments in connection therewith.

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The Company has not drawn any borrowings under the 2023 ABL Facility but has letters of credit of approximately $1.2 million $2.6 million outstanding under the facility and has an available balance of $59.0 million $58.8 million based on the borrowing base as of March 31, 2024 June 30, 2024.

The Company incurred debt issuance costs attributable to the 2023 ABL Facility of $2.6 million which are amortized to interest expense using the straight-line method over the expected life of the 2023 ABL Facility.

Convertible Senior Notes

In July 2019, the Company closed an offering of $172.5 million in aggregate principal amount of its 2.50% Convertible Senior Notes due July 15, 2024 (the "Convertible Senior Notes"). The Convertible Senior Notes bear interest at a rate of 2.50% per year, payable semiannually in arrears on January 15 and July 15 of each year, beginning on January 15, 2020. The Convertible Senior Notes are senior unsecured obligations of the Company.

In the first and second quarters of 2023, a wholly owned subsidiary of the Company repurchased $44.0 million $13.9 million and $15.1 million, respectively, in aggregate principal amount of the Convertible Senior Notes on the open market resulting in a $1.9 million gain gains on extinguishment of debt. debt of $0.7 million and $0.6 million, respectively. Including amounts repurchased in 2022 and the third quarter of 2023, a total of $54.0 million in aggregate principal amount of the Convertible Senior Notes had been repurchased as of June 30, 2024. The repurchased notes continue to be held by our subsidiary and may be resold subject to compliance were retired on July 1, 2024, with applicable securities law. As of March 31, 2024, $118.5 million aggregate principal remains remaining outstanding and held by third parties. parties as of June 30, 2024.

The Convertible Senior Notes held by third parties are were convertible into approximately 2,219,704 shares of TPB common stock, par value $0.01 per share ("Common Stock Stock") under certain circumstances prior to maturity at a conversion rate of 18.7252 shares per $1,000 principal amount of the Convertible Senior Notes, which represents a conversion price of approximately $53.40 per share, subject to adjustment under certain conditions, but will not be adjusted for any accrued and unpaid interest. The conversion price is adjusted periodically as a result of dividends paid by the Company in excess of pre-determined thresholds of $0.04 per share. Upon conversion, the Company may pay cash, shares of common stock or a combination of cash and stock, as determined by the Company at its discretion. maturity. The conditions required to allow the holders to convert their Convertible Senior Notes were not met as of March 31, 2024.

As discussed above, on November 7, 2023, a wholly-owned subsidiary of the Company entered into the 2023 ABL Facility to refinance up to $75.0 million of the Convertible Senior notes at maturity June 30, 2024. As a result, the Company classified $59.0 million related to the The Convertible Senior Notes in matured on Notes payable July 15, 2024 and were retired with cash. As of June 30, 2024, $long-term debt 118.5 million aggregate principal is recorded in current liabilities on the Company's March 31, 2024 Consolidated Balance Sheet. Based on current liquidity, free cash flow generation and availability under the 2023 ABL Facility, the Company believes it will have sufficient liquidity to address the maturity of the remaining Convertible Senior Notes.

The Company incurred debt issuance costs attributable to the Convertible Senior Notes of $5.9 million which are amortized to interest expense using the straight-line method over the expected life of the Convertible Senior Notes.

In connection with the Convertible Senior Notes offering, the Company entered into privately negotiated capped call transactions with certain financial institutions. The capped call transactions have a strike price

Table of $53.40 per share and a cap price of $82.86 per share, and are exercisable when, and if, the Convertible Senior Notes are converted. The Company paid $20.53 million for these capped calls at the time they were entered into and charged that amount to additional paid-in capital. Contents

Note 11. Leases

The Company's leases consist primarily of leased property for manufacturing, warehouse, corporate offices and retail space as well as vehicle leases. At lease inception, the Company recognizes a lease right of use asset and lease liability calculated as the present value of future minimum lease payments. In general, the Company does not recognize any renewal periods within the lease terms as there are no significant barriers to ending the lease at the initial term. Lease and non-lease components are accounted for as a single lease component.

Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense for these leases is recognized on a straight-line basis over the lease term.

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The components of lease expense consisted of the following:

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Operating lease cost						
Cost of sales	$ 133	$ 128	$ 120	$ 129	$ 253	$ 257
Selling, general and administrative	464	521	476	503	940	1,024
Variable lease cost (1)	297	225	287	407	584	632
Short-term lease cost	–	6	–	7	–	13
Total	$ 894	$ 880	$ 883	$ 1,046	$ 1,777	$ 1,926

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Financing lease cost				
Selling, general and administrative	$ 174	$ 348	$ 340	$ 686
Interest expense, net	35	–	71	–
Variable lease cost (1)	36	–	36	–
Total	$ 245	$ 348	$ 447	$ 686

(1) Variable lease cost includes elements of a contract that do not represent a good or service but for which the lessee is responsible for paying.

	Three Months Ended March 31,	
	2024	2023
Financing lease cost		
Selling, general and administrative	$ 150	$ 338
Total	$ 150	$ 338

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Assets:				
Right of use assets - Operating	$ 8,714	$ 8,950	$ 8,144	$ 8,950
Right of use assets - Financing	2,154	2,530	2,161	2,530
Total lease assets	$ 10,868	$ 11,480	$ 10,305	$ 11,480
Liabilities:				
Current lease liabilities - Operating (2)	$ 1,946	$ 1,991	$ 1,870	$ 1,991
Current lease liabilities - Financing (2)	669	687	724	687
Long-term lease liabilities - Operating	7,925	8,374	7,397	8,374
Long-term lease liabilities - Financing	1,435	1,576	1,437	1,576
Total lease liabilities	$ 11,975	$ 12,628	$ 11,428	$ 12,628

(2) Reported within accrued liabilities on the balance sheet. sheets.

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	Six Months Ended

	June 30, 2024	June 30, 2023
Right of use assets obtained in exchange for lease obligations		
Operating leases	$ –	$ –
Finance leases	$ 234	$ 39

Note 12. Income Taxes

The Company's effective income tax rate for the three and six months ended March 31, 2024 June 30, 2024 was 23.4% 25.5% and 24.5%, respectively. The Company's effective income tax rate for the three and six months ended March 31, 2023 June 30, 2023 was 25.2% 25.6%and 25.4%, respectively.

The Company follows the provisions of ASC 740-10-25, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The Company has determined that the Company did not have any uncertain tax positions requiring recognition under the provisions of ASC 740-10-25. The Company's policy is to recognize interest and penalties accrued on uncertain tax positions, if any, as part of interest expense. The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. In general, the Company is no longer subject to U.S. federal and state tax examinations for years prior to 2020.

Note 13. Share Incentive Plans

On March 22, 2021, the Company's Board of Directors adopted the Turning Point Brands, Inc. 2021 Equity Incentive Plan (the "2021 Plan"), pursuant to which awards may be granted to employees, non-employee directors, and consultants. In addition, the 2021 Plan provides for the granting of nonqualified stock options to employees of the Company or any subsidiary of the Company. Pursuant to the 2021 Plan, 1,290,000 shares, plus 100,052 shares remaining available for issuance under the 2015 Equity Incentive Plan (the "2015 Plan"), of TPB Common Stock are reserved for issuance as awards to employees, non-employee directors, and consultants as compensation for past or future services or the attainment of certain performance goals. The 2021 Plan is scheduled to terminate on March 21, 2031. The 2021 Plan is administered by the compensation committee (the "Committee") of the Company's Board of Directors. The Committee determines the vesting criteria for the awards, with such criteria to be specified in the award agreement. As of March 31, 2024 June 30, 2024, net of forfeitures, there were 400,682 389,956 Restricted Stock Units ("RSUs"), 161,658 136,842 options and 102,216 88,641 Performance Based Restricted Stock Units ("PRSUs") granted under the 2021 Plan. There are 725,496 774,613 shares available for future grant under the 2021 Plan.

On April 28, 2016, the Board of Directors of the Company adopted the 2015 Plan, pursuant to which awards could have been granted to employees, non-employee directors, and consultants. In addition, the 2015 Plan provided for the granting of nonqualified stock options to employees of the Company or any subsidiary of the Company. Upon adoption of the 2021 Plan, the 2015 Plan was terminated, and the Company determined no additional grants would be made under the 2015 Plan. However, all awards issued under the 2015 Plan that have not been previously terminated or forfeited remain outstanding and continue unaffected. There are no shares available for grant under the 2015 Plan.

On February 8, 2006, the Board of Directors of the Company adopted the 2006 Equity Incentive Plan (the "2006 Plan") of North Atlantic Holding Company, Inc., pursuant to which nonqualified stock options and restricted stock awards may be granted to employees. Upon the adoption of the Company's 2015 Equity Incentive Plan in connection with its IPO, the Company determined no additional grants would be made under the 2006 Plan. However, all awards issued under the 2006 Plan that have not been previously terminated or forfeited remain outstanding and continue unaffected. There are no shares available for grant under the 2006 Plan.

Stock option activity for the 2006, 2015 and 2021 Plans is summarized below:

	Stock Option Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Stock Option Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Outstanding, December 31, 2022	683,214	$ 29.74	$ 9.24	683,214	$ 29.74	$ 9.24
Granted	77,519	20.71	6.45	77,519	20.71	6.45
Exercised	(33,851)	13.30	4.24	(33,851)	13.30	4.24
Forfeited	(69,931)	27.51	9.11	(69,931)	27.51	9.11
Outstanding, December 31, 2023	656,951	$ 29.79	$ 9.18	656,951	$ 29.79	$ 9.18
Granted	54,289	27.19	9.21	54,289	27.19	9.21
Exercised	(198)	14.85	4.41	(61,447)	14.68	4.82
Forfeited	(6,433)	30.19	8.85	(31,249)	38.09	12.11
Outstanding, March 31, 2024	704,609	$ 29.59	$ 9.19			
Outstanding, June 30, 2024				618,544	$ 30.42	$ 9.47

Under the 2006, 2015 and 2021 Plans, the total intrinsic value of options exercised during the three six months ended March 31, 2024June 30, 2024 and 2023, was $0.0 million $1.1 million, and $0.2 million, respectively.

At March 31, 2024June 30, 2024, under the 2006 Plan, the exercise price for the 43,693 22,676 outstanding options is $3.83 per share, all of which are exercisable. The weighted average of the remaining lives of the outstanding stock options with an exercise price of $3.83 is approximately 0.35 0.1 years. The Company estimates the expected life of these stock options is ten years from the date of grant. For the $3.83 per share options, the weighted average fair value of options at the date of grant was determined using the Black-Scholes model with the following assumptions: a ten-year life from grant date, a current share price and exercise price of $3.83, a risk-free interest rate of 3.57%, volatility of 40%, and no assumed dividend yield. Based on these assumptions, the fair value of these options is approximately $2.17 per share option granted.

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At March 31, 2024June 30, 2024, under the 2015 and 2021 Plans, the risk-free interest rate is based on the U.S. Treasury rate for the expected life at the time of grant. The expected volatility is based on the average long-term historical volatilities of peer companies. We intend to continue to consistently use the same group of publicly traded peer companies to determine expected volatility until sufficient information regarding volatility of our share price becomes available or until the selected companies are no longer suitable for this purpose. Due to our limited trading history, we are using the simplified method presented by SEC Staff Accounting Bulletin No. 107 to calculate expected holding periods, which represent the periods of time for which options granted are expected to be outstanding. We will continue to use this method until we have sufficient historical exercise experience to give us confidence in the reliability of our calculations. The fair values of these options were determined using the Black-Scholes option pricing model.

The following table outlines the assumptions based on the number of options granted under the 2015 Plan.

	February 10, 2017	May 17, 2017	March 7, 2018	March 20, 2019	October 24, 2019	March 18, 2020	February 18, 2021	May 3, 2021	February 10, 2017	May 201
Number of options granted	40,000	93,819	98,100	155,780	25,000	155,000	100,000	12,000	40,000	93,
Options outstanding at March 31, 2024	20,000	38,033	51,067	124,864	25,000	77,777	87,350	12,000		
Number exercisable at March 31, 2024	20,000	38,033	51,067	124,864	25,000	77,777	87,350	12,000		
Options outstanding at June 30, 2024									20,000	36,
Number exercisable at June 30, 2024									20,000	36,
Exercise price	$ 13.00	$ 15.41	$ 21.21	$ 47.58	$ 20.89	$ 14.85	$ 51.75	$ 47.76	$ 13.00	$ 15
Remaining lives	2.87	3.13	3.94	4.97	5.57	5.97	6.89	7.09	2.62	2
Risk free interest rate	1.89 %	1.76 %	2.65 %	2.34 %	1.58 %	0.79 %	0.56 %	0.84 %	1.89 %	1
Expected volatility	27.44 %	26.92 %	28.76 %	30.95 %	31.93 %	35.72 %	28.69 %	29.03 %	27.44 %	26
Expected life	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.
Dividend yield	–	–	0.83 %	0.42 %	0.95 %	1.49 %	0.55 %	0.59 %	–	
Fair value at grant date	$ 3.98	$ 4.60	$ 6.37	$ 15.63	$ 6.27	$ 4.41	$ 13.77	$ 13.06	$ 3.98	$ 4

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The following table outlines the assumptions based on the number of options granted under the 2021 Plan.

	May 17, 2021	March 14, 2022	April 29, 2022	May 12, 2023	March 11, 2024	May 17, 2021	March 14, 2022	April 29, 2022	May 12, 2023	March 11, 2024
Number of options granted	7,500	100,000	14,827	77,519	54,289	7,500	100,000	14,827	77,519	54,289
Options outstanding at March 31, 2024	7,500	70,690	14,827	77,519	54,289					
Number exercisable at March 31, 2024	7,500	47,442	9,935	77,519	–					
Options outstanding at June 30, 2024						7,500	64,708	12,004	77,519	54,289
Number exercisable at June 30, 2024						7,500	43,330	9,934	77,519	13,572
Exercise price	$ 45.05	$ 30.46	$ 31.39	$ 20.71	$ 27.19	$ 45.05	$ 30.46	$ 31.39	$ 20.71	$ 27.19
Remaining lives	7.13	7.96	8.08	9.12	9.95	6.88	7.71	7.84	8.87	9.70
Risk free interest rate	0.84 %	2.10 %	2.92 %	3.41 %	4.06 %	0.84 %	2.10 %	2.92 %	3.41 %	4.06 %
Expected volatility	31.50 %	35.33 %	35.33 %	34.51 %	35.09 %	31.50 %	35.33 %	35.33 %	34.51 %	35.09 %
Expected life	6.000	6.000	6.000	5.186	5.186	6.000	6.000	6.000	5.186	5.186
Dividend yield	0.63 %	1.01 %	0.98 %	1.61 %	1.26 %	0.63 %	1.01 %	0.98 %	1.61 %	1.26 %
Fair value at grant date	$ 13.23	$ 10.23	$ 11.07	$ 6.45	$ 9.21	$ 13.23	$ 10.23	$ 11.07	$ 6.45	$ 9.21

The Company has recorded compensation expense related to the options based on the provisions of ASC 718 under which the fixed portion of such expense is determined as the fair value of the options on the date of grant and amortized over the vesting period. The Company recorded compensation expense related to the options of approximately $0.3 million $0.1 million and $0.0 million $0.5 million for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively. For the six months ended June 30, 2024 and 2023, compensation expense related to the options was approximately $0.4 million and $0.5 million, respectively. Total unrecognized compensation expense related to options at March 31, 2024 June 30, 2024, is $0.3 million $0.2 million, which will be expensed over 0.75 0.50 years.

PRSUs are restricted stock units subject to both performance-based and service-based vesting conditions. The number of shares of TPB Common Stock a recipient will receive upon vesting of a PRSU will be calculated by reference to certain performance metrics related to the Company's performance over a five-year period. PRSUs will vest on the measurement date, which is no more than 65 days after the performance period provided the applicable service and performance conditions are satisfied. As of March 31, June 30, 2024, there are 447,266 419,496 PRSUs outstanding. The following table outlines the PRSUs granted and outstanding as of March 31,June 30, 2024.

	March 18, 2020	February 18, 2021	March 14, 2022	May 4, 2023	March 1, 2024	March 18, 2020	February 18, 2021	March 14, 2022	May 4, 2023	March 1, 2024
Number of PRSUs granted	94,000	100,000	49,996	133,578	111,321	94,000	100,000	49,996	133,578	111,321
PRSUs outstanding at March 31, 2024	80,910	82,190	40,325	132,520	111,321					
PRSUs outstanding at June 30, 2024						75,710	76,090	37,624	123,218	106,854
Fair value as of grant date	$ 14.85	$ 51.75	$ 30.46	$ 22.25	$ 26.52	$ 14.85	$ 51.75	$ 30.46	$ 22.25	$ 26.52
Remaining lives	0.75	1.75	2.75	1.75	2.75	0.50	1.50	2.50	1.50	2.50

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The Company recorded compensation expense related to the PRSUs of approximately $0.9 million $0.8 million and $0.5 million $0.6 million in the consolidated statements of income for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, based on the probability of achieving the performance condition. The Company recorded compensation expense related to the PRSUs of approximately $1.7 million and $1.1 million in the consolidated statements of income for the six months ended June 30, 2024 and 2023, respectively, based on the probability of achieving the performance condition. Total unrecognized compensation expense related to these awards at March 31, 2024 June 30, 2024, is $6.1 million $4.4 million which will be expensed over the service periods based on the probability of achieving the performance condition.condition.

The Company has granted 325,523 251,239 RSUs which are outstanding and vest over one to five years. The following table outlines the RSUs granted and outstanding as of March 31,June 30, 2024.

	March 14, 2022	March 14, 2022	April 29, 2022	May 5, 2023	May 8, 2023	March 1, 2024	March 11, 2024	March 14, 2022	March 14, 2022	April 29, 2022	May 5, 2023	Mar 20
Number of RSUs granted	50,004	28,726	4,522	130,873	20,101	105,257	18,389	50,004	28,726	4,522	130,873	10
RSUs outstanding at March 31, 2024	39,367	9,481	4,522	128,406	20,101	105,257	18,389					
RSUs outstanding at June 30, 2024								36,666	9,481	1,913	75,640	9
Fair value as of grant date	$ 30.46	$ 30.46	$ 31.39	$ 22.25	$ 21.77	$ 26.52	$ 27.19	$ 30.46	$ 30.46	$ 31.39	$ 22.25	$
Remaining lives	2.75	0.75	2.75	2.00	0.10	3.00	0.75	2.50	0.50	2.50	1.75	

The Company has recorded compensation expense related to the RSUs based on the provisions of ASC 718 under which the fixed portion of such expense is determined as the fair value of the RSUs on the date of grant and amortized over the vesting period. The Company recorded compensation expense related to the RSUs of approximately $0.9 million $1.0 million and $0.3 million $1.0 million for the three months ended March 31, 2024June 30, 2024 and 2023. The Company recorded compensation expense related to the RSUs of approximately $1.9 million and $1.3 million for the six months ended June 30, 2024 and 2023, respectively. Total unrecognized compensation expense related to RSUs at March 31, 2024June 30, 2024, is $5.1 million $4.0 million, which will be expensed over 2.52 2.21 years.

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Note 14. Contingencies

On October 9, 2020, a purported stockholder of Turning Point Brands, Inc., Paul-Emile Berteau, filed a complaint in the Delaware Court of Chancery relating to the merger of Standard Diversified, Inc. (“SDI”) with a TPB subsidiary (“Merger Sub”)pursuant to the Agreement and Plan of Merger and Reorganization, dated as of April 7, 2020, by and among TPB, SDI and Merger Sub. The parties attended a mediation in late November 2022 where a settlement was reached. On December 12, 2023, the Court approved the settlement and dismissed the action with prejudice. As of December 31, 2023, the Company recorded a $4.0 million receivable in other current assets, and a corresponding gain on settlement in other income on its Consolidated Statement of Income for the year ended December 31, 2023. These funds were received in January 2024.

Other major tobacco companies are defendants in product liability claims. In a number of these cases, the amounts of punitive and compensatory damages sought are significant and, if such a claim were brought against the Company, could have a material adverse effect on our business and results of operations. The Company is subject to several lawsuits alleging personal injuries resulting from malfunctioning vaporizer devices or batteries and may be subject to claims in the future relating to our other Creative Distribution Solutions products. The Company is still evaluating these claims and the potential defenses to them. For example, the Company did not design or manufacture the products at issue; rather, the Company was merely the distributor. Nonetheless, there can be no assurance that the Company will prevail in these cases, and they could have a material adverse effect on the financial position, results of operations or cash flows of the Company.

We have several subsidiaries engaged in making, distributing, and selling liquid nicotine products. As a result of the overall publicity and controversy surrounding the industry generally, many companies have received informational subpoenas from various regulatory bodies and in some jurisdictions regulatory lawsuits have been filed regarding marketing practices and possible underage sales. We expect that our subsidiaries will be subject to some such cases and investigative requests. To the extent that litigation becomes necessary, we believe that the subsidiaries have strong factual and legal defenses against claims that they unfairly marketed products.

The potential losses associated with any such lawsuits are not currently reasonably estimable and therefore are not accrued.

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Note 15. Income Per Share

The Company calculates earnings per share using the treasury stock method for its options and non-vested restricted stock units, and the if-converted method for its Convertible Senior Notes.

The following is a reconciliation of the numerators and denominators of the basic and diluted EPS computations of net income:

	Three Months Ended March 31,						Three Months Ende			
	2024			2023			2024			
	Income	Shares	Per Share	Income	Shares	Per Share	Income	Shares	Per Share	Inc
Basic EPS:										
Numerator										
Net income attributable to Turning Point Brands, Inc.	$ 12,010			$ 7,597			$ 13,004			$ 9
Denominator										
Weighted average		17,654,684	$ 0.68		17,531,414	$ 0.43		17,656,732	$ 0.74	
Diluted EPS:										
Numerator										
Net income attributable to Turning Point Brands, Inc.	$ 12,010			$ 7,597			$ 13,004			$ 9
Interest expense related to Convertible Senior Notes, net of tax	731			954			731			
Diluted net income attributable to Turning Point Brands. Inc.	$ 12,741			$ 8,551			$ 13,735			$ 10
Denominator										
Basic weighted average		17,654,684			17,531,414			17,656,732		
Convertible Senior Notes		2,218,018			3,029,699			2,220,057		
Stock options and restricted stock units		297,612			108,039					
Stock options and restricted stock units (1)								280,065		
		20,170,314	$ 0.63		20,669,152	$ 0.41		20,156,854	$ 0.68	

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	Six Months Ended June 30,					
	2024			2023		
	Income	Shares	Per Share	Income	Shares	Per Share
Basic EPS:						
Numerator						
Net income attributable to Turning Point Brands, Inc.	$ 25,014			$ 17,522		
Denominator						
Weighted average		17,655,713	$ 1.42		17,556,030	$ 1.00
Diluted EPS:						
Numerator						
Net income attributable to Turning Point Brands, Inc.	$ 25,014			$ 17,522		
Interest expense related to Convertible Senior Notes	1,428			1,800		
Diluted net income attributable to Turning Point Brands. Inc.	$ 26,442			$ 19,322		
Denominator						
Basic weighted average		17,655,713			17,556,030	
Convertible Senior Notes		2,219,038			2,799,434	
Stock options and restricted stock units (1)		285,388			183,483	
		20,160,139	$ 1.31		20,538,947	$ 0.94

(1) There were 0.2 million and 0.3 million outstanding stock options not included in the computation of diluted earnings per share in the three months ended June 30, 2024 and 2023, respectively, and 0.3 million and 0.3 million in the six months ended June 30, 2024 and 2023, respectively, because the effect would have been antidilutive.

Note 16. Segment Information

In accordance with ASC 280, Segment Reporting, the Company has three reportable segments, segments: (1) Zig-Zag Products; (2) Stoker's Products; and (3) Creative Distribution Solutions. The Zig-Zag Products segment markets and distributes (a) rolling papers, tubes, and related products; (b) finished cigars and MYO cigar wraps and (c) CLIPPER reusable lighters and other accessories. The Stoker's Products segment (a) manufactures and markets moist snuff and (b) contracts for and markets loose-leaf loose leaf chewing tobacco products. The Creative Distribution Solutions segment (a) markets and distributes liquid nicotine vapor products and certain other products without tobacco and/or nicotine; (b) distributes a wide assortment of products to non-traditional retail outlets via Vapor Beast; VaporBeast; and (c) markets and distributes a wide assortment of products to individual consumers via the VaporFi B2C online platform. Products in the Zig-Zag Products and Stoker's Products segments are distributed primarily through wholesale distributors in the U.S. and Canada while products in the Creative Distribution Solutions segment are distributed primarily through e-commerce to non-traditional retail outlets and direct to consumers in the U.S. Corporate unallocated includes the costs and assets of the Company not assigned to one of the three reportable segments and includes corporate overhead expense, including executive management, finance, legal and information technology salaries, and professional services, such as intercompany transfers, deferred taxes, deferred financing fees, audit, external legal costs and investments in subsidiaries. information technology services, as well as costs related to the FDA premarket tobacco product application.

The accounting policies of these segments are the same as those of the Company. Corporate costs are not directly charged to the three reportable segments in the ordinary course of operations. The Company evaluates the performance of its segments and allocates resources to them based on operating income.

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The tables below present financial information about reported segments:

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Net sales						
Zig-Zag products	$ 46,697	$ 41,887	$ 50,482	$ 46,722	$ 97,178	$ 88,609
Stoker's products	36,367	33,662	42,743	36,056	79,111	69,718
Total Zig-Zag and Stoker's products	$ 83,064	$ 75,549	$ 93,225	$ 82,778	$ 176,289	$ 158,327
Creative Distribution Solutions	13,994	25,407	15,287	22,817	29,281	48,224
Total	$ 97,058	$ 100,956	$ 108,512	$ 105,595	$ 205,570	$ 206,551
Gross profit						
Zig-Zag products	$ 27,538	$ 22,390	$ 26,872	$ 26,422	$ 54,409	$ 48,812
Stoker's products	20,815	19,465	23,524	19,968	44,339	39,433
Total Zig-Zag and Stoker's products	$ 48,353	$ 41,855	$ 50,396	$ 46,390	$ 98,748	$ 88,245
Creative Distribution Solutions	3,559	6,762	3,445	6,088	7,005	12,850
Total	$ 51,912	$ 48,617	$ 53,841	$ 52,478	$ 105,753	$ 101,095
Operating income (loss)						
Zig-Zag products	$ 18,000	$ 13,641	$ 18,260	$ 17,000	$ 36,259	$ 30,641
Stoker's products	15,396	14,563	17,862	15,110	33,258	29,672
Corporate unallocated (1)(2)	(14,127)	(10,623)				
Total Zig-Zag and Stoker's products	$ 19,269	$ 17,581	$ 36,122	$ 32,110	$ 69,517	$ 60,313
Creative Distribution Solutions	(3)	261	(108)	460	(110)	721
Total segment operating income			$ 36,014	$ 32,570	$ 69,407	$ 61,034
Corporate unallocated (1)(2)			(13,252)	(12,025)	(27,379)	(22,647)
Total	$ 19,266	$ 17,842	$ 22,762	$ 20,545	$ 42,028	$ 38,387
Interest expense, net	3,479	4,010	2,991	4,019	6,470	8,029
Investment (income) loss	(119)	4,799				
Investment (gain) loss			2,439	4,080	2,320	8,879
Gain on extinguishment of debt	–	(777)	–	(600)	–	(1,377)
Income before income taxes	$ 15,906	$ 9,810	$ 17,332	$ 13,046	$ 33,238	$ 22,856

Capital expenditures						
Zig-Zag products	$ 166	$ 973	$ 2,022	$ 112	$ 2,188	$ 1,085
Stoker's products	200	1,462	469	446	670	1,908
Total Zig-Zag and Stoker's products	$ 366	$ 2,435	$ 2,491	$ 558	$ 2,858	$ 2,993
Creative Distribution Solutions	–	–	–	–	–	–
Total	$ 366	$ 2,435	$ 2,491	$ 558	$ 2,858	$ 2,993
Depreciation and amortization						
Zig-Zag products	$ 274	$ 267	$ 341	$ 267	$ 545	$ 534
Stoker's products	879	706	929	709	1,808	1,415
Total Zig-Zag and Stoker's products	$ 1,153	$ 973	$ 1,270	$ 976	$ 2,353	$ 1,949
Creative Distribution Solutions	570	574	552	554	1,122	1,128
Total	$ 1,723	$ 1,547	$ 1,822	$ 1,530	$ 3,475	$ 3,077

(1) Includes corporate costs that are not allocated to any of the three reportable segments.

(2) Includes costs related to PMTA of $1.0 million and $0.7 million for the three months ended June 30, 2024 and 2023, respectively. Includes costs related to PMTA of $1.8 million and $0.8 million in 2024 for the six months ended June 30, 2024 and $0.1 million in 2023. 2023, respectively.

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	March 31, 2024	December 31, 2023
Assets		
Zig-Zag products	$ 176,629	$ 177,135
Stoker's products	187,794	174,994
Corporate unallocated (1)	194,702	190,223
Total Zig-Zag and Stoker's products	$ 559,125	$ 542,352
Creative Distribution Solutions	27,191	27,004
Total	$ 586,316	$ 569,356

	June 30, 2024	December 31, 2023
Assets		
Zig-Zag products	$ 175,276	$ 177,135
Stoker's products	189,062	174,994
Corporate unallocated (1)	199,500	190,223
Total Zig-Zag and Stoker's products	$ 563,838	$ 542,352
Creative Distribution Solutions	27,718	27,004
Total	$ 591,556	$ 569,356

(1) Includes assets not assigned to the three reportable segments. All goodwill has been allocated to the reportable segments.

Revenue Disaggregation—Sales Channel

Revenues of the Zig-Zag Products and Stoker's Products segments are primarily comprised of sales made to wholesalers while Creative Distribution Solutions sales are made business to business business-to-business and business to consumer, business-to-consumer, both online and through our corporate retail stores. Creative Distribution Solutions net sales are broken out by sales channel below.

	Creative Distribution Solutions Segment	
	Three Months Ended March 31,	
	2024	2023
Business to Business	$ 12,585	$ 22,493
Business to Consumer - Online	1,380	2,810

Other	29	104
Total	$ 13,994	$ 25,407

	Creative Distribution Solutions Segment			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Business to Business	$ 13,909	$ 20,038	$ 26,494	$ 42,531
Business to Consumer - Online	1,351	2,525	2,731	5,335
Other	27	254	56	358
Total	$ 15,287	$ 22,817	$ 29,281	$ 48,224

Net Sales—Domestic vs. Foreign

The following table shows a breakdown of consolidated net sales between domestic and foreign customers.

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Domestic	$ 89,910	$ 93,860	$ 100,119	$ 98,121	$ 190,029	$ 191,981
Foreign	7,148	7,096	8,393	7,474	15,541	14,570
Total	$ 97,058	$ 100,956	$ 108,512	$ 105,595	$ 205,570	$ 206,551

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Note 17. Additional Information with Respect to Unrestricted Subsidiary

Under the terms of the Senior Secured Notes Indenture and Senior Secured Notes, the Company has designated its subsidiaries, South Beach Brands LLC, TPB Beast LLC and Intrepid Brands, LLC as "Unrestricted Subsidiaries". South Beach Brands LLC is a holding company under which our vape liquid nicotine business TPB Beast LLC operating as Creative Distribution Solutions sits. As of April 1, 2024, Interchange IC, LLC was designated as an Unrestricted Subsidiary. The Company is required under the terms of the Senior Secured Notes Indenture and the Senior Secured Notes to present additional information that reflects the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Company's Unrestricted Subsidiaries as of and for the periods presented. This additional information is below.

Income Statement Statements for the Three and Six Months Ended March 31, 2024 June 30, 2024 and 2023 (unaudited):

	Three Months Ended March 31					
	2024			2023		
	Company and Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated	Company and Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated
Net sales	$ 83,064	$ 13,994	$ 97,058	$ 75,549	$ 25,407	$ 100,956
Cost of sales	34,711	10,435	45,146	33,694	18,645	52,339
Gross profit	48,353	3,559	51,912	41,855	6,762	48,617
Selling, general, and administrative expenses	29,084	3,562	32,646	24,274	6,501	30,775
Operating income (loss)	19,269	(3)	19,266	17,581	261	17,842
Interest expense, net	3,479	–	3,479	4,010	–	4,010
Investment (gain) loss	(119)	–	(119)	4,799	–	4,799
Gain on extinguishment of debt	–	–	–	(777)	–	(777)
Income (loss) before income taxes	15,909	(3)	15,906	9,549	261	9,810
Income tax expense (benefit)	3,728	(1)	3,727	2,402	66	2,468
Consolidated net income (loss)	12,181	(2)	12,179	7,147	195	7,342
Net income (loss) attributable to non-controlling interest	169	–	169	(255)	–	(255)
Net income (loss) attributable to Turning Point Brands, Inc.	$ 12,012	$ (2)	$ 12,010	$ 7,402	$ 195	$ 7,597

Three Months Ended June 30

	2024			2023		
	Company and Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated	Company and Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated
Net sales	$ 93,225	$ 15,287	$ 108,512	$ 82,778	$ 22,817	$ 105,595
Cost of sales	42,829	11,842	54,671	36,388	16,729	53,117
Gross profit	50,396	3,445	53,841	46,390	6,088	52,478
Selling, general, and administrative expenses	29,357	3,396	32,753	26,305	5,628	31,933
Other operating income	(1,674)	–	(1,674)	–	–	–
Operating income	22,713	49	22,762	20,085	460	20,545
Interest expense (income), net	3,112	(121)	2,991	4,019	–	4,019
Investment loss (gain)	2,596	(157)	2,439	4,080	–	4,080
Gain on extinguishment of debt	–	–	–	(600)	–	(600)
Income before income taxes	17,005	327	17,332	12,586	460	13,046
Income tax expense	4,332	83	4,415	3,220	118	3,338
Consolidated net income	12,673	244	12,917	9,366	342	9,708
Net loss attributable to non-controlling interest	(87)	–	(87)	(217)	–	(217)
Net income attributable to Turning Point Brands, Inc.	$ 12,760	$ 244	$ 13,004	$ 9,583	$ 342	$ 9,925

	Six Months Ended June 30					
	2024			2023		
	Company and Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated	Company and Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated
Net sales	$ 176,289	$ 29,281	$ 205,570	$ 158,327	$ 48,224	$ 206,551
Cost of sales	77,541	22,276	99,817	70,082	35,374	105,456
Gross profit	98,748	7,005	105,753	88,245	12,850	101,095
Selling, general, and administrative expenses	58,601	6,798	65,399	50,579	12,129	62,708
Other operating income	(1,674)	–	(1,674)	–	–	–
Operating income	41,821	207	42,028	37,666	721	38,387
Interest expense (income), net	6,624	(154)	6,470	8,029	–	8,029
Investment loss (gain)	2,477	(157)	2,320	8,879	–	8,879
Gain on extinguishment of debt	–	–	–	(1,377)	–	(1,377)
Income before income taxes	32,720	518	33,238	22,135	721	22,856
Income tax expense	8,015	127	8,142	5,623	183	5,806
Consolidated net income	24,705	391	25,096	16,512	538	17,050
Net income (loss) attributable to non-controlling interest	82	–	82	(472)	–	(472)
Net income attributable to Turning Point Brands, Inc.	$ 24,623	$ 391	$ 25,014	$ 16,984	$ 538	$ 17,522

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Balance Sheet as of March 31, 2024 June 30, 2024 (unaudited):

ASSETS	Company and Restricted Subsidiaries	Unrestricted Subsidiaries	Eliminations	Consolidated	Company and Restricted Subsidiaries	Unrestricted Subsidiaries	Eliminations	Consolid
Current assets:								
Cash	$ 126,066	$ 4,837	$ –	$ 130,903	$ 133,290	$ 8,869	$ –	$ 142
Accounts receivable, net	8,198	–	–	8,198	12,557	–	–	12
Inventories, net	99,381	6,086	–	105,467				
Inventories					96,985	5,348	–	102
Other current assets	32,836	1,601	–	34,437	30,637	2,051	–	32
Total current assets	266,481	12,524	–	279,005	273,469	16,268	–	289
Property, plant, and equipment, net	24,705	85	–	24,790	26,410	31	–	26
Deferred income taxes	1,426	–	–	1,426	1,177	–	–	1

Right of use assets	10,764	104	–	10,868	10,218	87	–	10
Deferred financing costs, net	2,305	–	–	2,305	2,145	–	–	2
Goodwill	136,365	–	–	136,365	136,307	–	–	136
Other intangible assets, net	66,199	13,978	–	80,177	65,890	13,503	–	79
Master Settlement Agreement (MSA) escrow deposits	28,427	–	–	28,427	28,407	–	–	28
Other assets	22,453	500	–	22,953	12,367	5,277	–	17
Investment in unrestricted subsidiaries	62,732	–	(62,732)	–	62,492	–	(62,492)	
Total assets	$ 621,857	$ 27,191	$ (62,732)	$ 586,316	$ 618,882	$ 35,166	$ (62,492)	$ 591
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current liabilities:								
Accounts payable	$ 18,596	$ 338	$ –	$ 18,934	$ 10,895	$ 1,024	$ –	$ 11
Accrued liabilities	29,618	1,356	–	30,974	28,960	1,468	–	30
Current portion of long-term debt	59,397	–	–	59,397	118,470	–	–	118
Total current liabilities	107,611	1,694	–	109,305	158,325	2,492	–	160
Notes payable and long-term debt	306,496	–	–	306,496	247,960	–	–	247
Lease liabilities	9,327	33	–	9,360	8,821	13	–	8
Total liabilities	423,434	1,727	–	425,161	415,106	2,505	–	417
Commitments and contingencies								
Stockholders' equity:								
Total Turning Point Brands, Inc. Stockholders' Equity/Net parent investment in unrestricted subsidiaries	197,232	25,464	(62,732)	159,964	202,681	32,661	(62,492)	172
Non-controlling interest	1,191	–	–	1,191	1,095	–	–	1
Total stockholders' equity	198,423	25,464	(62,732)	161,155	203,776	32,661	(62,492)	173
Total liabilities and stockholders' equity	$ 621,857	$ 27,191	$ (62,732)	$ 586,316	$ 618,882	$ 35,166	$ (62,492)	$ 591

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Balance Sheet as of December 31, 2023:

ASSETS	Company and Restricted Subsidiaries	Unrestricted Subsidiaries	Eliminations	Consolidated
Current assets:				
Cash	$ 116,725	$ 1,161	$ –	$ 117,886
Accounts receivable, net	9,989	–	–	9,989
Inventories, net	91,679	7,281	–	98,960
Other current assets	36,937	3,844	–	40,781
Total current assets	255,330	12,286	–	267,616
Property, plant, and equipment, net	25,142	158	–	25,300
Deferred income taxes	1,468	–	–	1,468
Right of use assets	11,359	121	–	11,480
Deferred financing costs, net	2,450	–	–	2,450
Goodwill	136,250	–	–	136,250
Other intangible assets, net	66,490	14,452	–	80,942
Master Settlement Agreement (MSA) escrow deposits	28,684	–	–	28,684
Other assets	15,166	–	–	15,166
Investment in unrestricted subsidiaries	48,229	–	(48,229)	–
Total assets	$ 590,568	$ 27,017	$ (48,229)	$ 569,356
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 7,781	$ 626	$ –	$ 8,407
Accrued liabilities	32,052	1,583	–	33,635

Current portion of long-term debt	58,294	–	–	58,294
Total current liabilities	98,127	2,209	–	100,336
Notes payable and long-term debt	307,064	–	–	307,064
Lease liabilities	9,898	52	–	9,950
Total liabilities	415,089	2,261	–	417,350
Commitments and contingencies				
Stockholders' equity:				
Total Turning Point Brands, Inc. Stockholders' Equity/Net parent investment in unrestricted subsidiaries	174,449	24,756	(48,229)	150,976
Non-controlling interest	1,030	–	–	1,030
Total stockholders' equity	175,479	24,756	(48,229)	152,006
Total liabilities and stockholders' equity	$ 590,568	$ 27,017	$ (48,229)	$ 569,356

Note 18. Dividends and Share Repurchases

A dividend of $0.07 per common share was paid on April 12, 2024, July 5, 2024 to shareholders of record at the close of business on March 22, 2024 June 14, 2024.

The Company currently pays a quarterly cash dividend. Dividends are considered restricted payments under the Senior Secured Notes Indenture. The Company is generally permitted to make restricted payments provided that, at the time of payment, or as a result of payment, the Company is not in default on its debt covenants. Additional covenants; however, there are earnings and market capitalization restrictionsrequirements that if not met could limit the aggregate amount of restricted, quarterly dividends during a fiscal year.

On February 25, 2020, the Company's Board of Directors approved a $50.0 million share repurchase program which is intended for opportunistic execution based upon a variety of factors including market dynamics. The program is subject to the ongoing discretion of the Board of Directors. On October 25, 2021, the Board of Directors increased the approved share repurchase program by $30.7 million and by an additional $24.6 million on February 24, 2022, in each case bringing the aggregate approval back to $50.0 million. InThe total number of shares repurchased for the first quarter three months ended June 30, 2024 was 34,350 shares for a total cost of 2024, $1.0 million and an average price per share of $28.29. The total number of shares repurchased for the Company repurchased $2.1 million six months ended June 30, 2024 was 106,895 shares for a total cost of common stock, $3.1 million at an average price per share of $28.55, with $25.1 million $24.1 million remaining available for share repurchases under the program at March 31, 202 June 30, 20244..

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of the historical financial conditions and results of operations in conjunction with our consolidated financial statements and accompanying notes, which are included elsewhere in this Quarterly Report on Form 10-Q. In addition, this discussion includes forward-looking statements which are subject to risks and uncertainties that may result in actual results differing from statements we make. See "Cautionary Note Regarding Forward-Looking Statements." Factors that could cause actual results to differ include those risks and uncertainties discussed in "Risk Factors."

The following Management's Discussion and Analysis ("MD&A") relates to the unaudited financial statements of Turning Point Brands, Inc., included elsewhere in this Quarterly Report on Form 10-Q. The MD&A is intended to enable the reader to understand the Company's financial condition and results of operations, including any material changes in the Company's financial condition and results of operations since December 31, 2023, and as compared with the three and six months ended March 31, 2023 June 30, 2024. The MD&A is provided as a supplement to and should be read in conjunction with the unaudited consolidated financial statements and notes thereto included in this Quarterly report on Form 10-Q, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "2023 Annual Report").

In this MD&A, unless the context requires otherwise, references to "our Company" "we," "our," or "us" refer to Turning Point Brands, Inc., and its consolidated subsidiaries. References to "TPB" refer to Turning Point Brands, Inc., without any of its subsidiaries. We were incorporated in 2004 under the name North Atlantic Holding Company, Inc. On November 4, 2015, we changed our name to Turning Point Brands, Inc. Many of the amounts and percentages in this discussion have been rounded for convenience of presentation.

Overview

Turning Point Brands, Inc. is a leading manufacturer, marketer and distributor of branded consumer products. We sell a wide range of products to adult consumers consisting of staple products with our iconic brands *Zig-Zag*® and *Stoker's*® and our next generation products to fulfill evolving consumer preferences. Among other markets, we compete in the alternative smoking accessories and Other Tobacco Products ("OTP") industries. The alternative smoking accessories market is a dynamic market experiencing robust secular growth driven by cannabinoid legalization in the U.S. and Canada, and positively evolving consumer perception and acceptance in North America. The OTP industry, which consists of non-cigarette tobacco products, exhibited low-single-digit consumer unit annualized growth over the four-year period ended 2023 as reported by Management Science Associates, Inc. a third-party analytics and information company. Our segments are led by our core proprietary and iconic brands: *Zig-Zag*® and CLIPPER® in the Zig-Zag Products segment and *Stoker's*® along with *Beech-Nut*® and *Trophy*® in the Stoker's Products segment. Our businesses generate solid cash flow which we use to invest in our business, finance acquisitions, increase brand support, expand our distribution infrastructure, and strengthen our capital position. We currently ship to approximately 820 distributors with an additional 650 secondary, indirect wholesalers in the U.S. that carry and sell our products. Under the leadership of a senior management team with extensive experience in the consumer products, alternative smoking accessories and tobacco industries, we have grown and diversified our business through new product launches, category expansions, and acquisitions while concurrently improving operational efficiency.

We believe there are meaningful opportunities to grow through investing in organic growth, acquisitions and joint ventures across all product categories. Our products are currently available in approximately 197,000 U.S. retail locations which, with the addition of retail stores in Canada, brings our total North American retail presence to an estimated 217,000 points of distribution. Our sales team targets widespread distribution to all traditional retail channels, including convenience stores, and we have a growing e-commerce business.

Products

We operate in three segments: Zig-Zag Products, Stoker's Products and Creative Distribution Solutions. Solutions ("CDS"). In our Zig-Zag Products segment, we principally market and distribute (i) rolling papers, tubes, and related products; (ii) finished cigars and make-your-own ("MYO") cigar wraps; and (iii) CLIPPER reusable lighters and other accessories. In addition, we have a majority stake in Turning Point Brands Canada which is a specialty marketing and distribution firm focused on building brands in the Canadian cannabis accessories, tobacco and alternative products categories. In our Stoker's Products segment, we (i) manufacture and market moist snuff tobacco ("MST") and (ii) contract for and market loose leaf chewing tobacco products. In our Creative Distribution Solutions segment, we (i) market and distribute liquid nicotine products and certain other products without tobacco and/or nicotine; (ii) distribute a wide assortment of products to non-traditional retail via VaporBeast; and (iii) market and distribute a wide assortment of products to individual consumers via the VaporFi B2C online platform.

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Operations

Our core Zig-Zag Products and Stoker's Products segments primarily generate revenues from the sale of our products to wholesale distributors who, in turn, resell the products to retail operations. Our acquisition of Vapor Beast in 2016 expanded our revenue streams as we began selling directly to non-traditional retail outlets. Our acquisition of IVG in 2018 enhanced our B2C revenue stream with the addition of the Vapor-Fi online platform. Our net sales, which include federal excise taxes, consist of gross sales net of cash discounts, returns, and selling and marketing allowances.

We rely on long-standing relationships with high-quality, established manufacturers to provide the majority of our produced products. Approximately 75% of our production, as measured by net sales, is outsourced to suppliers. The remaining production consists primarily of our moist snuff tobacco operations located in Dresden, Tennessee and Louisville, Kentucky. Our principal operating expenses include the cost of raw materials used to manufacture the limited number of our products which we produce in-house; the cost of finished products, which are generally purchased goods; federal excise taxes; legal expenses; and compensation expenses, including benefits and costs of salaried personnel.

Key Factors Affecting Our Results of Operations

We consider the following to be the key factors affecting our results of operations:

- Our ability to further penetrate markets with our existing products;
- Our ability to introduce new products and product lines that complement our core business;
- Decreasing interest in some tobacco products among consumers;
- Price sensitivity in our end-markets;
- Marketing and promotional initiatives, which cause variability in our results;
- Costs and increasing regulation of promotional and advertising activities;
- General economic conditions, including consumer access to disposable income and other conditions affecting purchasing power such as inflation and the interest rate environment;
- Labor and production costs;
- Cost of complying with regulation, including the "deeming regulation"; , as well as the unpredictable nature of the regulatory regimes;
- Increasing and unpredictable regulation and/or marketing order decisions impacting Creative Distribution Solutions products;
- Counterfeit and other illegal products in our end-markets;
- Currency fluctuations;
- Our ability to identify attractive acquisition opportunities; and
- Our ability to successfully integrate acquisitions.

Critical Accounting Policies and Uses of Estimates

There have been no material changes to our critical accounting policies and estimates from the information provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2023 Annual Report on Form 10-K.

Recent Accounting Pronouncements

There are no recent accounting pronouncements that impact the Company.

See Item 1 of Part I, "Notes to Consolidated Financial Statements - Note 1 - Business and Basis of Presentation - Recent Developments

Non-Marketable Equity Investments

In January 2024, the Company invested $0.8 million in Teaza Energy, LLC (“TeaZa”), an innovative brand of flavorful oral pouch products designed as a healthier alternative to high energy drinks and other oral stimulants. The Company’s investment is comprised of $0.5 million in cash and a $0.3 million payable to be offset against the Company’s allocated portion of future profit distributions. Accounting Pronouncements.”

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Results of Operations

Comparison of the Three Months Ended March 31, 2024 June 30, 2024, to the Three Months Ended March 31, 2023 June 30, 2023

The table and discussion set forth below displays our consolidated results of operations (in thousands):

	Three Months Ended March 31,			Three Months Ended June 30,		
	2024	**2023**	**% Change**	**2024**	**2023**	**% Change**
Consolidated Results of Operations Data:						
Net sales						
Zig-Zag products	$ 46,697	$ 41,887	11.5%	$ 50,482	$ 46,722	8.0%
Stoker’s products	36,367	33,662	8.0%	42,743	36,056	18.5%
Total Zig-Zag and Stoker’s products	83,064	75,549	9.9%	93,225	82,778	12.6%
Creative Distribution Solutions	13,994	25,407	-44.9%	15,287	22,817	-33.0%
Total net sales	97,058	100,956	-3.9%	108,512	105,595	2.8%
Cost of sales	45,146	52,339	-13.7%	54,671	53,117	2.9%
Gross profit						
Zig-Zag products	27,538	22,390	23.0%	26,872	26,422	1.7%
Stoker’s products	20,815	19,465	6.9%	23,524	19,968	17.8%
Total Zig-Zag and Stoker’s products	48,353	41,855	15.5%	50,396	46,390	8.6%
Creative Distribution Solutions	3,559	6,762	-47.4%	3,445	6,088	-43.4%
Total gross profit	51,912	48,617	6.8%	53,841	52,478	2.6%
Selling, general, and administrative expenses	32,646	30,775	6.1%	32,753	31,933	2.6%
Operating income	19,266	17,842	8.0%			
Other operating income				(1,674)	–	NM
Operating income (loss)						
Zig-Zag products				18,260	17,000	7.4%
Stoker’s products				17,862	15,110	18.2%
Creative Distributions Solutions				(108)	460	-123.5%
Total segment operating income				36,014	32,570	10.6%
Corporate unallocated				(13,252)	(12,025)	10.2%
Total operating income				22,762	20,545	10.8%
Interest expense, net	3,479	4,010	-13.2%	2,991	4,019	-25.6%
Investment (gain) loss	(119)	4,799	-102.5%			
Investment loss				2,439	4,080	-40.2%
Gain on extinguishment of debt	–	(777)	NM	–	(600)	NM
Income before income taxes	15,906	9,810	62.1%	17,332	13,046	32.9%
Income tax expense	3,727	2,468	51.0%	4,415	3,338	32.3%
Consolidated net income	12,179	7,342	65.9%	12,917	9,708	33.1%
Net income (loss) attributable to non-controlling interest	169	(255)	-166.3%			
Net loss attributable to non-controlling interest				(87)	(217)	-59.9%
Net income attributable to Turning Point Brands, Inc.	$ 12,010	$ 7,597	58.1%	$ 13,004	$ 9,925	31.0%

Net Sales: For the three months ended March 31, 2024 June 30, 2024, consolidated net sales decreased increased $2.9 million, or 2.8% compared to $97.1 million from $101.0 million for the three months ended March 31, 2023, prior year period, driven by an increase in the Zig-Zag and Stoker’s segments partially offset by a decrease of $3.9 million or 3.9%. decline in the Creative Distribution Solutions segment.

For the three months ended March 31, 2024 June 30, 2024, net sales in the Zig-Zag Products segment increased $3.8 million, or 8.0% compared to $46.7 million from $41.9 million for the three months ended March 31, 2023, an increase of $4.8 million or 11.5%. prior year period. The increase in net sales was driven primarily by an increase of $3.8 million of growth in our U.S. papers cigar products and wraps businesses, $1.2 million of growth in our Canadian products business, partially offset by declines in sales a decline of $1.6 million in our Clipper business against trade load in the prior year.

For the three months ended March 31, 2024 June 30, 2024, net sales in the Stoker's Products segment increased $6.7 million, or 18.5% compared to $36.4 million from $33.7 million for the three months ended March 31, 2023, an increase of $2.7 million or 8.0%. prior year period. For the three months ended March 31, 2024 June 30, 2024, volume increased 0.1% 5.3% as compared with the prior year period contributing $1.9 million to the increase, and price/product mix increased 7.9%. 13.2% which contributed $4.8 million to the increase. The increase in net sales was driven by mid-single-digit $3.5 million of growth of *Stoker's®* MST and triple-digit $3.4 million of growth of in our modern oral product FRE, partially offset by mid-single-digit a $0.1 million decline in net sales of loose-leaf chewing tobacco.

For the three months ended March 31, 2024 June 30, 2024, net sales in the Creative Distribution Solutions segment decreased $7.5 million, or 33.0% compared to $14.0 million from $25.4 million for the three months ended March 31, 2023, a decrease of $11.4 million or 44.9%. prior year period. The decrease in net sales was primarily the result of lower volumes in the liquid nicotine distribution business, contributing $7.5 million to the decrease, and our strategic decision to eliminate certain unprofitable brands and to focus on a narrower set of products.

Gross Profit: For the three months ended March 31, 2024 June 30, 2024, consolidated gross profit increased $1.4 million, or 2.6% compared to $51.9 million from $48.6 million for the three months ended March 31, 2023, an increase of $3.3 million or 6.8%. prior year period. Gross profit as a percentage of net sales increased decreased slightly to 53.5% 49.6% for the three months ended March 31, 2024 June 30, 2024, compared to 48.2% 49.7% for the three months ended March 31, 2023 driven by product mix in our Zig-Zag Products segment. June 30, 2023.

For the three months ended March 31, 2024 June 30, 2024, gross profit in the Zig-Zag Products segment increased $0.5 million, or 1.7% compared to $27.5 million from $22.4 million for the three months ended March 31, 2023, an increase of $5.1 million or 23.0%. Gross profit as a percentage of net sales increased to 59.0% of net sales for the three months ended March 31, 2024, from 53.5% of net sales for the three months ended March 31, 2023, driven primarily by product mix.

For the three months ended March 31, 2024, gross profit in the Stoker's Products segment increased to $20.8 million from $19.5 million for the three months ended March 31, 2023, an increase of $1.3 million or 6.9%. prior year period. Gross profit as a percentage of net sales decreased to 57.2% 53.2% of net sales for the three months ended March 31, 2024 June 30, 2024, from 57.8% 56.6% of net sales for the three months ended March 31, 2023 June 30, 2023, driven primarily by growth during the quarter in our Canadian products business described above, and higher net sales of cigar products, which generate a lower margin than other products in the segment.

For the three months ended June 30, 2024, gross profit in the Stoker's Products segment increased $3.6 million, or 17.8% compared to the prior year period. Gross profit as a percentage of net sales decreased to 55.0% of net sales for the three months ended June 30, 2024, from 55.4% of net sales for the three months ended June 30, 2023, primarily as a result of product mix, as driven by Stoker's MST net sales growth at higher margins, and higher net sales of FRE, were higher and have though at lower margins than other products in the segment.

For the three months ended March 31, 2024 June 30, 2024, gross profit in the Creative Distribution Solutions segment decreased $2.6 million, or 43.4% compared to $3.6 million from $6.8 million for the three months ended March 31, 2023, a decrease of $3.2 million or 47.4%. prior year period. Gross profit as a percentage of net sales decreased to 25.4% 22.5% of net sales for the three months ended March 31, 2024 June 30, 2024, from 26.6% 26.7% of net sales for the three months ended March 31, 2023 June 30, 2023, primarily as a result of sales channel mix and our strategic decision as business-to-business net sales which generates lower margins than business-to-consumer sales increased to eliminate certain unprofitable brands and to focus on a narrower set 70% of products. net sales for the three months ended June 30, 2024 from 65% of net sales for the three months ended June 30, 2023.

Selling, General, and Administrative Expenses: For the three months ended March 31, 2024 June 30, 2024, selling, general, and administrative expenses increased $0.8 million, or 2.6% compared to $32.6 million from $30.8 million for the three months ended March 31, 2023, an increase of $1.9 million or 6.1%. prior year period. Selling, general and administrative expenses in the three months ended March 31, 2024 June 30, 2024, included $1.9 million of stock options, restricted stock and incentives expense, $1.0 million of expense related to PMTA, $0.5 million of expense related to the implementation of the new ERP and CRM systems, $0.3 million of expense related to corporate restructuring and $0.1 million of transaction costs. Selling, general and administrative expenses in the three months ended June 30, 2023, included $2.1 million of stock options, restricted stock and incentives expense, $0.8 million $0.7 million of expense related to PMTA, $1.3 million $0.1 million of expense related to corporate restructuring, transaction costs and $0.1 million of expense related to the new ERP and CRM systems. Selling, general and administrative expenses in the three months ended March 31, 2023, included $0.7 million of stock options, restricted stock and incentives expense, $0.2 million of expense related to PMTA and $0.1 million of consulting expense related to the scoping and mobilization implementation of the new ERP and CRM systems.

Other Operating Income: For the three months ended June 30, 2024, other operating income increased $1.7 million compared to the prior year period due to a federal excise tax refund of $1.7 million received in the second quarter of 2024.

Operating Income (Loss): For the three months ended June 30, 2024, consolidated operating income increased $2.2 million, or 10.8% compared to the prior year period. Operating income as a percentage of net sales increased to 21.0% of net sales for the three months ended June 30, 2024 from 19.5% of net sales for the three months ended June 30, 2023, primarily driven by increased gross profit in the Stoker's and Zig-Zag products segments, partially offset by decreased gross profit in the Creative Distribution Solutions segment.

For the three months ended June 30, 2024, operating income in the Zig-Zag Products segment increased $1.3 million, or 7.4% compared to the prior year period. Operating income as a percentage of net sales increased to 16.8% of net sales for the three months ended June 30, 2024 from 16.1% of net sales for the three months ended June 30, 2023, primarily driven by increased gross profit in our Canadian products business, U.S. Wraps and cigar products, combined with lower operational costs.

For the three months ended June 30, 2024, operating income in the Stoker's Products segment increased $2.8 million, or 18.2% compared to the prior year period. Operating income as a percentage of net sales increased to 16.5% of net sales for the three months ended June 30, 2024 from 14.3% of net sales for the three months ended June 30, 2023, primarily driven by Stoker's MST net sales growth at higher margins, and higher net sales of FRE which represented a higher percentage of the segment's sales compared to the prior year period and has lower margins than other products in the segment.

For the three months ended June 30, 2024, operating income in the Creative Distribution Solutions segment decreased $0.6 million, or 123.5% compared to the prior year period. Operating income as a percentage of net sales decreased to (0.1)% of net sales for the three months ended June 30, 2024, from 0.4% of net sales for the three months ended June 30, 2023, primarily driven by a decline in gross profit that was not matched with cost savings. The decline was expected in light of our decision to focus on more profitable products.

Included in consolidated operating income are costs of the Company which are not assigned to one of the three reportable segments and includes: (i) corporate overhead expense, including executive management, finance, legal and information technology salaries, and professional services, such as audit, external legal costs and information technology services, as well as (ii) costs related to the FDA premarket tobacco product application. For the three months ended June 30, 2024, unallocated costs were $13.3 million compared to $12.0 million in the prior year period, an increase of $1.2 million or 10.2%.

Interest Expense, net: For the three months ended March 31, 2024 June 30, 2024, interest expense, net decreased $1.0 million compared to $3.5 million from $4.0 million for the three months ended March 31, 2023 prior year period as a result of the repurchase of $30.1 million of Convertible Senior Notes in the second and third quarters of 2023, and increased interest income on cash deposits as a result of due to rising interest rates.

Investment (Gain) Loss: For the three months ended March 31, 2024 June 30, 2024, we had an investment gain loss of $0.1 million $2.4 million compared to a $4.8 million $4.1 million loss for the three months ended March 31, 2023 June 30, 2023. The change is a primarily the result of an impairment charge recognized on our investments in Bomani for $1.8 million and Old Pal for $0.8 million in the second quarter of 2024, compared to an impairment charge recognized on our investment in Docklight for $4.9 million $3.8 million in the first second quarter of 2023.

Gain on Extinguishment of Debt: There was no gain or loss on extinguishment of debt for the three months ended March 31, 2024 June 30, 2024 compared to a $0.8 million $0.6 million gain on extinguishment of debt for the three months ended March 31, 2023 June 30, 2023 as a result of repurchasing $13.9 million $15.1 million of Convertible Senior Notes in the first second quarter of 2023.

Income Tax Expense: Our income tax expense of $3.7 million $4.4 million was 23.4% 25.5% of income before income taxes for the three months ended March 31, 2024 June 30, 2024. Our effective income tax rate was 25.2% 25.6% for the three months ended March 31, 2023 June 30, 2023.

Net Income (Loss) Attributable to Non-Controlling Interest: Net gain loss attributable to non-controlling interest was $0.2 million $0.1 million for the three months ended March 31, 2024 June 30, 2024 compared to $0.3 million $0.2 million net loss for the three months ended March 31, 2023 June 30, 2023.

Net Income Attributable to Turning Point Brands, Inc.: Due to the factors described above, net income attributable to Turning Point Brands, Inc. for the three months ended March 31, 2024 June 30, 2024 and 2023, was $12.0 million $13.0 million and $7.6 million $9.9 million, respectively.

Comparison of the Six Months Ended June 30, 2024, to the Six Months Ended June 30, 2023

The table and discussion set forth below displays our consolidated results of operations (in thousands):

	Six Months Ended June 30,		
	2024	2023	% Change
Consolidated Results of Operations Data:			
Net sales			
Zig-Zag products	$ 97,178	$ 88,609	9.7 %
Stoker's products	79,111	69,718	13.5 %
Total Zig-Zag and Stoker's products	176,289	158,327	11.3 %
Creative Distribution Solutions	29,281	48,224	-39.3 %
Total net sales	205,570	206,551	-0.5 %
Cost of sales	99,817	105,456	-5.3 %
Gross profit			
Zig-Zag products	54,409	48,812	11.5 %
Stoker's products	44,339	39,433	12.4 %
Total Zig-Zag and Stoker's products	98,748	88,245	11.9 %

Creative Distribution Solutions	7,005	12,850	-45.5 %
Total gross profit	105,753	101,095	4.6 %
Selling, general, and administrative expenses	65,399	62,708	4.3 %
Other operating income	(1,674)	–	NM
Operating income (loss)			
Zig-Zag products	36,259	30,641	18.3 %
Stoker's products	33,258	29,672	12.1 %
Creative Distribution Solutions	(110)	721	-115.3 %
Total segment operating income	69,407	61,034	13.7 %
Corporate unallocated	(27,379)	(22,647)	20.9 %
Total operating income	42,028	38,387	9.5 %
Interest expense, net	6,470	8,029	-19.4 %
Investment loss	2,320	8,879	-73.9 %
Gain on extinguishment of debt	–	(1,377)	NM
Income before income taxes	33,238	22,856	45.4 %
Income tax expense	8,142	5,806	40.2 %
Consolidated net income	25,096	17,050	47.2 %
Net income (loss) attributable to non-controlling interest	82	(472)	-117.4 %
Net income attributable to Turning Point Brands, Inc.	$ 25,014	$ 17,522	42.8 %

Net Sales: For the six months ended June 30, 2024, consolidated net sales decreased $1.0 million, or 0.5% compared to the prior year period, driven by a decline in the Creative Distribution Solutions segment partially offset by an increase in the Stoker's and Zig-Zag Products segments.

For the six months ended June 30, 2024, net sales in the Zig-Zag Products segment increased $8.6 million, or 9.7% compared to the prior year period. The increase in net sales was driven primarily by $4.9 million of growth in Wraps and U.S. Papers, $3.8 million of growth in cigars, $1.4 million of growth in our Canadian products business and $1.8 million of growth in the alternative channel, partially offset by declines of $3.2 million in our Clipper business against trade load in the prior year.

For the six months ended June 30, 2024, net sales in the Stoker's Products segment increased $9.4 million, or 13.5% compared to the prior year period. For the six months ended June 30, 2024, volume increased 2.8% as compared with the prior year period contributing $2.0 million to the increase, and price/product mix increased 10.6% which contributed $7.4 million to the increase. The increase in net sales was driven primarily by $5.1 million of growth of modern oral product FRE and $5.0 million of growth of Stoker's MST, partially offset by a $0.6 million decline in loose-leaf chewing tobacco.

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For the six months ended June 30, 2024, net sales in the Creative Distribution Solutions segment decreased $18.9 million, or 39.3% compared to the prior year period. The decrease in net sales was primarily the result of reduced volumes in the liquid nicotine distribution business contributing $18.9 million to the decrease, and our strategic decision to eliminate certain unprofitable brands and to focus on a narrower set of products.

Gross Profit: For the six months ended June 30, 2024, consolidated gross profit increased $4.7 million, or 4.6% compared to the prior year period. Gross profit as a percentage of net sales increased to 51.4% for the six months ended June 30, 2024, compared to 48.9% for the six months ended June 30, 2023, primarily driven by increased margins as the Creative Distribution Solutions segment became a smaller part of the overall company.

For the six months ended June 30, 2024, gross profit in the Zig-Zag Products segment increased $5.6 million, or 11.5% compared to the prior year period. Gross profit as a percentage of net sales increased to 56.0% of net sales for the six months ended June 30, 2024, from 55.1% of net sales for the six months ended June 30, 2023 as a result of product mix. Net sales increased in U.S. Papers and Wraps products which generate a higher gross margin than Clipper products in which net sales declined.

For the six months ended June 30, 2024, gross profit in the Stoker's Products segment increased $4.9 million, or 12.4% compared to the prior year period. Gross profit as a percentage of net sales decreased to 56.0% of net sales for the six months ended June 30, 2024, from 56.6% of net sales for the six months ended June 30, 2023, as a result of product mix as the growth in our modern oral product FRE, which generates lower margins as compared with other products in the Stoker's Products segment, outpaced the growth of MST.

For the six months ended June 30, 2024, gross profit in the Creative Distribution Solutions segment decreased $5.8 million, or 45.5% compared to the prior year period. Gross profit as a percentage of net sales decreased to 23.9% of net sales for the six months ended June 30, 2024, from 26.6% of net sales for the six months ended June 30, 2023, primarily as a result of sales channel mix as business-to-business net sales, which generate lower margins than business-to-consumer sales, increased to 83% of net sales for the six months ended June 30, 2024 from 79% of net sales for the six months ended June 30, 2023.

Selling, General, and Administrative Expenses: For the six months ended June 30, 2024, selling, general, and administrative expenses increased $2.7 million, or 4.3%. Selling, general and administrative expenses in the six months ended June 30, 2024, included $4.0 million of stock options, restricted stock and incentives expense, $1.9 million of expense related to PMTA, $1.5 million of expense related to corporate restructuring, $0.7 million of expense related to the implementation of the new ERP and CRM systems and $0.1 million related to transaction costs. Selling, general and administrative expenses in the six months ended June 30, 2023, included $2.8 million of stock options, restricted stock and incentives expense, $0.8 million of expense related to PMTA, $0.3 million of expense related to the implementation of the new ERP and CRM systems and $0.1 million related to transaction costs.

Other Operating Income: For the six months ended June 30, 2024, other operating income increased $1.7 million compared to the prior year period due to a federal excise tax refund of $1.7 million received in the first half of 2024.

Operating Income (Loss): For the six months ended June 30, 2024, consolidated operating income increased $3.6 million, or 9.5% compared to the prior year period. Operating income as a percentage of net sales increased to 20.4% of net sales for the six months ended June 30, 2024 from 18.6% of net sales for the six months ended June 30, 2023, primarily driven by increased gross profit in the Stoker's and Zig-Zag Products segments partially offset by decreased gross profit in the Creative Distribution Solutions segment.

For the six months ended June 30, 2024, operating income in the Zig-Zag Products segment increased $5.6 million, or 18.3% compared to the prior year period. Operating income as a percentage of net sales increased to 17.6% of net sales for the six months ended June 30, 2024 from 14.8% of net sales for the six months ended June 30, 2023, primarily driven by increased gross profit in our Canadian products business, U.S. Wraps and papers products.

For the six months ended June 30, 2024, operating income in the Stoker's Products segment increased $3.6 million, or 12.1% compared to the prior year period. Operating income as a percentage of net sales increased to 16.2% of net sales for the six months ended June 30, 2024 from 14.4% of net sales for the six months ended June 30, 2023, primarily driven by Stoker's MST net sales growth at higher margins and higher net sales of FRE.

For the six months ended June 30, 2024, operating income in the Creative Distribution Solutions segment decreased $0.8 million, or 115.3% compared to the prior year period. Operating income as a percentage of net sales decreased to (0.1)% of net sales for the six months ended June 30, 2024, from 0.3% of net sales for the six months ended June 30, 2023, primarily driven by a decline in gross profit that was not matched with cost savings.

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Included in consolidated operating income are costs of the Company which are not assigned to one of the three reportable segments and includes: (i) corporate overhead expense, including executive management, finance, legal and information technology salaries, and professional services, such as audit, external legal costs and information technology services, as well as (ii) costs related to the FDA premarket tobacco product application. For the six months ended June 30, 2024, unallocated costs were $27.4 million compared to $22.6 million in the prior year period, an increase of $4.7 million or 20.9%.

Interest Expense, net: For the six months ended June 30, 2024, interest expense, net decreased $1.6 million compared to the prior year period as a result of the repurchases of $44.0 million of Convertible Senior Notes in 2023, and increased interest income on cash as a result of rising interest rates.

Investment Loss: For the six months ended June 30, 2024, investment loss decreased to $2.3 million compared to $8.9 million for the six months ended June 30, 2023. The change is primarily the result of an impairment charge recognized on our investments in Bomani for $1.8 million and Old Pal for $0.8 million in the second quarter of 2024, compared to an impairment charge of $8.7 million in the first half of 2023 related to our investment in Docklight.

Gain on Extinguishment of Debt: There was no gain or loss on extinguishment of debt for the six months ended June 30, 2024 compared to a gain on extinguishment of debt of $1.4 million for the six months ended June 30, 2023 as a result of repurchasing $29.0 million of Convertible Senior Notes in the first half of 2023.

Income Tax Expense: Our income tax expense of $8.1 million was 24.5% of income before income taxes for the six months ended June 30, 2024. Our effective income tax rate was 25.4% for the six months ended June 30, 2023.

Net Income (Loss) Attributable to Non-Controlling Interest: Net income attributable to non-controlling interest was $0.1 million for the six months ended June 30, 2024 compared to a $0.5 million loss for the six months ended June 30, 2023.

Net Income Attributable to Turning Point Brands, Inc.: Due to the factors described above, net income attributable to Turning Point Brands, Inc. for the six months ended June 30, 2024 and 2023, was $25.0 million and $17.5 million, respectively.

EBITDA and Adjusted EBITDA

To supplement our financial information presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, we use non-U.S. GAAP financial measures including EBITDA and Adjusted EBITDA. We believe Adjusted EBITDA provides useful information to management and investors regarding certain financial and business trends relating to our financial condition and results of operations. Adjusted EBITDA is used by management to compare our performance to that of prior periods for trend analyses and planning purposes and is presented to our Board of Directors. We believe that EBITDA and Adjusted EBITDA are appropriate measures of operating performance because they eliminate the impact of expenses that do not relate to operating performance. In addition, our debt instruments contain covenants which use Adjusted EBITDA calculations.

We define "EBITDA" as net income before interest expense, gain (loss) on extinguishment of debt, provision for income taxes, depreciation, and amortization. We define "Adjusted EBITDA" as net income before interest expense, gain (loss) on extinguishment of debt, provision for income taxes, depreciation, amortization, other non-cash items, and other items we do not consider the ordinary course in our evaluation of ongoing operating performance noted in the reconciliation below.
Among other items that we adjust Adjusted EBITDA for is FDA PMTA expense. The Company believes it is appropriate to adjust for this spend as the costs are incurred in connection with what we view as a non-traditional regulatory process that requires applications be submitted for covered products that are already on the market. As a result, Company's management believes it is most appropriate to assess the performance of the Company's business – the sale of our various products - without regard to these costs and believes that adjusting for these costs provides investors and the public markets with the most meaningful metrics to assess performance of the business.

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Non-U.S. GAAP measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with U.S. GAAP. Adjusted EBITDA excludes significant expenses required to be recorded in our financial statements by U.S. GAAP and is subject to inherent limitations. Other companies in our industry may calculate this non-U.S. GAAP measure differently than we do or may not calculate it at all, limiting its usefulness as a comparative measure. The tables below provide reconciliations between net income and Adjusted EBITDA.

(in thousands)	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Net income attributable to Turning Point Brands, Inc.	$ 12,010	$ 7,597	$ 13,004	$ 9,925	$ 25,014	$ 17,522
Add:						
Interest expense, net	3,479	4,010	2,991	4,019	6,470	8,029
Gain on extinguishment of debt	–	(777)	–	(600)	–	(1,377)
Income tax expense	3,727	2,468	4,415	3,338	8,142	5,806
Depreciation expense	837	776	891	759	1,658	1,535
Amortization expense	886	771	931	771	1,817	1,542
EBITDA	$ 20,939	$ 14,845	$ 22,232	$ 18,212	$ 43,101	$ 33,057
Components of Adjusted EBITDA						
Corporate and CDS restructuring (a)	1,261	–	283	–	1,544	–
ERP/CRM (b)	138	138	489	138	627	276
Stock options, restricted stock, and incentives expense (c)	2,062	743	1,889	2,093	3,951	2,836
Transactional expenses and strategic initiatives (d)	30	4	97	82	127	86
FDA PMTA (e)	841	158	997	662	1,838	820
Non-cash asset impairment (f)	–	4,897	2,722	4,092	2,722	8,989
FET Refund (g)			(1,674)	–	(1,674)	–
Adjusted EBITDA	$ 25,271	$ 20,785	$ 27,035	$ 25,279	$ 52,236	$ 46,064

(a) Represents costs associated with corporate and CDS restructuring, including severance.

(b) Represents cost associated with scoping and mobilization of new ERP and CRM systems and cost of duplicative ERP licenses.

(c) Represents non-cash stock options, restricted stock, incentives expense and Solace performance stock units.

(d) Represents the fees incurred for transaction expenses.

(e) Represents costs associated with applications related to FDA premarket tobacco product application ("PMTA"). The PMTA regime requires the Company to submit an application to the FDA to receive marketing authorization to continue to sell certain of its product lines with continued sales permitted during the pendency of the applications. The application is a onetime resource-intensive process for each covered product line; however, due to the nature of the implementation process for those product lines already in the market, applications can take multiple years to complete rather than the typical one-time submission. The Company currently has only two product lines currently subject to the PMTA process, having utilized other regulatory pathway options available for our other product lines. The Company does not expect to submit additional PMTA applications for any new product lines after the submission for the remaining two are complete.

(f) Represents impairment of investment assets.

(g) Represents a federal excise tax refund included in other operating income.

Liquidity and Capital Resources

As of March 31, 2024 June 30, 2024, we have $130.9 million $142.2 million of cash on hand and have $59.0 million $58.8 million of availability under the 2023 ABL Facility. Our principal uses for cash are working capital, debt service, and capital expenditures.

Our Convertible Senior Notes, with an outstanding balance of $118.5 million as of March 31, 2024 June 30, 2024, mature matured on July 15, 2024 and are reported in July 2024. On November 7, 2023, one of our wholly-owned subsidiaries entered into current liabilities on the 2023 ABL Facility to refinance up to $75.0 million of the Company's Consolidated Balance Sheet. The Convertible Senior Notes at maturity. As were retired on July 15, 2024 with cash, leaving us with pro forma cash of $23.7 million and no borrowings outstanding under our ABL as of June 30, 2024.

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Our adjusted working capital, which we define as current assets less cash and current liabilities, decreased $62.6 million compared to the prior year end. The decrease in working capital is primarily a result we classified $59.0 million (our of a $60.2 million increase in current availability under liabilities due to the 2023 ABL Facility based on borrowing base calculations) related to the July 15, 2024 maturity of our Convertible Senior Notes in long-term liabilities which were retired on our March 31, 2024 Consolidated Balance Sheet. that date. With our strong cash balance, free cash flow generation and borrowing availability under the 2023 ABL Facility, we expect to have ample liquidity to address the remaining balance of the Convertible Senior Notes maturing in July, and to satisfy our operating cash requirements for the foreseeable future.

	As of

(in thousands)	June 30, 2024	December 31, 2023
Current assets	$ 147,578	$ 149,730
Current liabilities	160,817	100,336
Adjusted working capital	$ (13,239)	$ 49,394

Our working capital, which we define cash flows from operations as current assets less cash and current liabilities, decreased to $38.8 million at March 31, 2024, compared with $49.4 million at December 31, 2023. The decrease reflected in working capital is primarily a result the Consolidated Statements of the timing of inventory payments Cash Flows are summarized as well as $3.0 million insurance deposits being invested in investments. follows:

	As of	
(in thousands)	March 31, 2024	December 31, 2023
Current assets	$ 148,102	$ 149,730
Current liabilities	109,305	100,336
Working capital	$ 38,797	$ 49,394

(in thousands)	Six Months Ended June 30,	
Cash provided by (used in):	2024	2023
Operating activities	$ 36,077	$ 27,533
Investing activities	$ (7,972)	$ (2,990)
Financing activities	$ (6,747)	$ (30,431)

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Cash Flows from Operating Activities

For the three six months ended March 31, 2024 June 30, 2024, net cash provided by operating activities was $22.6 million compared to net cash provided by operating activities of $15.4 million for the three months ended March 31, 2023 $36.1 million, an increase of $7.2 million, $8.5 million compared to the prior year period, primarily due to an increase in net income, net of non-cash items of $4.5 million, and an increase in the change in other assets of $4.3 million. The primary drivers of non-cash items were a $6.3 million decrease in loss on investments compared to the timing prior year period, partially offset by a $1.1 million increase in stock compensation expense and a $1.4 million decrease in gains on extinguishment of changes debt compared to the prior year period. The increase in other working capital and net income from operations. assets was primarily driven by cash paid for capitalized software in 2023 that did not repeat in 2024.

Cash Flows from Investing Activities

For the three six months ended March 31, 2024 June 30, 2024, net cash used in investing activities was $8.0 million compared to net cash used in investing activities of $2.4 million for the three months ended March 31, 2023, an increase in cash used in investing activities of $5.6 million, $5.0 million compared to the prior year period, primarily due to an increase the net purchase of $4.6 million in purchases of investments by our captive insurance investments. subsidiary.

Cash Flows from Financing Activities

For the three six months ended March 31, 2024 June 30, 2024, net cash used in financing activities was $4.6 million compared to net cash used in financing activities of $14.6 million for the three months ended March 31, 2023 $6.7 million, a decrease of $10.0 million, $23.7 million compared to the prior year period, primarily due to the repurchase of $27.4 million of Convertible Senior Notes that occurred during the period in 2023 that did not repeat in 2024, partially offset by an increase in repurchases of common stock of $2.1 million $3.1 million during the period offset by $13.0 million in repurchases of Convertible Senior Notes during the same period in 2023. 2024.

Dividends and Share Repurchase

A dividend of $0.07 per common share was paid on April 12, 2024 July 5, 2024, to shareholders of record at the close of business on March 22, 2024 June 14, 2024.

On February 25, 2020, our Board of Directors approved a $50.0 million share repurchase program, which is intended for opportunistic execution based upon a variety of factors including market dynamics. The program is subject to the ongoing discretion of the Board of Directors. On October 25, 2021, the Board of Directors increased the approved share repurchase program by $30.7 million and by an additional $24.6 million on February 24, 2022. In the first quarter of 2024, three and six months ended June 30, 2024, the Company repurchased $2.1 million $1.0 million and $3.1 million of common stock, respectively, with $25.1 million $24.1 million remaining available for share repurchases under the program as of March 31, 2024 June 30, 2024.

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Long-Term Debt

Notes payable and long-term debt consisted of the following at March 31, 2024 June 30, 2024 and December 31, 2023, in order of preference:

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Senior Secured Notes	$ 250,000	$ 250,000	$ 250,000	$ 250,000
Convertible Senior Notes	118,541	118,541	118,541	118,541
Gross notes payable and long-term debt	368,541	368,541	368,541	368,541
Less deferred finance charges	(2,648)	(3,183)	(2,111)	(3,183)
Less current maturities	(59,397)	(58,294)	(118,470)	(58,294)
Notes payable and long-term debt	$ 306,496	$ 307,064	$ 247,960	$ 307,064

Senior Secured Notes

On February 11, 2021, we closed a private offering (the "Offering") of $250 million aggregate principal amount of our 5.625% senior secured notes due 2026 (the "Senior Secured Notes"). The Senior Secured Notes bear interest at a rate of 5.625% and will mature on February 15, 2026. Interest on the Senior Secured Notes is payable semi-annually in arrears on February 15 and August 15 of each year, commencing on August 15, 2021.We used the proceeds from the Offering (i) to repay all obligations under and terminate the 2018 First Lien Credit Facility, (ii) to pay related fees, costs, and expenses and (iii) for general corporate purposes.

Obligations under the Senior Secured Notes are guaranteed by the Company's existing and future wholly-owned domestic subsidiaries (the "Guarantors") that guarantee any credit facility (as defined in the indenture governing the Senior Secured Notes or the "Senior Secured Notes Indenture") or capital markets debt securities of the Company or Guarantors in excess of $15.0 million. The Senior Secured Notes and the related guarantees are secured by first-priority liens on substantially all of the assets of the Company and the Guarantors, subject to certain exceptions.

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The Company may redeem the Senior Secured Notes, in whole or in part, at any time, at the redemption prices (expressed as a percentage of the principal amount to be redeemed) set forth below, plus accrued and unpaid interest, if any, on the Senior Secured Notes to be redeemed to (but not including) the applicable redemption date if redeemed during the period indicated below:

On or after February 15, 2023	102.813 %	
On or after February 15, 2024	101.406 %	101.406%
On or after February 15, 2025 and thereafter	100.000 %	100.000%

If we experience a change of control (as defined in the Senior Secured Notes Indenture), we must offer to repurchase the Senior Secured Notes at a repurchase price equal to 101% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest.

The Senior Secured Notes Indenture contains covenants that, among other things, restrict the ability of the Company and its restricted subsidiaries to: (i) grant or incur liens; (ii) incur, assume or guarantee additional indebtedness; (iii) sell or otherwise dispose of assets, including capital stock of subsidiaries; (iv) make certain investments; (v) pay dividends, make distributions or redeem or repurchase capital stock; (vi) engage in certain transactions with affiliates; and (vii) consolidate or merge with or into, or sell substantially all of our assets to another entity. These covenants are subject to a number of limitations and exceptions set forth in the Senior Secured Notes Indenture. For instance, the Company is generally permitted to make restricted payments, including the payment of dividends to shareholders, provided that, at the time of payment, or as a result of payment, the Company is not in default on its debt covenants; however, there are earnings and market capitalization requirements that if not met could limit the aggregate amount of quarterly dividends payable during a fiscal year. The Senior Secured Notes Indenture provides for customary events of default. We were in compliance with all covenants as of March 31, 2024 June 30, 2024.

We incurred debt issuance costs attributable to the issuance of the Senior Secured Notes of $6.4 million which are amortized to interest expense using the straight-line method over the expected life of the Senior Secured Notes.

2021 Revolving Credit Facility

In connection with the Offering, we also entered into a $25.0 million senior secured revolving credit facility (the "2021 Revolving Credit Facility") with the lenders party thereto and Barclays Bank PLC, as administrative agent and collateral agent (in such capacity, the "Agent"). This facility was terminated in November 2023 in connection with the entry by a subsidiary of the Company in a new asset-backed revolving credit facility. See "2023 ABL Facility" below. We incurred debt issuance costs attributable to the issuance of the 2021 Revolving Credit Facility of $0.5 million, with the remaining $0.2 million written off to gain on debt extinguishment upon termination of the facility. facility in November 2023.

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2023 ABL Facility

On November 7, 2023, TPB Specialty Finance, LLC, a wholly-owned subsidiary of the Company (the "ABL Borrower"), entered into a new $75.0 million asset-backed revolving credit facility (the "2023 ABL Facility"), with the several lenders thereunder, and Barclays Bank Plc, as administrative agent (the "Administrative Agent") and as collateral agent (the "Collateral Agent") and First-Citizens Bank & Trust Company as additional collateral agent (the "Additional Collateral Agent"). Under the 2023 ABL Facility, the ABL Borrower may draw up to $75.0 million under Revolving Credit Loans and Last In Last Out ("LILO") Loans. The 2023 ABL Facility includes a $40.0 million accordion feature. In connection with the 2023 ABL Facility, Turning Point Brands contributed certain existing inventory to the ABL Borrower. The 2023 ABL Facility is secured on a first priority basis (subject to customary exceptions) by all assets of the ABL Borrower.

The 2023 ABL Facility contains customary borrowing conditions including a borrowing base equal to the sum of (a) the lesser of (1) 85% of the lower of (A) the market value (on a first in first out basis) of the sum of eligible inventory, plus eligible in-transit inventory of the ABL Borrower and (B) 85% of the cost of the sum of eligible inventory, plus eligible in-transit inventory of the ABL Borrower and (2) 85% of the net orderly liquidation value ("NOLV") percentage of the lower of (1)(A) or (1)(B); plus (b) 85% of the face value of all eligible accounts of the ABL Borrower minus (c) the amount of all eligible reserves. The 2023 ABL Facility also includes a LILO borrowing base equal to the sum of (a) the lesser of: (1) 10% of the lower of (A) the market value (on a first in first out basis) of the sum of eligible inventory, plus eligible in-transit inventory of the ABL Borrower and (B) the cost of the sum of eligible inventory, plus eligible in-transit inventory and (2) 10% of the NOLV percentage of the lower of (1)(A) or (1)(B); plus (b) 10% of the face amount of eligible account; minus (c) the amount of all eligible reserves.

Amounts borrowed under the 2023 ABL Facility are subject to an interest rate margin per annum equal to (a) from and after the closing date until the last day of the first full fiscal quarter ended after the closing date, (i) 1.25% per annum, in the case base rate loans, and (ii) 2.25% per annum, in the case of revolving credit loans that are SOFR Loans, (b)(i) 2.25% per annum, in the case of LILO loans that are base rate loans, and (ii) 3.25% per annum, in the case of LILO loans that are SOFR loans, (c) on the first day of each fiscal quarter, the applicable interest rate margins will be determined from the pricing grid below based upon the historical excess availability for the most recent fiscal quarter ended immediately prior to the relevant date, as calculated by the Administrative Agent.

Level	Historical Excess Availability	Applicable Margin for SOFR Loans	Applicable Margin for Base Rate Loans	Historical Excess Availability	Applicable Margin for SOFR Loans	Applicable Margin for Base Rate Loans
I	Greater than or equal to 66.66%	1.75%	0.75%	Greater than or equal to 66.66%	1.75%	0.75%
II	Less than 66.66%, but greater than or equal to 33.33%	2.00%	1.00%	Less than 66.66%, but greater than or equal to 33.33%	2.00%	1.00%
III	Less than 33.33%	2.25%	1.25%	Less than 33.33%	2.25%	1.25%

The 2023 ABL Facility also requires the Company and its restricted subsidiaries to maintain a fixed charge coverage ratio of at least 1.00 to 1.00 as of the end of any four consecutive fiscal quarters if excess availability shall be is less than the greater of (a) 12.5% of the line cap and (b) $9.4 million, at any time and continuing until excess availability is equal to or exceeds the greater of (i) 12.5% of the line and (ii) $9.4 million for thirty (30) consecutive calendar days; provided that such days with the $9.4 million level shall automatically increase increased in proportion to the amount of any increase in the aggregate revolving credit commitments thereunder in connection with any incremental facility.

The 2023 ABL Facility will mature on the earlier of (x) November 7, 2027 and (y) the date that is 91 days prior to the maturity date of any material debt of the ABL Borrower or the Company or any of its restricted subsidiaries (subject to customary extensions agreed by the lenders thereunder); provided that clause (y) shall will not apply to the extent that on any applicable date of determination (on any date prior to the date set forth in clause (y)), (A) the sum of (x) cash that is held in escrow for the repayment of such material debt pursuant to arrangements satisfactory to the Administrative Agent, (y) cash that is held in accounts with the Administrative Agent and/or the Additional Collateral Agent, plus (z) excess availability, is sufficient to repay such material debt and (B) the ABL Borrower has excess availability of at least $15.0 million after giving effect to such repayment of material debt, including any borrowings under the commitments in connection therewith.

The Company has not drawn any borrowings under the 2023 ABL Facility but has letters of credit of approximately $1.2 million $2.6 million outstanding under the facility and has an available balance of $59.0 million $58.8 million based on the borrowing base as of March 31, 2024 June 30, 2024.

The Company incurred debt issuance costs attributable to the 2023 ABL Facility of $2.6 million which are amortized to interest expense using the straight-line method over the expected life of the 2023 ABL Facility.

Convertible Senior Notes

In July 2019, the Company closed an offering of $172.5 million in aggregate principal amount of its 2.50% Convertible Senior Notes due July 15, 2024 (the "Convertible Senior Notes"). The Convertible Senior Notes bear interest at a rate of 2.50% per year, payable semiannually in arrears on January 15 and July 15 of each year, beginning on January 15,

2020. The Convertible Senior Notes are senior unsecured obligations of the Company.

In 2023, a wholly owned subsidiary of the Company repurchased $44.0 million in aggregate principal amount of the Convertible Senior Notes on the open market resulting in a $1.9 million gain on extinguishment of debt. The repurchased notes continue to be held by our subsidiary and may be resold subject to compliance were retired on July 1, 2024, with applicable securities law. As of March 31, 2024, $118.5 million aggregate principal remains remaining outstanding and held by third parties. parties as of June 30, 2024.

The Convertible Senior Notes held by third parties are were convertible into approximately 2,219,704 shares of TPB common stock, par value $0.01 per share ("Common Stock Stock"), under certain circumstances prior to maturity at a conversion rate of 18.7252 shares per $1,000 principal amount of the Convertible Senior Notes, which represents a conversion price of approximately $53.40 per share, subject to adjustment under certain conditions, but will not be adjusted for any accrued and unpaid interest. The conversion price is adjusted periodically as a result of dividends paid by the Company in excess of pre-determined thresholds of $0.04 per share. Upon conversion, the Company may pay cash, shares of common stock or a combination of cash and stock, as determined by the Company at its discretion. maturity. The conditions required to allow the holders to convert their Convertible Senior Notes were not met as of March 31, 2024 June 30, 2024.

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As discussed above, on November 7, 2023, a wholly-owned subsidiary of the Company entered into the 2023 ABL Facility to refinance up to $75.0 million of the Convertible Senior notes at maturity. As a result, the Company classified $59.0 million related to the The Convertible Senior Notes matured on July 15, 2024 and were retired with cash. As of June 30, 2024, $118.5 million aggregate principal is recorded in Notes payable and long-term debt current liabilities on the Company's March 31, 2024 Consolidated Balance Sheets. Based on current liquidity, free cash flow generation and availability under the 2023 ABL Facility, the Company believes it will have sufficient liquidity to address the maturity of the remaining Convertible Senior Notes. Sheet.

The Company incurred debt issuance costs attributable to the Convertible Senior Notes of $5.9 million which are amortized to interest expense using the straight-line method over the expected life of the Convertible Senior Notes.

In connection with the Convertible Senior Notes offering, the Company entered into privately negotiated capped call transactions with certain financial institutions. The capped call transactions have a strike price of $53.40 per share and a cap price of $82.86 per share, and are exercisable when, and if, the Convertible Senior Notes are converted. The Company paid $20.53 million for these capped calls at the time they were entered into and charged that amount to additional paid-in capital.

Off-balance Sheet Arrangements

During the three six months ended March 31, 2024 June 30, 2024, the Company we executed no various foreign exchange contracts meeting hedge accounting requirements. for the purchase and sale of €1.5 million with maturity dates ranging from October to December 2024. At March 31, 2024 June 30, 2024, we had foreign currency contracts outstanding for the purchase of €9.2 million €6.1 million and sale of €9.2 million €6.1 million, with maturities ranging from April July to September December 2024. The fair value of the foreign currency contracts were based on quoted market prices and resulted in an asset of $0.0 million included in Other current assets and a liability of $0.1 million included in Accrued liabilities at March 31, 2024 June 30, 2024. During 2023, we executed various foreign exchange contracts for the purchase of €20.1 million and sale of €15.2 million. At December 31, 2023, we had foreign currency contracts outstanding for the purchase of €15.2 million and sale of €15.2 million. The fair value of the foreign currency contracts were based on quoted market prices and resulted in an asset of $0.3 million included in Other current assets and a liability of $0.1 million included in Accrued liabilities at December 31, 2023.

Inflation

Inflation in general, coupled with increases in gas prices have had a substantial negative effect on the purchasing power of consumers. While historically, we have been able to increase prices at a rate equal to or greater than that of inflation, doing so would be difficult in the current inflationary environment. However, we have implemented price increases in areas where doing so has been feasible. In addition, we have been able to maintain a relatively stable variable cost structure for our products due, in part, to our successful procurement regarding our tobacco products and, in part, to our existing contractual agreement for the purchase of our premium cigarette papers.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Sensitivity

During the quarter ended March 31, 2024 June 30, 2024, there have been no material changes in our exposure to exchange rate fluctuation risk, as reported within our 2023 Annual Report on Form 10-K. Please refer to our 'Quantitative and Qualitative Disclosures about Market Risk' included in our 2023 Annual Report on Form 10-K filed with the SEC.

Credit Risk

There have been no material changes in our exposure to credit risk, as reported within our 2023 Annual Report on Form 10-K, during the three six months ended March 31, 2024 June 30, 2024. Please refer to our 'Quantitative and Qualitative Disclosures about Market Risk' included in our 2023 Annual Report on Form 10-K filed with the SEC.

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Interest Rate Sensitivity

In February 2021, we issued the Senior Secured Notes in an aggregate principal amount of $250 million. In July 2019, we issued Convertible Senior Notes in an aggregate principal amount of $172.5 million. We carry the Senior Secured Notes and Convertible Senior Notes at face value. Since the Senior Secured Notes and Convertible Senior Notes bear interest at a fixed rate, we have no financial statement risk associated with changes in interest rates. However, the fair value of the Convertible Senior Notes changes when the market price of our stock fluctuates, or interest rates change. The Convertible Senior Notes matured on July 15, 2024 and were retired with cash. Our remaining debt instrument is a revolving credit facility, the 2023 ABL Facility, which has no borrowing outstanding.

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Item 4. Controls and Procedures

We have carried out an evaluation under the supervision, and with the participation of, our management including our Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and Chief Accounting Officer ("CAO"), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934), as of March 31, 2024 June 30, 2024. Based upon the evaluation, our CEO, CFO, and CAO concluded our disclosure controls and procedures are not effective as of such date solely due to material weaknesses in internal controls over financial reporting that were disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

As previously described in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, during our evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2023, we concluded that our internal control over financial reporting was not effective solely due to the existence of the following material weakness:

> We did not design and maintain effective internal controls related to our information technology general controls ("ITGCs") in the areas of user access and program change-management over certain information technology ("IT") systems that support the Company's financial reporting processes. Our business process controls (automated and manual) that are dependent on the affected ITGCs were also deemed ineffective because they could have been adversely impacted. We believe that these control deficiencies were a result of: IT control processes lacking sufficient documentation such that the successful operation of ITGCs was overly dependent upon knowledge and actions of certain individuals with IT expertise and inherent system limitations.

The material weakness did not result in any identified misstatements to our financial statements, and there were no changes to previously released financial results. The material weakness will not be considered remediated until the applicable controls operate for a sufficient period of time, and management has concluded through testing that these controls are operating effectively.

Remediation Plan

While our remediation plan may evolve and expand, management has been implementing and continues to implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented, and operating effectively. The remediation actions include: (i) completion of the current implementation of a new ERP system in 2024; 2025; (ii) developing and maintaining documentation underlying ITGCs; (iii) implementing an IT management review and testing plan to monitor ITGCs with a specific focus on systems supporting our financial reporting processes; and (iv) enhanced quarterly reporting on the remediation measures to the Audit Committee of the Board of Directors.

We believe that these actions will ultimately remediate the material weakness. The material weakness will not be considered remediated, however, until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

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PART II—OTHER INFORMATION

Item 1. Legal Proceedings

For a description of our material pending legal proceedings, please see Contingencies in Note 14 to the Notes to the Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report.

See 'Risk Factors—We are subject to significant product liability litigation' within our 2023 Annual Report on Form 10-K for additional details.

Item 1A. Risk Factors

In addition to the other information set forth in this report, carefully consider the factors discussed in the 'Risk Factors' section contained in our 2023 Annual Report on Form 10-K. There have been no material changes to the Risk Factors set forth in the 2023 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On February 25, 2020, the Company's Board of Directors approved a $50.0 million share repurchase program, which is intended for opportunistic execution based upon a variety of factors including market dynamics. On October 25, 2021, the Board of Directors increased the approved share repurchase program by $30.7 million bringing the authority at the time back to $50.0 million (including approximately $19.3 million available for repurchases under the Board of Directors' previous authorization). On February 24, 2022, the Board of Directors increased the approved share repurchase program by $24.6 million bringing total authority at that time to $50.0 million. At June 30, 2024, the Company had $24.1 million of remaining capacity under the share repurchase program. This share repurchase program has no expiration date and is subject to the ongoing discretion of the Board of Directors. All repurchases to date under our stock repurchase programs have been made through open market transactions, but in the future, we may also purchase shares through privately negotiated transactions or 10b5-1 repurchase plans.

The following table includes information regarding purchases of our common stock made by us during the quarter ended March 31, 2024 June 30, 2024 in connection with the repurchase program described above.

Period	Total Number of Shares Purchased (1)		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 to January 31	3,015	$	26.32	–	$	27,197,886
February 1 to February 29	39,429	$	24.84	–	$	27,197,886
March 1 to March 31	83,420	$	27.94	72,545	$	25,118,746
Total	125,864			72,545		

Period	Total Number of Shares Purchased (1)		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 to April 30	48,356	$	26.54	34,350	$	24,146,985
May 1 to May 31	9,101	$	33.15	–	$	24,146,985
June 1 to June 30	–	$	–	–	$	24,146,985
Total	57,457			34,350		

(1) The total number of shares purchased includes shares withheld by the Company in an amount equal to the statutory withholding taxes for holders who vested in stock-based awards, which totaled 3,015 14,006 shares in January, 39,429 April and 9,101 shares in February and 10,875 shares in March. May. Shares withheld by the Company to cover statutory withholdings taxes are repurchased pursuant to the applicable plan and not the authorization under the share repurchase program.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

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Item 6. Exhibits

Exhibit No.	Description
10.1	Employment Agreement by and between the Company and Andrew Flynn, dated as of March 6, 2024 (incorporated herein by reference to Exhibit 10.1 of Turning Point Brands, Inc's Current Report on Form 8-K filed with the Commission on March 12, 2024 (File No. 001-37763)).
10.2	Employment Agreement by and between the Company and David Glazek, dated as of March 29, 2024.*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Graham Purdy.*
31.2	Rule 13a-14(a)/15d-14(a) Certification of Andrew Flynn.*
31.3	Rule 13a-14(a)/15d-14(a) Certification of Brian Wigginton.*
32.1	Section 1350 Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101	XBRL (eXtensible Business Reporting Language). The following materials from Turning Point Brands, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 June 30, 2024, filed on May 2, 2024 August 1, 2024, formatted in Inline XBRL (iXBRL): (i) consolidated balance sheets, (ii) consolidated statements of income, (iii) consolidated statements of comprehensive income, (iv) consolidated statements of cash flows, and (v) the notes to consolidated financial statements.*

104	Cover Page Interactive Data File (formatted in iXBRL and included in Exhibit 101).*

* Filed or furnished herewith

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Signatures

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

TURNING POINT BRANDS, INC.

By: /s/ Graham Purdy
Name: Graham Purdy
Title: President and Chief Executive Officer

By: /s/ Andrew Flynn
Name: Andrew Flynn
Title: Chief Financial Officer

By: /s/ Brian Wigginton
Name: Brian Wigginton
Title: Chief Accounting Officer

Date: May 2, 2024 August 1, 2024

Exhibit 10.2

Turning Point Brands, Inc.
5201 Interchange Way
Louisville, KY 40229

March 29, 2024

Dear David:

As discussed, the Board of Directors (the "Board") of Turning Point Brands, Inc., together with any successor thereto ("Turning Point" and, together with its applicable employing subsidiaries, the "Company") wishes to extend your service as Executive Chairman of Turning Point on the general terms, provisions and conditions set forth in this letter agreement (the "Letter"). If you find these terms, provisions and conditions acceptable, please sign this Letter where indicated and return to me as soon as possible.

Term: Your service as Executive Chairman will be for an initial term ending on December 31, 2025 (the "Initial Term"), unless terminated earlier by either party. Your employment period will be automatically renewed each year on January 1st thereafter , unless either you or the Company provides the other with a written notice of non-renewal at least ninety (90) days prior to the applicable expiration date (the Initial Term and any renewal period(s) together, the "Term").

Compensation: You will not receive an annual base salary for your service as Executive Chairman. For each calendar year commencing during the Term, in lieu of salary you will receive an equity award consisting of at least 50% time-based restricted stock units and 50% stock options having an aggregate grant date value of $1,000,000 (the "Annual Equity Award"). The Annual Equity Award will vest in quarterly installments during the Term. The Annual Equity Award will be subject to the terms and conditions of the Company's equity incentive plan and shall be subject to the award agreement(s) attached hereto as Exhibit A. The Annual Equity Award for each calendar year shall be granted on January 1 or the first business day of that year, subject to any blackout restrictions. The Board or a committee thereof shall determine an appropriate target-level annual bonus or other opportunity for you in connection with its annual compensation-setting process and will consult with you on any applicable performance objectives/parameters. Performance-based or time-based awards granted under the Company's Long-Term Incentive Plan ("LTIP") to you and other eligible participants shall remain subject to those respective agreements, irrespective of treatment of the Annual Equity Award as contemplated by this Agreement.

Additional Benefits: You will be entitled to participate in the Company's long-term equity incentive program as well as medical, dental and 401(k) savings benefit plans offered to the Company's executives pursuant to the terms and conditions of each such plan in effect from time to time, which may be authorized, amended or discontinued by the Company in its sole discretion. The Company will provide a description of the benefit programs and enrollment forms.

Additional Terms and Conditions

1. Duties and Responsibilities: As Executive Chair, you will report to the full Board, and will be responsible for carrying out the duties and responsibilities described on Schedule A. You shall have all of the authority, and perform all of the functions, that are consistent with such position, subject to lawful direction by the Board. You will be subject to, and agree to abide by, such rules, policies and procedures as the Company maintains (including, but not limited to, the Turning Point Brands, Inc. Code of Business Conduct and Ethics (as amended from time to time, the "Code of Conduct and Ethics")) or may from time to time establish with respect to executives, employees in general, standard operating procedures, business operations, etc.

2. Indemnification:The Company shall, to the fullest extent to which it is empowered to do so by applicable law, defend, indemnify and hold you harmless from and against all claims, demands, lawsuits, liabilities, losses, damages, penalties, fines, costs and expense (including, but not limited to, reasonable related attorneys' fees) arising from any actual, threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative or otherwise, to which you are or are threatened to be made a party by reason of your services as an officer and/or director of the Company. Nothing in this Letter shall be deemed to preclude you from receiving any of the benefits or protections, including without limitation representation, available to you following any separation under (a) any officers and directors insurance policy maintained by the Company which provides

coverage during your employment by the Company as an officer or director of the Company or (b) the Company's bylaws, Certificate of Incorporation or under applicable law. Any such benefits and protections shall or shall not be provided solely in accordance with the terms and conditions of any such policies, documents and applicable law.

3. Amendment; Assignment: This Letter shall not be amended or modified except by written agreement signed by both parties. Any successor to the Company shall be obligated to assume and perform the terms of this Letter.

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4. Severance Benefits: If the Term and your employment with the Company are terminated by the Company without Cause (as defined in paragraph 4.5), but excluding death or disability, or if your resign with Good Reason, or if the Company chooses not to renew the Term of this Agreement (a "Qualifying Termination"), you shall be entitled to receive the Severance Benefits described below (the "Severance Benefits"), provided that you have executed and delivered a Release and Severance Agreement in the form of Exhibit A attached hereto (as may be modified by the Company and reasonably acceptable to you due to subsequent changes in law), and all applicable revocation periods relating to the release expire, within 55 days following the date of such Separation.

4.1 Severance Benefits Period: A period of 12 months following a termination of your employment with the Company and its subsidiaries by the Company without Cause (other than death or disability) or resignation of your employment with the Company and its subsidiaries by you for Good Reason, other than within one year following a Change of Control. If you resign for Good Reason or are terminated by the Company without Cause (other than death or disability) within one year following a Change of Control, the Severance Benefits Period shall be a period of 24 months following such termination of employment.

4.2 Severance Compensation: Continuation of the cash equivalent of the grant date value of your Annual Equity Award during the Severance Benefits Period described above ("Severance Pay"). In the event of a Qualifying Termination within one year following a Change of Control, your Severance Pay shall instead be equal to two times the grant date value of your Annual Equity Award that would have otherwise been received by you during the 24 months following your Separation. The Severance Pay shall be paid in accordance with the Company's regular payroll cycle, with the first such payment beginning on the 60th day following the Separation Date (the "Payment Date"). The first such payment will include all accrued amounts during the 60-day period from the Separation Date through the Payment Date.

4.3 Health Benefits Stipend and Access: Upon a Qualifying Termination, the Company will pay a lump sum payment to you in amount equal to the cost of the employer-portion of maintaining COBRA coverage based on rates in effect at the time of termination for you and your eligible dependents for 12 months, payable on the Payment Date.

4.4 Other Additional Benefits: In the event of a Qualifying Termination, any unvested portion of any Annual Equity Award granted prior to such Qualifying Termination, as well as any other equity-based awards held by you that are unvested as of the date of such Qualifying Termination, will be treated as fully vested and you shall be entitled to any and all ownership interests in said equity awards as if your termination of employment had not occurred. Your entitlement to actively participate as an employee in the Company's health and welfare and retirement plans will cease upon your Separation, except as otherwise provided in this Agreement or the written terms of the applicable benefit plans.

As used herein, the term "Good Reason Event" means any of the following without your consent: (i) the Board requesting that you resign from the position of Executive Chairman (regardless of whether or not you remain on the Board) for a reason other than (x) your disability or (y) for Cause, (ii) a material diminution in your duties, position, authorities or responsibilities as Executive Chairman (including you no longer holding the position of Executive Chairman following a Change in Control); provided, that any alleged conflict with your duties, position, authorities or responsibilities and those of the Company's CEO shall not give rise to Good Reason, (iii) you no longer reporting directly to the full Board, or (iv) the breach in any material respect by the Company of any of its other obligations or agreements set forth in this Agreement so long as, in each case: (x) you provided the Company with a written notice detailing the specific circumstances alleged to constitute Good Reason within 90 days after the first occurrence of such circumstances, (y) the Company failed to cure such Good Reason event(s) within 30 days following receipt of such notice to cure such circumstances in all material respects, and (z) following the Company's failure to cure during the 30 day cure period, you terminate your position as Executive Chair (regardless of whether or not you remain on the Board) no later than 60 days after the expiration of such cure period.

As used herein, the term "Cause" means: (i) your commission of an act of fraud, embezzlement or similar dishonest act against any member of the Company or any customer, client or business associate of any member of the Company; (ii) Your conviction for any felony or crime of dishonesty (as determined by a court of competent jurisdiction, and which is not subject to further appeal); (iii) Any egregious or unwarranted conduct by you that materially discredits any member of the Company or is materially detrimental to the reputation or standing of any member of the Company; or (iv) Willful misconduct that is demonstrably deliberate on your part, or gross negligence.

As used herein, "Change in Control" shall have the meaning set forth in the Company's 2021 Equity Incentive Plan.

/s/ Brittani Cushman	3/29/2024
Brittani Cushman, General Counsel	**Date**

I agree to the terms and conditions of the offer set forth above.

/s/ David Glazek	3/29/2024
David Glazek	**Date**

Exhibit A

Release of Claims

Schedule A

You will be responsible for carrying out all duties and responsibilities associated with your position as Executive Chairman of the Company and will be expected to devote the majority of your working time and attention to the Company.

Exhibit 31.1

CERTIFICATIONS

I, Graham Purdy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Turning Point Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024 August 1, 2024

By: /s/ Graham Purdy
Graham Purdy
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Andrew Flynn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Turning Point Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024 August 1, 2024	By:	/s/ Andrew Flynn
		Andrew Flynn
		Chief Financial Officer
		(Principal Financial Officer)

Exhibit 31.3

CERTIFICATIONS

I, Brian Wigginton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Turning Point Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024 August 1, 2024	By:	/s/ Brian Wigginton
		Brian Wigginton
		Chief Accounting Officer

Exhibit 32.1

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Turning Point Brands, Inc. (the "Company") for the quarterly period ended March 31, 2024 June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Graham Purdy, President and Chief Executive Officer, Andrew Flynn, Chief Financial Officer, and Brian Wigginton, Chief Accounting Officer, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: May 2, 2024 August 1, 2024	By:	/s/ Graham Purdy
		Graham Purdy President and Chief Executive Officer (Principal Executive Officer)
Date: May 2, 2024 August 1, 2024	By:	/s/ Andrew Flynn
		Andrew Flynn Chief Financial Officer (Principal Financial Officer)
Date: May 2, 2024 August 1, 2024	By:	/s/ Brian Wigginton
		Brian Wigginton Chief Accounting Officer

DISCLAIMER