

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For The Quarterly Period Ended June 30, 2024

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

VECTOR GROUP LTD.

(Exact name of registrant as specified in its charter)

Delaware

1-5759

65-0949535

(State or other jurisdiction of incorporation
incorporation or organization)

Commission File Number

(I.R.S. Employer Identification No.)

**4400 Biscayne Boulevard
Miami, Florida 33137
305-579-8000**

(Address, including zip code and telephone number, including area code,
of the principal executive offices)

Securities Registered Pursuant to 12(b) of the Act:

Title of each class:	Trading	Name of each exchange
	Symbol(s)	on which registered:
Common stock, par value \$0.10 per share	VGR	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.

x Yes o 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 and post such files).

x Yes o No

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

Large accelerated filer 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. o

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

Yes x No

At August 1, 2024, Vector Group Ltd. had 157,375,597 shares of common stock outstanding.

VECTOR GROUP LTD.

FORM 10-Q

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VECTOR GROUP LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands, Except Per Share Amounts)

Unaudited

	June 30, 2024	December 31, 2023
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 390,758	\$ 268,600
Investment securities at fair value	140,983	110,935
Accounts receivable - trade, net	29,637	26,442
Inventories	105,132	91,959
Income taxes receivable, net	583	—
Other current assets	14,094	11,665
Total current assets	681,187	509,601
Property, plant and equipment, net	43,609	43,380
Long-term investments (includes \$29,435 and \$29,402 at fair value)	46,789	46,760
Investments in real estate ventures	116,849	131,497
Operating lease right-of-use assets	11,377	11,017
Intangible assets	107,511	107,511
Other assets	86,699	84,329
Total assets	<u>\$ 1,094,021</u>	<u>\$ 934,095</u>
LIABILITIES AND STOCKHOLDERS' DEFICIENCY:		
Current liabilities:		
Current portion of notes payable and long-term debt	\$ —	\$ 8
Current amounts due under the Master Settlement Agreement	131,200	8,812
Income taxes payable, net	—	717
Current operating lease liability	4,186	3,706
Other current liabilities	144,413	131,680
Total current liabilities	279,799	144,923
Notes payable, long-term debt and other obligations, less current portion	1,374,266	1,371,811
Non-current employee benefits	68,763	67,111
Deferred income taxes, net	53,897	57,970
Non-current operating lease liability	7,762	8,177
Amounts due under the Master Settlement Agreement	8,208	8,747
Other liabilities	14,672	17,170
Total liabilities	<u>1,807,367</u>	<u>1,675,909</u>
Commitments and contingencies (Note 6)		
Stockholders' deficiency:		
Preferred stock, par value \$1 per share, 10,000,000 shares authorized	—	—
Common stock, par value \$0.1 per share, 250,000,000 shares authorized, 157,377,564 and 155,978,020 shares issued and outstanding	15,738	15,598
Additional paid-in capital	14,508	11,384
Accumulated deficit	(730,793)	(755,883)
Accumulated other comprehensive loss	(12,799)	(12,913)
Total Vector Group Ltd. stockholders' deficiency	(713,346)	(741,814)
Total liabilities and stockholders' deficiency	<u>\$ 1,094,021</u>	<u>\$ 934,095</u>

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

VECTOR GROUP LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Amounts.)

Unaudited

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Revenues:				
Tobacco*	\$ 371,914	\$ 365,662	\$ 696,481	\$ 699,807
Expenses:				
Cost of sales:				
Tobacco*	244,594	248,984	462,495	481,270
Operating, selling, administrative and general expenses	29,461	26,930	58,155	54,222
Litigation settlement and judgment expense	73	18,105	264	18,375
Operating income	97,786	71,643	175,567	145,940
Other income (expenses):				
Interest expense	(26,583)	(27,124)	(54,032)	(54,598)
Loss on extinguishment of debt	—	(40)	—	(181)
Equity in (losses) earnings from investments	(641)	959	1,497	800
Equity in (losses) earnings from real estate ventures	(1,213)	2,954	(11,934)	1,061
Other, net	5,585	4,791	11,970	8,411
Income before provision for income taxes	74,934	53,183	123,068	101,433
Income tax expense	20,756	15,094	34,090	28,603
Net income	<u><u>\$ 54,178</u></u>	<u><u>\$ 38,089</u></u>	<u><u>\$ 88,978</u></u>	<u><u>\$ 72,830</u></u>
Per basic common share:				
Net income applicable to common shares	\$ 0.34	\$ 0.24	\$ 0.56	\$ 0.46
Per diluted common share:				
Net income applicable to common shares	\$ 0.34	\$ 0.24	\$ 0.56	\$ 0.46

* Revenues and cost of sales include federal excise taxes of \$120,452, \$126,750, \$226,275 and \$244,568 for the three and six months ended June 30, 2024 and 2023, respectively.

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

VECTOR GROUP LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in Thousands)
Unaudited

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Net income	\$ 54,178	\$ 38,089	\$ 88,978	\$ 72,830
Net unrealized (losses) gains on investment securities available for sale:				
Change in net unrealized losses	(129)	(237)	(387)	(426)
Net unrealized losses reclassified into net income	79	211	103	435
Net unrealized (losses) gains on investment securities available for sale	(50)	(26)	(284)	9
Net change in pension-related amounts:				
Amortization of loss	218	244	437	490
Net change in pension-related amounts	218	244	437	490
Other comprehensive income	168	218	153	499
Income tax effect on:				
Change in net unrealized losses on investment securities	32	60	97	109
Net unrealized losses reclassified into net income on investment securities	(20)	(54)	(26)	(112)
Pension-related amounts	(55)	(63)	(110)	(126)
Income tax provision on other comprehensive income	(43)	(57)	(39)	(129)
Other comprehensive income, net of tax	125	161	114	370
Comprehensive income	<u>\$ 54,303</u>	<u>\$ 38,250</u>	<u>\$ 89,092</u>	<u>\$ 73,200</u>

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

VECTOR GROUP LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY
(Dollars in Thousands, Except Share Amounts)

Unaudited

	Vector Group Ltd. Stockholders' Deficiency					
	Common Stock		Additional		Accumulated Other Comprehensive	
	Shares	Amount	Capital	Deficit	Loss	Total
Balance as of April 1, 2024	157,419,093	\$15,742	\$ 11,149	\$ (753,031)	\$ (12,924)	\$ (739,064)
Net income	—	—	—	54,178	—	54,178
Total other comprehensive income	—	—	—	—	125	125
Dividends on common stock (\$0.20 per share)	—	—	—	(31,940)	—	(31,940)
Withholding of shares as payment of payroll tax liabilities in connection with restricted stock vesting	(41,529)	(4)	(448)	—	—	(452)
Stock-based compensation	—	—	3,807	—	—	3,807
Balance as of June 30, 2024	<u>157,377,564</u>	<u>\$15,738</u>	<u>\$ 14,508</u>	<u>\$ (730,793)</u>	<u>\$ (12,799)</u>	<u>\$ (713,346)</u>

	Vector Group Ltd. Stockholders' Deficiency					
	Common Stock		Additional		Accumulated Other Comprehensive	
	Shares	Amount	Capital	Deficit	Loss	Total
Balance as of April 1, 2023	155,976,547	\$15,598	\$ 3,897	\$ (809,403)	\$ (15,864)	\$ (805,772)
Net income	—	—	—	38,089	—	38,089
Total other comprehensive income	—	—	—	—	161	161
Dividends on common stock (\$0.20 per share)	—	—	—	(31,755)	—	(31,755)
Withholding of shares as payment of payroll tax liabilities in connection with restricted stock vesting	(41,560)	(5)	(488)	—	—	(493)
Stock-based compensation	—	—	2,645	—	—	2,645
Balance as of June 30, 2023	<u>155,934,987</u>	<u>\$15,593</u>	<u>\$ 6,054</u>	<u>\$ (803,069)</u>	<u>\$ (15,703)</u>	<u>\$ (797,125)</u>

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

Vector Group Ltd. Stockholders' Deficiency

	Accumulated					
	Common Stock		Additional		Other	
	Shares	Amount	Capital	Accumulated Deficit	Loss	Total
Balance as of January 1, 2024	155,978,020	\$ 15,598	\$ 11,384	\$ (755,883)	\$ (12,913)	\$ (741,814)
Net income	—	—	—	88,978	—	88,978
Total other comprehensive income	—	—	—	—	114	114
Dividends on common stock (\$0.40 per share)	—	—	—	(63,888)	—	(63,888)
Restricted stock grants	1,745,000	175	(175)	—	—	—
Withholding of shares as payment of payroll tax liabilities in connection with restricted stock vesting	(345,456)	(35)	(3,822)	—	—	(3,857)
Stock-based compensation	—	—	7,121	—	—	7,121
Balance as of June 30, 2024	<u>157,377,564</u>	<u>\$ 15,738</u>	<u>\$ 14,508</u>	<u>\$ (730,793)</u>	<u>\$ (12,799)</u>	<u>\$ (713,346)</u>

Vector Group Ltd. Stockholders' Deficiency

	Accumulated					
	Common Stock		Additional		Other	
	Shares	Amount	Capital	Accumulated Deficit	Loss	Total
Balance as of January 1, 2023	154,840,902	\$ 15,484	\$ 5,092	\$ (812,380)	\$ (16,073)	\$ (807,877)
Net income	—	—	—	72,830	—	72,830
Total other comprehensive income	—	—	—	—	370	370
Dividends on common stock (\$0.40 per share)	—	—	—	(63,519)	—	(63,519)
Restricted stock grants	1,290,000	129	(129)	—	—	—
Withholding of shares as payment of payroll tax liabilities in connection with restricted stock vesting	(238,981)	(25)	(3,127)	—	—	(3,152)
Withholding of shares as payment of payroll tax liabilities in connection with exercise of stock options	(1,012,249)	(101)	(12,532)	—	—	(12,633)
Exercise of stock options	1,055,315	106	11,999	—	—	12,105
Stock-based compensation	—	—	4,751	—	—	4,751
Balance as of June 30, 2023	<u>155,934,987</u>	<u>\$ 15,593</u>	<u>\$ 6,054</u>	<u>\$ (803,069)</u>	<u>\$ (15,703)</u>	<u>\$ (797,125)</u>

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

VECTOR GROUP LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
Unaudited

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 88,978	\$ 72,830
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,262	3,423
Non-cash stock-based expense	7,121	4,751
Loss on extinguishment of debt	—	181
Deferred income taxes	(4,074)	2,227
Equity in earnings from investments	(1,497)	(800)
Net gains on investment securities	(1,018)	(207)
Equity in losses (earnings) from real estate ventures	11,934	(1,061)
Distributions from real estate ventures	329	3,954
Non-cash interest expense	1,096	1,392
Non-cash lease expense	1,633	1,710
Changes in assets and liabilities:		
Receivables	(3,195)	6,316
Inventories	(13,173)	(6,268)
Accounts payable and accrued liabilities	8,939	(1,028)
Amounts due under the Master Settlement Agreement	121,849	118,868
Litigation accruals	419	18,643
Other assets and liabilities, net	(7,282)	(6,713)
Net cash provided by operating activities	\$ 215,321	\$ 218,218

VECTOR GROUP LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)

	Six Months Ended June 30,	
	2024	2023
Cash flows from investing activities:		
Sale of investment securities	\$ 427	\$ 9,505
Maturities of investment securities	23,550	39,764
Purchase of investment securities	(53,317)	(48,726)
Proceeds from sale or liquidation of long-term investments	4,750	—
Purchase of long-term investments	(2,000)	(5,088)
Investments in real estate ventures	(5,220)	(5,281)
Distributions from investments in real estate ventures	10,029	4,109
Increase in cash surrender value of life insurance policies	(1,329)	(1,109)
Increase in restricted assets	(15)	(18)
Capital expenditures	(3,387)	(7,790)
Paydowns of investment securities	40	65
Net cash used in investing activities	<u>(26,472)</u>	<u>(14,569)</u>
Cash flows from financing activities:		
Repurchase and repayments of debt	(8)	(8,412)
Borrowings under revolving credit facility	299	87,429
Repayments on revolving credit facility	(299)	(109,460)
Dividends on common stock	(63,457)	(63,200)
Withholding of shares as payment of payroll tax liabilities in connection with restricted stock vesting and exercise of stock options	(3,857)	(3,680)
Net cash used in financing activities	<u>(67,322)</u>	<u>(97,323)</u>
Net increase in cash, cash equivalents and restricted cash	121,527	106,326
Cash, cash equivalents and restricted cash, beginning of period	<u>270,106</u>	<u>250,374</u>
Cash, cash equivalents and restricted cash, end of period	<u>\$ 391,633</u>	<u>\$ 356,700</u>

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

VECTOR GROUP LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Presentation:**

The condensed consolidated financial statements of Vector Group Ltd. (the "Company" or "Vector") include the accounts of Liggett Group LLC ("Liggett"), Vector Tobacco LLC ("Vector Tobacco"), Liggett Vector Brands LLC ("Liggett Vector Brands"), New Valley LLC ("New Valley") and other less significant subsidiaries. All significant intercompany balances and transactions have been eliminated.

Liggett and Vector Tobacco are engaged in the manufacture and sale of cigarettes in the United States. Liggett Vector Brands coordinates Liggett and Vector Tobacco's sales and marketing efforts. Certain references to "Liggett" refer to the Company's tobacco operations, including the business of Liggett and Vector Tobacco, unless otherwise specified. New Valley is engaged in the real estate business.

The unaudited, interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and, in management's opinion, contain all adjustments, consisting only of normal recurring items, necessary for a fair statement of the results for the periods presented. Accordingly, they do not include all information and footnotes required by U.S. GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission ("SEC"). The consolidated results of operations for interim periods should not be regarded as necessarily indicative of the results that may be expected for the entire year.

(b) **Distributions and Dividends on Common Stock:**

The Company records distributions on its common stock as dividends in its condensed consolidated statements of stockholders' deficiency to the extent of retained earnings and net income for the respective fiscal year. Any amounts exceeding retained earnings and net income are recorded as a reduction to additional paid-in capital to the extent paid-in-capital is available and then to accumulated deficit.

(c) **Earnings Per Share ("EPS"):**

Net income for purposes of determining basic and diluted EPS applicable to common shares was as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Net income	\$ 54,178	\$ 38,089	\$ 88,978	\$ 72,830
Income attributable to participating securities	(1,355)	(1,043)	(2,256)	(1,973)
Net income available to common stockholders	<u>\$ 52,823</u>	<u>\$ 37,046</u>	<u>\$ 86,722</u>	<u>\$ 70,857</u>

Basic and diluted EPS were calculated using the following common shares:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Weighted-average shares for basic EPS	153,740,654	153,214,347	153,595,959	153,114,197
Incremental shares related to stock options and non-vested restricted stock	229,116	109,203	211,087	129,085
Weighted-average shares for diluted EPS	<u>153,969,770</u>	<u>153,323,550</u>	<u>153,807,046</u>	<u>153,243,282</u>

The following non-vested restricted stock was outstanding during the three and six months ended June 30, 2024 and 2023, respectively, and was not included in the computation of diluted EPS because the impact of the per share expense associated

VECTOR GROUP LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

with the non-vested restricted stock was greater than the average market price of the common shares during the respective periods.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Weighted-average shares of non-vested restricted stock	375,000	—	412,775	—
Weighted-average expense per share	\$ 12.90	\$ —	\$ 12.90	\$ —

(d) Other, net:

Other, net consisted of:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Interest and dividend income	\$ 6,028	\$ 4,916	\$ 11,487	\$ 8,851
Net (losses) gains recognized on investment securities	(178)	213	1,018	207
Net periodic benefit cost other than the service costs	(267)	(339)	(535)	(678)
Other income	2	1	—	31
Other, net	<u>\$ 5,585</u>	<u>\$ 4,791</u>	<u>\$ 11,970</u>	<u>\$ 8,411</u>

(e) Other Assets:

Other assets consisted of:

	June 30,		December 31, 2023
	2024	2023	
Restricted assets	\$ 985	\$ 1,619	
Prepaid pension costs	46,725	45,292	
Other assets	38,989	37,418	
Total other assets	<u>\$ 86,699</u>	<u>\$ 84,329</u>	

VECTOR GROUP LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

(f) Other Current Liabilities:

Other current liabilities consisted of:

	June 30, 2024	December 31, 2023
Accounts payable	\$ 6,148	\$ 6,749
Accrued promotional expenses	58,067	51,146
Accrued excise and payroll taxes payable, net	17,386	13,144
Accrued interest	30,041	30,041
Accrued salaries and benefits	7,811	10,952
Allowance for sales returns	13,614	12,675
Other current liabilities	11,346	6,973
Total other current liabilities	<u>\$ 144,413</u>	<u>\$ 131,680</u>

(g) Reconciliation of Cash, Cash Equivalents and Restricted Cash:

The components of "Cash, cash equivalents and restricted cash" in the condensed consolidated statements of cash flows were as follows:

	June 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 390,758	\$ 268,600
Restricted cash and cash equivalents included in other assets	875	1,506
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	<u>\$ 391,633</u>	<u>\$ 270,106</u>

(h) Related Party Transactions:

Agreements with Douglas Elliman. The Company received \$1,050 and \$2,100 under the Transition Services Agreement for the three and six months ended June 30, 2024 and 2023, respectively, and \$1,000 and \$1,595 under the Aircraft Lease Agreements for the three and six months ended June 30, 2024 and \$734 and \$1,296 for the three and six months ended June 30, 2023, respectively.

Real estate venture investments. Douglas Elliman has been engaged by the developers as the sole broker or the co-broker for several of the real estate development projects that New Valley owns an interest in through its real estate venture investments. Douglas Elliman had gross commissions from these projects of approximately \$793 and \$2,017 for the three and six months ended June 30, 2024 and \$ 0 and \$842 for the three and six months ended June 30, 2023.

(i) New Accounting Pronouncements:

ASUs to be adopted in future periods:

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740), Improvements to Income Tax Disclosures*. The ASU requires that all public entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold. The ASU is effective for annual periods beginning after December 15, 2024. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures*. The ASU requires that all public entities improve the reportable segment disclosure primarily through enhanced disclosures about significant segment expenses. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods beginning after December 15, 2024. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

VECTOR GROUP LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

SEC Rule Changes:

On March 6, 2024, the SEC passed rule changes that will require registrants to provide certain climate-related information in their registration statements and annual reports. The rules require information about a registrant's climate-related risks that are reasonably likely to have a material impact on its business, results of operations, or financial condition. The required information about climate-related risks will also include disclosure of a registrant's greenhouse gas emissions. In addition, the rules will require registrants to present certain climate-related financial metrics in their audited financial statements. On April 4, 2024, the SEC voluntarily stayed the rules pending the resolution of certain legal challenges. The Company is currently evaluating the impact of the rule changes.

2. INVENTORIES

Inventories consisted of:

	June 30, 2024	December 31, 2023
Leaf tobacco	\$ 57,852	\$ 46,190
Other raw materials	10,463	9,372
Work-in-process	973	814
Finished goods	67,786	65,295
	<hr/>	<hr/>
Inventories at current cost	137,074	121,671
	<hr/>	<hr/>
LIFO adjustments:		
Leaf tobacco	(21,616)	(19,941)
Other raw materials	(2,636)	(2,411)
Work-in-process	(110)	(105)
Finished goods	(7,580)	(7,255)
	<hr/>	<hr/>
Total LIFO adjustments	(31,942)	(29,712)
	<hr/>	<hr/>
	\$ 105,132	\$ 91,959
	<u><u></u></u>	<u><u></u></u>

All inventories as of June 30, 2024 and December 31, 2023 are reported under the LIFO method.

The amount of capitalized Master Settlement Agreement ("MSA") cost in "Finished goods" inventory was \$ 23,731 and \$22,988 as of June 30, 2024 and December 31, 2023, respectively. Federal excise tax capitalized in inventory was \$25,193 and \$25,151 as of June 30, 2024 and December 31, 2023, respectively.

At June 30, 2024, Liggett had tobacco purchase commitments of approximately \$ 31,363. Liggett has a single-source supply agreement for reduced ignition propensity cigarette paper through December 2025.

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3. INVESTMENT SECURITIES

Investment securities consisted of the following:

	June 30, 2024	December 31, 2023
Debt securities available for sale	\$ 102,849	\$ 73,225
Equity securities at fair value:		
Marketable equity securities	14,103	14,286
Mutual funds invested in debt securities	24,031	23,424
Long-term investment securities at fair value ⁽¹⁾	29,435	29,402
Total equity securities at fair value	<u>67,569</u>	<u>67,112</u>
Total investment securities at fair value	170,418	140,337
Less:		
Long-term investment securities at fair value ⁽¹⁾	29,435	29,402
Current investment securities at fair value	<u>\$ 140,983</u>	<u>\$ 110,935</u>
Long-term investment securities at fair value ⁽¹⁾	\$ 29,435	\$ 29,402
Equity-method investments	17,354	17,358
Total long-term investments	<u>\$ 46,789</u>	<u>\$ 46,760</u>
Equity securities and other long-term investments at cost ⁽²⁾	\$ 7,555	\$ 7,555

⁽¹⁾ These assets are measured at net asset value ("NAV") as a practical expedient under ASC 820.

⁽²⁾ These assets are without readily determinable fair values that do not qualify for the NAV practical expedient and are included in Other assets on the condensed consolidated balance sheets.

Net (losses) gains recognized on investment securities were as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Net (losses) gains recognized on equity securities	\$ (99)	\$ 424	\$ 1,121	\$ 642
Net gains (losses) recognized on debt securities available for sale	—	1	1	(179)
Impairment expense	(79)	(212)	(104)	(256)
Net (losses) gains recognized on investment securities	<u>\$ (178)</u>	<u>\$ 213</u>	<u>\$ 1,018</u>	<u>\$ 207</u>

(a) Debt Securities Available for Sale:

The components of debt securities available for sale as of June 30, 2024 were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	2024	2023	2024	2023
Marketable debt securities	\$ 102,843	\$ 6	—	\$ 102,849

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The table below summarizes the maturity dates of debt securities available for sale as of June 30, 2024.

<u>Investment Type:</u>	<u>Fair Value</u>	<u>Under 1 Year</u>	<u>1 Year up to 5 Years</u>	<u>More than 5 Years</u>
U.S. government securities	\$ 73,924	\$ 39,145	\$ 34,779	\$ —
Corporate securities	6,516	6,516	—	—
U.S. mortgage-backed securities	7,068	6,970	98	—
Commercial paper	15,341	15,341	—	—
Total debt securities available for sale by maturity dates	\$ 102,849	\$ 67,972	\$ 34,877	\$ —

The components of debt securities available for sale at December 31, 2023 were as follows:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Marketable debt securities	\$ 72,939	\$ 286	\$ —	\$ 73,225

There were no available-for-sale debt securities with continuous unrealized losses for less than 12 months and 12 months or greater as of June 30, 2024 and December 31, 2023, respectively.

Gross realized gains and losses on debt securities available for sale were as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Gross realized gains on sales	\$ —	\$ 1	\$ 1	\$ 5
Gross realized losses on sales	—	—	—	(184)
Net gains (losses) recognized on debt securities available for sale	\$ —	\$ 1	\$ 1	\$ (179)
Impairment expense	\$ (79)	\$ (212)	\$ (104)	\$ (256)

Although management does not have the intent to sell any specific securities at the end of the period, in the ordinary course of managing the Company's investment securities portfolio, management may sell securities prior to their maturities for a variety of reasons, including diversification, credit quality, yield and liquidity requirements.

(b) Equity Securities at Fair Value:

The following is a summary of unrealized and realized net gains recognized in net income on equity securities at fair value during the three and six months ended June 30, 2024 and 2023, respectively:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Net (losses) gains recognized on equity securities	\$ (99)	\$ 424	\$ 1,121	\$ 64
Less: Net (losses) gains recognized on equity securities sold	(22)	155	73	27
Net unrealized (losses) gains recognized on equity securities still held at the reporting date	\$ (77)	\$ 269	\$ 1,048	\$ 31

The Company's investments in mutual funds that invest in debt securities are classified as Level 1 under the fair value hierarchy disclosed in Note 8. Their fair values are based on quoted prices for identical assets in active markets or inputs that

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are based upon quoted prices for similar instruments in active markets. The Company has unfunded commitments of \$ 303 related to long-term investment securities at fair value as of June 30, 2024.

The Company received \$4,750 of cash distributions for the six months ended June 30, 2024 and no cash distributions for the six months ended June 30, 2023. The Company recorded \$151 of in-transit redemptions as of June 30, 2024. The Company classified all cash distributions as investing cash inflows.

(c) Equity-Method Investments:

Equity-method investments consisted of the following:

	June 30, 2024	December 31, 2023
Mutual fund and hedge funds	\$ 17,354	\$ 17,358

On June 30, 2024, the Company's ownership percentages in the mutual fund and hedge funds accounted for under the equity method ranged from 8.13% to 35.89%. The Company's ownership percentage in these investments meets the threshold for equity-method accounting.

Equity in (losses) earnings from investments were:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Mutual fund and hedge funds	\$ (641)	\$ 959	\$ 1,497	\$ 800

(d) Equity Securities and Other Long-Term Investments Without Readily Determinable Fair Values That Do Not Qualify for the NAV Practical Expedient

Equity securities and other long-term investments without readily determinable fair values that do not qualify for the NAV practical expedient consisted of profit participation agreements and investments in various limited liability companies. The total carrying value of these investments without readily determinable fair values that do not qualify for the NAV practical expedient was \$7,555 as of June 30, 2024 and December 31, 2023, and was included in "Other assets" on the condensed consolidated balance sheets. No impairment or other adjustments related to observable price changes in orderly transactions for identical or similar investments were identified for the three and six months ended June 30, 2024 and 2023, respectively.

4. NEW VALLEY LLC

Investments in real estate ventures:

The components of "Investments in real estate ventures" were as follows:

	Range of Ownership ⁽¹⁾	June 30, 2024	December 31, 2023
Residential and Mixed-Use Development	4.1% - 77.8%	\$ 93,976	108,334
Commercial Buildings	1.5% - 50.0%	6,285	7,791
Commercial	0.4% - 49.0%	5	138
Investments in real estate ventures	1.6% - 49.0%	16,583	15,234
	\$ 116,849	\$ 131,497	

⁽¹⁾ The Range of Ownership reflects New Valley's estimated current ownership percentage. New Valley's actual ownership percentage as well as the percentage of earnings and cash distributions may ultimately differ because of a number of factors including potential dilution, financing or admission of additional partners.

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Contributions:

The components of New Valley's contributions to its investments in real estate ventures were as follows:

	Six Months Ended		2023
	June 30,	2024	
Condominium and Mixed-Use Development	\$ 3,649	\$ 5,166	
Apartment Buildings	249	115	
Hotels	57	—	
Commercial	1,265	—	
Total contributions	\$ 5,220	\$ 5,281	

For ventures where New Valley previously held an investment and made an additional contribution, New Valley contributed its proportionate share of additional capital along with contributions by the other investment partners during the six months ended June 30, 2024 and 2023. New Valley's direct investment percentage in its existing ventures did not significantly change.

Distributions:

The components of distributions received by New Valley from its investments in real estate ventures were as follows:

	Six Months Ended		2023
	June 30,	2024	
Condominium and Mixed-Use Development	\$ 10,029	\$ 7,883	
Commercial	329	179	
Total distributions	\$ 10,358	\$ 8,062	

Of the distributions received by New Valley from its investment in real estate ventures, \$ 329 and \$3,954 were from distributions of earnings for the six months ended June 30, 2024 and 2023, respectively, and \$10,029 and \$4,109 were a return of capital for the six months ended June 30, 2024 and 2023, respectively. Distributions from earnings are included in cash from operations in the condensed consolidated statements of cash flows, while distributions from return of capital are included in cash flows from investing activities in the condensed consolidated statements of cash flows.

Equity in (Losses) Earnings from Real Estate Ventures:

New Valley recognized equity in (losses) earnings from real estate ventures as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Condominium and Mixed-Use Development	\$ (441)	\$ 3,516	\$ (10,401)	\$ 4,163
Apartment Buildings	(541)	(410)	(1,756)	(1,609)
Hotels	(26)	(171)	(189)	(2,094)
Commercial	(205)	19	412	601
Equity in (losses) earnings from real estate ventures	\$ (1,213)	\$ 2,954	\$ (11,934)	\$ 1,061

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The Company recorded impairment expense of \$0 and \$7,030 for the three and six months ended June 30, 2024, respectively. The expense related to two ventures, which were condominium and mixed-use development ventures. The Company recorded impairment expense of \$ 0 and \$1,202 for the three and six months ended June 30, 2023, which related to one hotel venture. These ventures were recorded at fair value when the impairment charges were recorded.

VIE Consideration:

The Company has determined that the entities in the real estate ventures were variable interest entities ("VIEs") and New Valley was not the primary beneficiary. Therefore, New Valley's investment in such real estate ventures has been accounted for under the equity method of accounting.

Maximum Exposure to Loss:

New Valley's maximum exposure to loss from its investments in real estate ventures consisted of the net carrying value of the venture adjusted for any future capital commitments and/or guarantee arrangements. The maximum exposure to loss was as follows:

	June 30, 2024
Condominium and Mixed-Use Development	\$ 93,976
Apartment Buildings	6,285
Hotels	5
Commercial	16,583
Total maximum exposure to loss	\$ 116,849

New Valley capitalized \$1,233 and \$2,424 of interest costs into the carrying value of its ventures whose projects were currently under development for the three and six months ended June 30, 2024, respectively. New Valley capitalized \$1,071 and \$2,128 of interest costs into the carrying value of its ventures whose projects were currently under development for the three and six months ended June 30, 2023, respectively.

5. NOTES PAYABLE, LONG-TERM DEBT AND OTHER OBLIGATIONS

Notes payable, long-term debt and other obligations consisted of:

	June 30, 2024	December 31, 2023
ctor:		
5.75% Senior Secured Notes due 2029	\$ 875,000	875,000
0.5% Senior Notes due 2026, net of unamortized discount of \$1,453 and \$1,719	517,239	516,973
gett:		
Equipment loans	—	8
tes payable, long-term debt and other obligations	1,392,239	1,391,981
is:		
Debt issuance costs	(17,973)	(20,162)
al notes payable, long-term debt and other obligations	1,374,266	1,371,819
is:		
Current maturities	—	(8)
ount due after one year	\$ 1,374,266	1,371,811

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5.75% Senior Secured Notes due 2029 — Vector :

As of June 30, 2024, the Company was in compliance with all debt covenants related to its 5.75% Senior Secured Notes due 2029.

10.5% Senior Notes due 2026 — Vector :

During March and April 2023, the Company repurchased in the market \$ 8,352 in aggregate principal amount of its 10.5% Senior Notes outstanding and recorded a loss of \$40 and \$181 associated with the repurchase for the three and six months ended June 30, 2023, respectively. The 10.5% Senior Notes that were repurchased have been retired.

As of June 30, 2024, the Company was in compliance with all debt covenants related to its 10.5% Senior Notes due 2026.

Revolving Credit Agreement — Liggett :

Liggett, 100 Maple LLC ("Maple"), a subsidiary of Liggett, and Vector Tobacco are party to the Credit Agreement with Wells Fargo, as agent and lender, which provides a maximum credit line of \$90,000 and matures on March 22, 2026.

Loans under the Credit Agreement bear interest at a rate equal to, at the borrower's option, (a) the base rate, (b) Term SOFR for the applicable interest period plus 2.25% or (c) Daily Simple SOFR plus 2.25%, where "SOFR" means the Secured Overnight Financing Rate. The interest rate as of June 30, 2024 was 7.56%. An unused line fee is also payable on the average undrawn commitments at a rate of 0.25%, regardless of the amount borrowed under the facility.

As of June 30, 2024, there was no outstanding balance due under the Credit Agreement. Availability, as determined under the Credit Agreement, was approximately \$89,600 based on eligible collateral on June 30, 2024. As of June 30, 2024, Liggett, Maple, and Vector Tobacco were in compliance with all debt covenants under the Credit Agreement.

Non-Cash Interest Expense — Vector:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Amortization of debt discount, net	\$ 135	\$ 121	\$ 266	\$ 238
Amortization of debt issuance costs	1,157	1,082	2,290	2,150
Loss on repurchase of 10.5% Senior Notes	—	40	—	181
Total non-cash interest expense	<u>\$ 1,292</u>	<u>\$ 1,243</u>	<u>\$ 2,556</u>	<u>\$ 2,569</u>

Fair Value of Notes Payable and Long-Term Debt:

	June 30, 2024		December 31, 2023	
	Carrying		Fair	
	Value	Value	Value	Value
5.75% Senior Secured Notes due 2029	\$ 875,000	\$ 818,589	\$ 875,000	\$ 800,126
10.5% Senior Notes due 2026	517,239	523,599	516,973	522,194
Liggett and other	—	—	8	8
Notes payable and long-term debt	<u>\$ 1,392,239</u>	<u>\$ 1,342,188</u>	<u>\$ 1,391,981</u>	<u>\$ 1,322,328</u>

Notes payable and long-term debt are recorded on the condensed consolidated balance sheets at amortized cost. The fair value determinations disclosed above would be classified as Level 2 under the fair value hierarchy disclosed in Note 8 if such liabilities were recorded on the condensed consolidated balance sheets at fair value. The estimated fair value of the Company's notes payable and long-term debt has been determined by the Company using available market information and appropriate valuation methodologies including the evaluation of the Company's credit risk. The Company used a derived price based upon quoted market prices and trade activity as of June 30, 2024 to determine the fair value of its publicly traded notes and debentures. The carrying value of the Credit Agreement is equal to fair value. The fair value of the equipment loans was determined by calculating the present value of the required future cash flows. However, considerable judgment is required to

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develop the estimates of fair value and, accordingly, the estimate presented herein is not necessarily indicative of the amount that could be realized in a current market exchange.

6. CONTINGENCIES

Tobacco-Related Litigation:

Overview. Since 1954, Liggett and other United States cigarette manufacturers have been named as defendants in numerous direct, third-party and purported class actions predicated on the theory that cigarette manufacturers should be liable for damages alleged to have been caused by cigarette smoking or by exposure to secondary smoke from cigarettes. The cases have generally fallen into the following categories: (i) smoking and health cases alleging personal injury brought on behalf of individual plaintiffs ("Individual Actions"); (ii) lawsuits by individuals requesting the benefit of the *Engle* ruling ("Engle progeny cases"); (iii) smoking and health cases primarily alleging personal injury or seeking court-supervised programs for ongoing medical monitoring, as well as cases alleging that use of the terms "lights" and/or "ultra lights" constitutes a deceptive and unfair trade practice, common law fraud or violation of federal law, purporting to be brought on behalf of a class of individual plaintiffs ("Class Actions"); and (iv) health care cost recovery actions brought by various foreign and domestic governmental plaintiffs and non-governmental plaintiffs seeking reimbursement for health care expenditures allegedly caused by cigarette smoking and/or disgorgement of profits ("Health Care Cost Recovery Actions"). The future financial impact of the risks and expenses of litigation are not quantifiable. For the six months ended June 30, 2024 and 2023, Liggett incurred tobacco product liability legal expenses and costs totaling \$4,115 and \$4,306, respectively. Legal defense costs are expensed as incurred.

Litigation is subject to uncertainty and it is possible there could be adverse developments in pending cases. With the commencement of new cases, the defense costs and the risks relating to the unpredictability of litigation increase. Management reviews on a quarterly basis with counsel all pending litigation and evaluates the probability of a loss being incurred and whether an estimate can be made of the possible loss or range of loss that could result from an unfavorable outcome. An unfavorable outcome or settlement of pending tobacco-related litigation could encourage the commencement of additional litigation. Damages awarded in tobacco-related litigation can be significant.

Bonds. Although Liggett has been able to obtain required bonds or relief from bonding requirements to prevent plaintiffs from seeking to collect judgments while adverse verdicts are on appeal, there remains a risk that such relief may not be obtainable in all cases. This risk has been reduced given that a majority of states now limit the dollar amount of bonds or require no bond at all. As of June 30, 2024, there are no litigation bonds posted.

Accounting Policy. The Company and its subsidiaries record provisions in their consolidated financial statements for pending litigation when they determine that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. At the present time, while it is reasonably possible that an unfavorable outcome in a case may occur, except as discussed in this Note 6: (i) management has concluded that it is not probable that a loss has been incurred in any of the pending tobacco-related cases; or (ii) management is unable to reasonably estimate the possible loss or range of loss that could result from an unfavorable outcome of any of the pending tobacco-related cases and, therefore, management has not provided any amounts in the condensed consolidated financial statements for unfavorable outcomes, if any.

Although Liggett has generally been successful in managing the litigation filed against it, litigation is subject to uncertainty and significant challenges remain. There can be no assurances that Liggett's past litigation experience will be representative of future results. Judgments have been entered against Liggett in the past, in Individual Actions and *Engle* progeny cases, and several of those judgments were affirmed on appeal and satisfied by Liggett. It is possible that the consolidated financial position, results of operations and cash flows of the Company could be materially adversely affected by an unfavorable outcome or settlement of any of the remaining smoking-related litigation. Liggett believes, and has been so advised by counsel, that it has valid defenses to the litigation pending against it. All such cases are and will continue to be vigorously defended. Liggett has entered into settlement discussions in individual cases or groups of cases where Liggett has determined it was in its best interest to do so, and it may continue to do so in the future. As cases proceed through the appellate process, the Company will consider accruals on a case-by-case basis if an unfavorable outcome becomes probable and the amount can be reasonably estimated.

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Individual Actions

As of June 30, 2024, there were 97 Individual Actions pending against Liggett, where one or more individual plaintiffs allege injury resulting from cigarette smoking, addiction to cigarette smoking or exposure to secondary smoke and seek compensatory and, in some cases, punitive damages. These cases do not include the remaining *Engle* progeny cases. The following table lists the number of Individual Actions by state:

<u>State</u>	<u>Number of Cases</u>
Massachusetts	46 *
Illinois	22
Oregon	7
Florida	7
US Virgin Islands - St. Croix	5
Nevada	4
Louisiana	2
New Mexico	2
Hawaii	1
California	1

* In addition to the active lawsuits pending in Massachusetts, Liggett has received 82 notices of intent to initiate litigation under the Massachusetts Consumer Protection Act, Chapter 93 A. Under Chapter 93 A, consumers must serve a 30-day demand letter (the "Demand") before filing a complaint alleging unfair or deceptive business practices. The Demand must include an offer of settlement and the business served with the Demand is required to make a "reasonable" counteroffer within 30-days. Chapter 93 A contains a legal fee shifting provision. Liggett is in the process of investigating these claims and complying with the procedural requirements of Chapter 93 A. Of the 82 claims, Liggett has determined that the vast majority never used a brand manufactured by Liggett.

The plaintiffs' allegations of liability in cases in which individuals seek recovery for injuries allegedly caused by cigarette smoking are based on various theories of recovery, including negligence, gross negligence, breach of special duty, strict liability, fraud, concealment, misrepresentation, design defect, failure to warn, breach of express and implied warranties, conspiracy, aiding and abetting, concert of action, unjust enrichment, common law public nuisance, property damage, invasion of privacy, mental anguish, emotional distress, disability, shock, indemnity, violations of deceptive trade practice laws, the federal Racketeer Influenced and Corrupt Organizations Act ("RICO"), state RICO statutes and antitrust statutes. In many of these cases, in addition to compensatory damages, plaintiffs also seek other forms of relief including treble/multiple damages, medical monitoring, disgorgement of profits, punitive damages and attorneys' fees. Although alleged damages often are not determinable from a complaint, and the law governing the pleading and calculation of damages varies from state to state and jurisdiction to jurisdiction, compensatory and punitive damages have been specifically pleaded in a number of cases, sometimes in amounts ranging into the hundreds of millions and even billions of dollars.

Defenses raised in Individual Actions include lack of proximate cause, assumption of the risk, comparative fault and/or contributory negligence, lack of design defect, statute of limitations, statute of repose, equitable defenses such as "unclean hands" and lack of benefit, failure to state a claim and federal preemption.

Engle Progeny Cases

In May 1994, the *Engle* case was filed as a class action against Liggett and others in Miami-Dade County, Florida. The class consisted of all Florida residents who, by November 21, 1996, "have suffered, presently suffer or have died from diseases and medical conditions caused by their addiction to cigarette smoking." A trial was held and the jury returned a verdict adverse to the defendants (approximately \$145,000,000 in punitive damages, including \$790,000 against Liggett). Following an appeal to the Third District Court of Appeal, the Florida Supreme Court in July 2006 decertified the class on a prospective basis and affirmed the appellate court's reversal of the punitive damages award. Former class members had until January 2008 to file individual lawsuits. As a result, Liggett and the Company, and other cigarette manufacturers, were sued in thousands of *Engle* progeny cases in both federal and state courts in Florida.

Cautionary Statement About *Engle* Progeny Cases. Since 2009, judgments have been entered against Liggett and other cigarette manufacturers in *Engle* progeny cases. A number of the judgments were affirmed on appeal and satisfied by the defendants. As of June 30, 2024, 25 *Engle* progeny cases, where Liggett was a defendant at trial, resulted in verdicts. There

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have been 16 verdicts returned in favor of the plaintiffs and nine in favor of Liggett. In five of the cases, punitive damages were awarded against Liggett. As of June 30, 2024, six *Engle* progeny cases, on behalf of nine plaintiffs, remain pending in state court.

Engle Progeny Settlements.

In October 2013, the Company and Liggett entered into a settlement with approximately 4,900 *Engle* progeny plaintiffs and their counsel. Pursuant to the terms of the settlement, Liggett agreed to pay a total of approximately \$110,000, with \$61,600 paid in an initial lump sum and the balance to be paid in installments over 14 years starting in February 2015. The Company's future payments will be approximately \$ 4,000 per annum through 2028, including an annual cost of living increase that began in 2021. In exchange, the claims of these plaintiffs were dismissed with prejudice against the Company and Liggett.

Liggett Only Cases

As of June 30, 2024, there were three cases pending where Liggett is the sole defendant: *Cowart* and *Cunningham* are Individual Actions and *Forbing* is an *Engle* progeny case. It is possible that cases where Liggett is the only defendant could increase.

Upcoming Trials

As of June 30, 2024, there were six Individual Actions (*Cain*, *Gerace*, *Goodwin*, *Kanuha*, *Malevitis* and *Morton*) scheduled for trial through June 30, 2025, where Liggett is a named defendant. Trial dates are subject to change and additional cases could be set for trial during this time.

City of Baltimore

In December 2022, the Mayor and City Council of Baltimore sued Liggett and others, claiming, among other things, that defendants' failure to use biodegradable filters on their cigarette products resulted in littering by smokers of the city's streets, sidewalks, beaches, parks, lawns and waterways, which in turn resulted in contamination of the soil and water, increased costs of clean-up and disposal of this litter, as well as the reduction of property values and tourism to the city. Plaintiffs seek compensatory damages, punitive damages, penalties, fines, disgorgement of profits and equitable relief.

Class Actions

As of June 30, 2024, two actions were pending for which either a class had been certified or plaintiffs were seeking class certification where Liggett is a named defendant. Other cigarette manufacturers are also named in these two cases.

In November 1997, in *Young v. American Tobacco Co.*, a purported class action was brought on behalf of plaintiff and all similarly situated residents in Louisiana who, though not themselves cigarette smokers, allege they were exposed to and suffered injury from secondhand smoke from cigarettes. The plaintiffs seek an unspecified amount of compensatory and punitive damages. The case has been stayed since March 2016 pending completion of the smoking cessation program ordered by the court in *Scott v. The American Tobacco Co.*

In February 1998, in *Parsons v. AC & S Inc.*, a purported class action was brought on behalf of plaintiff and all West Virginia residents who allegedly have claims arising from their exposure to cigarette smoke and asbestos fibers and seeks compensatory and punitive damages. The case has been stayed since December 2000 as a result of bankruptcy petitions filed by three co-defendants.

Plaintiffs' allegations of liability in class action cases are based on various theories of recovery, including negligence, gross negligence, strict liability, fraud, misrepresentation, design defect, failure to warn, nuisance, breach of express and implied warranties, breach of special duty, conspiracy, concert of action, violation of deceptive trade practice laws and consumer protection statutes and claims under the federal and state anti-racketeering statutes. Plaintiffs in the class actions seek various forms of relief, including compensatory and punitive damages, treble/multiple damages and other statutory damages and penalties, creation of medical monitoring and smoking cessation funds, disgorgement of profits, and injunctive and equitable relief.

Defenses raised in these cases include, among others, lack of proximate cause, individual issues predominate, assumption of the risk, comparative fault and/or contributory negligence, statute of limitations and federal preemption.

Health Care Cost Recovery Actions

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As of June 30, 2024, one Health Care Cost Recovery Action was pending against Liggett where the plaintiff seeks to recover damages from Liggett and other cigarette manufacturers based on various theories of recovery as a result of alleged sales of tobacco products to minors. The case is dormant.

The claims asserted in health care cost recovery actions vary, but can include the equitable claim of indemnity, common law claims of negligence, strict liability, breach of express and implied warranty, breach of special duty, fraud, negligent misrepresentation, conspiracy, public nuisance, claims under state and federal statutes governing consumer fraud, antitrust, deceptive trade practices and false advertising, and claims under RICO. Although no specific damage amounts are typically pleaded, it is possible that requested damages might be in the billions of dollars. In these cases, plaintiffs have asserted equitable claims that the tobacco industry was "unjustly enriched" by their payment of health care costs allegedly attributable to smoking and seek reimbursement of those costs. Relief sought by some, but not all, plaintiffs include punitive damages, multiple damages and other statutory damages and penalties, injunctions prohibiting alleged marketing and sales to minors, disclosure of research, disgorgement of profits, funding of anti-smoking programs, additional disclosure of nicotine yields, and payment of attorney and expert witness fees.

MSA and Other State Settlement Agreements

In March 1996, March 1997 and March 1998, Liggett entered into settlements of smoking-related litigation with 45 states and territories. The settlements released Liggett from all smoking-related claims made by those states and territories, including claims for health care cost reimbursement and claims concerning sales of cigarettes to minors.

In November 1998, Philip Morris, R.J. Reynolds and two other companies (the "Original Participating Manufacturers" or "OPMs") and Liggett and Vector Tobacco (together with any other tobacco product manufacturer that becomes a signatory, the "Subsequent Participating Manufacturers" or "SPMs") (the OPMs and SPMs are hereinafter referred to jointly as "PMs") entered into the Master Settlement Agreement (the "MSA") with 46 states, the District of Columbia, Puerto Rico, Guam, the United States Virgin Islands, American Samoa and the Northern Mariana Islands (collectively, the "Settling States") to settle the asserted and unasserted health care cost recovery and certain other claims of the Settling States. The MSA received final judicial approval in each Settling State.

As a result of the MSA, the Settling States released Liggett and Vector Tobacco from:

- all claims of the Settling States and their respective political subdivisions and other recipients of state health care funds, relating to: (i) past conduct arising out of the use, sale, distribution, manufacture, development, advertising and marketing of tobacco products; (ii) the health effects of, the exposure to, or research, statements or warnings about, tobacco products; and
- all monetary claims of the Settling States and their respective subdivisions and other recipients of state health care funds relating to future conduct arising out of the use of, or exposure to, tobacco products that have been manufactured in the ordinary course of business.

The MSA restricts tobacco product advertising and marketing within the Settling States and otherwise restricts the activities of PMs. Among other things, the MSA prohibits the targeting of youth in the advertising, promotion or marketing of tobacco products; bans the use of cartoon characters in all tobacco advertising and promotion; limits each PM to one tobacco brand name sponsorship during any 12-month period; bans all outdoor advertising, with certain limited exceptions; prohibits payments for tobacco product placement in various media; bans gift offers based on the purchase of tobacco products without sufficient proof that the intended recipient is an adult; prohibits PMs from licensing third parties to advertise tobacco brand names in any manner prohibited under the MSA; and prohibits PMs from using as a tobacco product brand name any nationally recognized non-tobacco brand or trade name or the names of sports teams, entertainment groups or individual celebrities.

The MSA also requires PMs to affirm corporate principles to comply with the MSA and to reduce underage use of tobacco products and imposes restrictions on lobbying activities conducted on behalf of PMs. In addition, the MSA provides for the appointment of an independent auditor to calculate and determine the amounts of payments owed pursuant to the MSA.

Under the payment provisions of the MSA, PMs are required to make annual payments of \$ 9,000,000 (subject to applicable adjustments, offsets and reductions including a "Non-Participating Manufacturers Adjustment" or "NPM Adjustment"). These annual payments are allocated based on unit volume of domestic cigarette shipments. The payment obligations under the MSA are the several, and not joint, obligations of each PM and are not the responsibility of any parent or affiliate of a PM.

VECTOR GROUP LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

Liggett has no payment obligations under the MSA except to the extent its market share exceeds a market share exemption of approximately 1.65% of total cigarettes sold in the United States. Vector Tobacco has no payment obligations under the MSA except to the extent its market share exceeds a market share exemption of approximately 0.28% of total cigarettes sold in the United States. Liggett and Vector Tobacco's domestic shipments accounted for approximately 5.7% of the total cigarettes sold in the United States in the first six months of 2024. If Liggett's or Vector Tobacco's market share exceeds their respective market share exemption in a given year, then on April 15 of the following year, Liggett and/or Vector Tobacco, as the case may be, must pay on each excess unit an amount equal (on a per-unit basis) to that due from the OPMs for that year. Liggett and Vector Tobacco's MSA obligation for 2023 was approximately \$277,500, of which \$263,000 was prepaid on December 28, 2023. The remaining balance of \$14,489 was paid in April 2024.

Certain MSA Disputes

NPM Adjustment. Liggett and Vector Tobacco contend that they are entitled to an NPM Adjustment for 2003 - 2023. The NPM Adjustment is a potential adjustment to annual MSA payments, available when PMs suffer a market share loss to NPMs for a particular year and an economic consulting firm selected pursuant to the MSA determines (or the parties agree) that the MSA was a "significant factor contributing to" that loss. A Settling State that has "diligently enforced" its qualifying escrow statute in the year in question may be able to avoid its allocable share of the NPM Adjustment. For 2003 - 2023, Liggett and Vector Tobacco, as applicable, disputed that they owed the Settling States the NPM Adjustments as calculated by the independent auditor. As permitted by the MSA, Liggett and Vector Tobacco either paid subject to dispute, withheld payment, or paid into a disputed payment account, the amounts associated with these NPM Adjustments.

To date, the PMs have settled the NPM Adjustment dispute with 41 states and territories representing approximately 82% of the MSA allocable share. As of June 30, 2024, Liggett and Vector Tobacco had accrued approximately \$8,208 related to the disputed amounts withheld from the non-settling states for 2005 - 2010, which may be subject to payment, with interest, if Liggett and Vector Tobacco lose the disputes for those years.

The 2004 NPM Adjustment arbitration with the non-settling states commenced in 2016, with the arbitration panel finding three states liable for the NPM Adjustment. Two of these states filed motions challenging these determinations and several issues remain to be resolved by the arbitration panels that will affect the final amount of the 2004 NPM Adjustment. Individual state hearings with respect to the NPM Adjustments for 2005 - 2007 are ongoing with the non-settling states.

Other State Settlements. The MSA replaced Liggett's prior settlements with all states and territories except for Florida, Mississippi, Texas and Minnesota which by their terms, expire 25 years after execution, unless otherwise extended as set forth below. Each of these four states, prior to the effective date of the MSA, negotiated and executed settlement agreements with each of the other major tobacco companies, separate from those settlements reached previously with Liggett. With respect to all non-economic obligations under the previous settlements, Liggett believes it is entitled to the most favorable provisions as between the MSA and each state's respective settlement with the other major tobacco companies. Therefore, Liggett's non-economic obligations to all states and territories are now defined by the MSA.

In 2003, as a result of its dispute with Minnesota, Liggett agreed to pay \$100 a year in any year cigarettes manufactured by Liggett are sold in that state, through 2022. In 2023, Minnesota and Liggett agreed to amend that agreement with Liggett agreeing to pay \$1,000 per year for an additional ten years. In 2010, Liggett resolved the dispute with Florida and agreed to pay \$ 1,200 and to make annual payments of \$ 250 through 2032, with the payments in 2022 through the duration of the agreement subject to an inflation adjustment.

In January 2016, the Attorney General for Mississippi filed a motion in Chancery Court in Jackson County, Mississippi to enforce the March 1996 settlement agreement among Liggett, Mississippi and other states alleging that Liggett owed Mississippi at least \$27,000 in compensatory damages, plus interest, attorneys' fees and punitive damages. In August 2023, Liggett resolved the dispute with Mississippi for payment of \$18,000, with certain terms under the agreement extending in perpetuity.

Cautionary Statement

Management is not able to reasonably predict the outcome of the litigation pending or threatened against Liggett or the Company. Litigation is subject to many uncertainties. Liggett has been found liable in multiple *Engle* progeny cases and Individual Actions, several of which were affirmed on appeal and satisfied by Liggett. It is possible that other cases could be decided unfavorably against Liggett and that Liggett will be unsuccessful on appeal. Liggett may attempt to settle particular cases if it believes it is in its best interest to do so.

VECTOR GROUP LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

Management cannot predict the cash requirements related to any future defense costs, settlements or judgments, including cash required to bond any appeals, and there is a risk that Liggett may not be able to meet those requirements. An unfavorable outcome of a pending smoking-related case could encourage the commencement of additional litigation. Except as discussed in this Note 6, management is unable to estimate the loss or range of loss that could result from an unfavorable outcome of the cases pending against Liggett or the costs of defending such cases and as a result has not provided any amounts in its condensed consolidated financial statements for unfavorable outcomes.

The tobacco industry is subject to a wide range of laws and regulations regarding the marketing, sale, taxation and use of tobacco products imposed by local, state and federal governments. There have been a number of restrictive regulatory actions, adverse legislative and political decisions and other unfavorable developments concerning cigarette smoking and the tobacco industry. These developments may negatively affect the perception of potential triers of fact with respect to the tobacco industry, possibly to the detriment of certain pending litigation, and may prompt the commencement of additional litigation or legislation.

It is possible that the Company's consolidated financial position, results of operations and cash flows could be materially adversely affected by an unfavorable outcome in any of the smoking-related litigation.

The activity in the Company's accruals for the MSA and tobacco litigation for the six months ended June 30, 2024 was as follows:

	Current Liabilities			Non-Current Liabilities				
	Amounts due under Master Settlement Agreement		Litigation Accruals	Total	Amounts due under Master Settlement Agreement		Litigation Accruals	Total
	Settlement Agreement	Litigation Accruals	Total	Settlement Agreement	Litigation Accruals	Total		
Balance as of January 1, 2024	\$ 8,812	\$ 351	\$ 9,163	\$ 8,747	\$ 13,885	\$ 22,632		
Expenses	134,973	264	135,237	—	—	—		
NPM Settlement adjustment	(5)	—	(5)	(164)	—	—	(164)	
Change in MSA obligations capitalized as inventory	743	—	743	—	—	—		
Payments	(14,489)	(669)	(15,158)	—	—	—		
Reclassification to/(from) non-current liabilities	375	3,735	4,110	(375)	(3,735)	(4,110)		
Interest on withholding	791	263	1,054	—	561	561		
Balance as of June 30, 2024	<u>\$ 131,200</u>	<u>\$ 3,944</u>	<u>\$ 135,144</u>	<u>\$ 8,208</u>	<u>\$ 10,711</u>	<u>\$ 18,919</u>		

VECTOR GROUP LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

The activity in the Company's accruals for the MSA and tobacco litigation for the six months ended June 30, 2023 was as follows:

	<i>Current Liabilities</i>			<i>Non-Current Liabilities</i>				
	<i>Amounts due under Master Settlement Agreement</i>		<i>Litigation Accruals</i>	<i>Total</i>	<i>Amounts due under Master Settlement Agreement</i>		<i>Litigation Accruals</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as of January 1, 2023	\$ 14,838	\$ 296	\$ 15,134	\$ 11,116	\$ 16,117	\$ 27,233		
Expenses	135,989	18,375	154,364	—	—	—		
NPM Settlement adjustment	—	—	—	(311)	—	—	(311)	
Change in MSA obligations capitalized as inventory	(35)	—	(35)	—	—	—	—	
Payments	(16,776)	(635)	(17,411)	—	—	—	—	
Reclassification to/(from) non-current liabilities	1,635	3,707	5,342	(1,635)	(3,707)	(5,342)		
Interest on withholding	—	112	112	—	791	791		
Balance as of June 30, 2023	<u>\$ 135,651</u>	<u>\$ 21,855</u>	<u>\$ 157,506</u>	<u>\$ 9,170</u>	<u>\$ 13,201</u>	<u>\$ 22,371</u>		

Other Matters:

Liggett's and Vector Tobacco's management are unaware of any material environmental conditions affecting their existing facilities. Liggett's and Vector Tobacco's management believe that current operations are conducted in material compliance with all environmental laws and regulations and other laws and regulations governing cigarette manufacturers. Compliance with federal, state and local provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had a material impact on the capital expenditures, results of operations or competitive position of Liggett or Vector Tobacco.

Over the years, Liggett and the Company have received various demands for indemnification from Altria Client Services, on behalf of Philip Morris, relating to lawsuits alleging smokers' use of L&M cigarettes. The indemnification demands are purportedly issued in connection with Eve Holdings' 1999 sale of certain trademarks to Philip Morris. It is unclear what, if any, liability the Company may have in connection with these matters.

Management is of the opinion that the liabilities, if any, resulting from other proceedings, lawsuits and claims pending against the Company and its consolidated subsidiaries, unrelated to tobacco product liability, should not materially affect the Company's consolidated financial position, results of operations or cash flows.

7. INCOME TAXES

The Company's effective income tax rate is based on expected income, statutory rates, valuation allowances against deferred tax assets, and any tax planning opportunities available to the Company. For interim financial reporting, the Company estimates the annual effective income tax rate based on full year projections and applies the annual effective income tax rate against year-to-date pretax income to record income tax expense, adjusted for discrete items, if any. The Company refines annual estimates as new information becomes available. The Company's tax rate does not bear a relationship to statutory tax rates due to permanent differences, which are primarily related to nondeductible compensation and state taxes.

VECTOR GROUP LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

The Company's income tax expense consisted of the following:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Income before provision for income taxes	\$ 74,934	53,153	123,068	101,433
Income tax expense using estimated annual effective income tax rate	20,756	14,997	34,090	28,603
Changes in effective tax rates	—	97	—	—
Income tax expense	<u>20,756</u>	<u>15,094</u>	<u>34,090</u>	<u>28,603</u>

There were no discrete items for the three and six months ended June 30, 2024 and 2023, respectively.

8. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Company's financial assets and liabilities subject to fair value measurements were as follows:

	Fair Value Measurements as of June 30, 2024				
	Quoted Prices		Significant Other		
	in Active	Markets for	Observable	Significant	Unobservable Inputs
	Total	(Level 1)	Inputs	(Level 2)	(Level 3)
Assets:					
Money market funds ⁽¹⁾	\$ 328,308	\$ 328,308	\$ —	\$ —	\$ —
Commercial paper ⁽¹⁾	43,705	—	43,705	—	—
Investment securities at fair value					
Equity securities at fair value					
Marketable equity securities	14,103	14,103	—	—	—
Mutual funds invested in debt securities	24,031	24,031	—	—	—
Total equity securities at fair value	<u>38,134</u>	<u>38,134</u>	<u>—</u>	<u>—</u>	<u>—</u>
Debt securities available for sale					
U.S. government securities	73,924	—	73,924	—	—
Corporate securities	6,516	—	6,516	—	—
U.S. government and federal agency	7,068	—	7,068	—	—
Commercial paper	15,341	—	15,341	—	—
Total debt securities available for sale	<u>102,849</u>	<u>—</u>	<u>102,849</u>	<u>—</u>	<u>—</u>
Total investment securities at fair value	<u>140,983</u>	<u>38,134</u>	<u>102,849</u>	<u>—</u>	<u>—</u>
Long-term investments					
Long-term investment securities at fair value ⁽²⁾	29,435	—	—	—	—
Total	<u>\$ 542,431</u>	<u>\$ 366,442</u>	<u>\$ 146,554</u>	<u>\$ —</u>	<u>\$ —</u>

(1) Amounts included in Cash and cash equivalents on the condensed consolidated balance sheets.

(2) In accordance with Subtopic 820-10, investments that are measured at fair value using the NAV practical expedient are not classified in the fair value hierarchy.

VECTOR GROUP LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

	Fair Value Measurements as of December 31, 2023			
	Quoted Prices in			
	Active Markets		Significant Other	
	for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
sets:	Total	(Level 1)	(Level 2)	(Level 3)
Money market funds ⁽¹⁾	\$ 214,515	214,515	\$—	—
Commercial paper ⁽¹⁾	52,287	—	52,287	—
Investment securities at fair value				
Equity securities at fair value				
Marketable equity securities	14,286	14,286	—	—
Mutual funds invested in debt securities	23,424	23,424	—	—
Total equity securities at fair value	37,710	37,710	—	—
Debt securities available for sale				
U.S. government securities	38,657	—	38,657	—
Corporate securities	12,042	—	12,042	—
U.S. government and federal agency	17,358	—	17,358	—
Commercial paper	5,168	—	5,168	—
Total debt securities available for sale	73,225	—	73,225	—
Total investment securities at fair value	110,935	37,710	73,225	—
Long-term investments				
Long-term investment securities at fair value ⁽²⁾	29,402	—	—	—
Total	\$ 407,139	252,285	125,512	—

(1) Amounts included in Cash and cash equivalents on the condensed consolidated balance sheets.

(2) In accordance with Subtopic 820-10, investments that are measured at fair value using the NAV practical expedient are not classified in the fair value hierarchy.

The fair value of investment securities at fair value included in Level 1 is based on quoted market prices from various stock exchanges. The Level 2 investment securities at fair value are based on quoted market prices of securities that are thinly traded, quoted prices for identical or similar assets in markets that are not active or inputs other than quoted prices such as interest rates and yield curves.

The long-term investments are based on NAV per share provided by the partnerships based on the indicated market value of the underlying assets or investment portfolio. In accordance with Subtopic 820-10, these investments are not classified under the fair value hierarchy disclosed above because they are measured at fair value using the NAV practical expedient.

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company is required to record assets and liabilities at fair value on a nonrecurring basis. Generally, assets and liabilities are recorded at fair value on a nonrecurring basis because of impairment charges. The Company had no nonrecurring nonfinancial assets subject to fair value measurements as of June 30, 2024 and December 31, 2023, respectively, except for investments in real estate ventures that were impaired as of December 31, 2023.

VECTOR GROUP LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

The Company's investments in real estate ventures subject to nonrecurring fair value measurements are as follows:

Year Ended December 31, 2023	Fair Value Measurement Using:				
	Impairment Charge	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Investments in real estate ventures	\$ 1,202	\$ —	\$ —	\$ —	\$ —

The Company estimated the fair value of its investments in real estate ventures using observable inputs such as market pricing based on recent events, however, significant judgment was required to select certain inputs from observed market data. The decline in the investments in real estate ventures was attributed to the decline in the projected sales prices and the duration of the estimated sell out of the respective real estate ventures. The \$1,202 of impairment charges were included in equity in earnings from real estate ventures for the year ended December 31, 2023.

VECTOR GROUP LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

9. SEGMENT INFORMATION

The Company's business segments for the three and six months ended June 30, 2024 and 2023 were Tobacco and Real Estate. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Financial information for the Company's operations before taxes for the three and six months ended June 30, 2024 and 2023 were as follows:

	Tobacco	Real Estate	Corporate and Other	Total
Three months ended June 30, 2024				
Revenues	\$ 371,914	\$ —	\$ —	\$ 371,914
Operating income (loss)	102,827	(56)	(5,085)	97,786
Quity in losses from real estate ventures	—	(1,213)	—	(1,213)
Depreciation and amortization	1,298	—	331	1,629
Three months ended June 30, 2023				
Revenues	\$ 365,662	\$ —	\$ —	\$ 365,662
Operating income (loss)	75,122	148	(3,627)	71,643
Quity in earnings from real estate ventures	—	2,954	—	2,954
Depreciation and amortization	1,419	—	312	1,731
Six months ended June 30, 2024				
Revenues	\$ 696,481	\$ —	\$ —	\$ 696,481
Operating income (loss)	185,826	(85)	(10,274)	175,567
Quity in losses from real estate ventures	—	(11,934)	—	(11,934)
Depreciation and amortization	2,610	—	652	3,262
Capital expenditures	3,300	—	87	3,387
Six months ended June 30, 2023				
Revenues	\$ 699,807	\$ —	\$ —	\$ 699,807
Operating income (loss)	153,721	210	(7,991)	145,940
Quity in earnings from real estate ventures	—	1,061	—	1,061
Depreciation and amortization	2,796	—	627	3,423
Capital expenditures	7,576	—	214	7,790

⁽¹⁾ Operating income includes \$73 of litigation settlement and judgment expense.

⁽²⁾ Operating income includes \$18,105 of litigation settlement and judgment expense.

⁽³⁾ Operating income includes \$169 received from a litigation settlement associated with the MSA (which reduced cost of sales) and \$264 of litigation settlement and judgment expense.

⁽⁴⁾ Operating income includes \$311 received from a litigation settlement associated with the MSA (which reduced cost of sales) and \$8,375 of litigation settlement and judgment expense.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in Thousands, Except Per Share Amounts)

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of Vector Group Ltd.'s financial statements with a narrative from our management's perspective. Our MD&A is divided into the following sections:

- Overview
- Recent Developments
- Results of Operations
- Summary of Real Estate Investments
- Liquidity and Capital Resources

Please read this discussion along with our MD&A and audited financial statements as of and for the year ended December 31, 2023 and Notes thereto, included in our 2023 Annual Report on Form 10-K, and our condensed consolidated financial statements and related Notes as of and for the quarterly period and six months ended June 30, 2024 and 2023.

Overview

We are a holding company and are engaged principally in two business segments:

- Tobacco: the manufacture and sale of discount cigarettes in the U.S. through our Liggett Group LLC and Vector Tobacco LLC subsidiaries, and
- Real Estate: the real estate investment business through our subsidiary, New Valley LLC, which acquires and invests in real estate properties or projects.

Our tobacco subsidiaries' cigarettes are produced in approximately 100 combinations of length, style and packaging. Our current brand portfolio includes:

- *Montego*
- *Eagle 20's*
- *Pyramid*
- *Grand Prix, Liggett Select, Eve, USA* and various partner brands and private label brands.

All of our brands are priced in the discount segment and *Montego*, our lowest priced brand, is the largest discount brand in the U.S. Consumers in the discount segment place greater emphasis on value because they are price conscious and have less brand loyalty. Liggett's competition is divided into two segments. The first segment consists of the three largest manufacturers of cigarettes in the U.S.: Philip Morris USA Inc., which is owned by Altria Group, Inc., RJ Reynolds Tobacco Company, which is owned by British American Tobacco Plc, and ITG Brands LLC, which is owned by Imperial Brands Plc. These three manufacturers, while primarily premium cigarette-based companies, also produce and sell discount cigarettes. The second segment of competition is comprised of a group of smaller manufacturers and importers, most of which sell deep discount cigarettes.

Recent Developments

Graphic Health Warning Labels. In March 2024, the U.S. Court of Appeals ruled that FDA's required graphic warning labels did not violate the First Amendment, overturning a December 2022 district court ruling.

The Court of Appeals returned the case to the trial court in Texas to assess whether the FDA rule violated federal administrative law. The plaintiffs plan to file a petition for Writ of Certiorari for review of their First Amendment argument with the U.S. Supreme Court by August 19, 2024.

Menthol and Flavorings. On May 4, 2022, FDA published a proposed rule to prohibit menthol as a characterizing flavor in cigarettes. For the last twelve months ended June 30, 2024, approximately 22% of our cigarette unit sales were menthol flavored. FDA had been expected to adopt a final rule in 2024. Once a final rule is published, it ordinarily would not be expected to take effect until at least one year after the date of publication. In addition, if litigation is brought against FDA's menthol regulation, the effective date may be extended further. On April 26, 2024, U.S. Department of Health and Human Services Secretary Xavier Becerra announced an indefinite delay in the publication of a final rule banning menthol cigarettes. We cannot predict how a tobacco product standard or a restriction on the sale and distribution of tobacco products with menthol, if ultimately issued by FDA, will impact product sales, or whether it will have a material adverse effect on Liggett or Vector Tobacco.

Recent Developments in Tobacco-Related Litigation

The cigarette industry continues to be challenged on numerous fronts. Adverse litigation outcomes could have a negative impact on our ability to operate due to their impact on cash flows. It is possible that there could be adverse developments in pending cases including the certification of additional class actions. An unfavorable outcome or settlement of pending tobacco-related litigation could encourage the commencement of additional litigation. New cases continue to be commenced against Liggett and other cigarette manufacturers. Liggett could be subjected to substantial liabilities and bonding requirements from litigation relating to cigarette products. In addition, an unfavorable outcome in any tobacco-related litigation could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

See "Legislation and Regulation" in Item 2 of the MD&A for further information on litigation.

Results of Operations

The following discussion provides an assessment of our results of operations, capital resources and liquidity and should be read in conjunction with our condensed consolidated financial statements included elsewhere in this report. The condensed consolidated financial statements include the accounts of Liggett, Vector Tobacco, Liggett Vector Brands, New Valley and other less significant subsidiaries.

For purposes of this discussion and other consolidated financial reporting, our business segments for the three and six months ended June 30, 2024 and 2023 were Tobacco and Real Estate. The Tobacco segment manufactures and sells cigarettes. The Real Estate segment includes our investment in New Valley, which invests in real estate ventures.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Revenues:				
Tobacco	\$ 371,914	\$ 365,662	\$ 696,481	\$ 699,807
Operating income (loss):				
Tobacco	\$ 102,927 ⁽¹⁾	\$ 75,122 ⁽²⁾	\$ 185,926 ⁽³⁾	\$ 153,721 ⁽⁴⁾
Real estate	(56)	148	(85)	210
Corporate and Other	(5,085)	(3,627)	(10,274)	(7,991)
Total operating income	\$ 97,786	\$ 71,643	\$ 175,567	\$ 145,940

⁽¹⁾ Operating income includes \$73 of litigation settlement and judgment expense.

⁽²⁾ Operating income includes \$18,105 of litigation settlement and judgment expense.

⁽³⁾ Operating income includes \$169 received from a litigation settlement associated with the MSA (which reduced cost of sales) and \$264 of litigation settlement and judgment expense.

⁽⁴⁾ Operating income includes \$311 received from a litigation settlement associated with the MSA (which reduced cost of sales) and \$18,375 of litigation settlement and judgment expense.

Pricing actions

Since January 1, 2023, Liggett has taken the following pricing actions.

	Amount per pack	Brand			
		Montego	Eagle 20's	Pyramid	Liggett Select, Eve and Grand Prix
January 27, 2023 ⁽¹⁾	0.16	—	P	P	P
January 27, 2023 ⁽¹⁾	0.10	P	—	—	—
April 28, 2023 ⁽¹⁾	0.16	P	P	P	—
April 28, 2023 ⁽¹⁾	0.20	—	—	—	P
August 25, 2023 ⁽¹⁾	0.10	P	—	—	—
August 25, 2023 ⁽¹⁾	0.16	—	P	P	—
August 25, 2023 ⁽¹⁾	0.20	—	—	—	P
January 26, 2024 ⁽¹⁾	0.14	P	—	—	—
January 26, 2024 ⁽¹⁾	0.17	—	P	P	—
January 26, 2024 ⁽¹⁾	0.30	—	—	—	P
April 26, 2024 ⁽¹⁾	0.12	P	—	—	—
April 26, 2024 ⁽¹⁾	0.17	—	P	P	—
April 26, 2024 ⁽¹⁾	0.30	—	—	—	P

⁽¹⁾ List price increase

Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023

Revenues. Total revenues were \$371,914 for the three months ended June 30, 2024 compared to \$365,662 for the three months ended June 30, 2023. The \$6,252 (1.7%) increase in revenues was due to a \$6,252 increase in Tobacco revenues.

Cost of sales. Total cost of sales was \$244,594 for the three months ended June 30, 2024 compared to \$248,984 for the three months ended June 30, 2023. The \$4,390 (1.8%) decline in cost of sales was due to a \$4,390 decline in Tobacco cost of sales.

Expenses. Operating expenses were \$29,534 for the three months ended June 30, 2024 compared to \$45,035 for the three months ended June 30, 2023. The \$15,501 (34.4%) decline in operating expenses was primarily due to a \$17,163 decline in Tobacco expenses, primarily related to the \$18,000 Mississippi settlement accrual in the 2023 period. This was partially offset by a \$1,458 increase in Corporate and Other expenses and a \$204 increase in Real Estate expenses.

Operating income. Operating income was \$97,786 for the three months ended June 30, 2024 compared to \$71,643 for the three months ended June 30, 2023. The \$26,143 (36.5%) increase in operating income was due to a \$27,805 increase in Tobacco operating income. This was partially offset by a \$1,458 increase in Corporate and Other operating loss and a \$204 decline in Real Estate operating income.

Other expenses. Other expenses were \$22,852 and \$18,460 for the three months ended June 30, 2024 and 2023, respectively. For the three months ended June 30, 2024, other expenses primarily consisted of interest expense of \$26,583, equity in losses from real estate ventures of \$1,213, and equity in losses from investments of \$641. This was partially offset by other income of \$5,585. For the three months ended June 30, 2023, other expenses primarily consisted of interest expense of \$27,124 and a loss of \$40 recognized on the repurchase of the 10.5% Senior Notes. This was partially offset by other income of \$4,791, equity in earnings from real estate ventures of \$2,954, and equity in earnings from investments of \$959.

Income before provision for income taxes. Income before income taxes was \$74,934 and \$53,183 for the three months ended June 30, 2024 and 2023, respectively.

Income tax expenses. Income tax expenses were \$20,756 and \$15,094 for the three months ended June 30, 2024 and 2023, respectively. Our provision for income taxes in interim periods is based on expected income, statutory rates, nontaxable differences, valuation allowances against deferred tax assets, and tax planning opportunities available to us. For interim financial reporting, we estimate the annual effective income tax rate based on full year projections and apply the annual effective income tax rate against year-to-date pretax income to record income tax expense, adjusted for discrete items, if any. We refine annual estimates as new information becomes available.

Tobacco.

Tobacco revenues. All our Tobacco sales were in the discount category in 2024 and 2023. For the three months ended June 30, 2024, Tobacco revenues were \$371,914 compared to \$365,662 for the three months ended June 30, 2023. Revenues increased by \$6,252 (1.7%) due primarily to price increases. This was partially offset by a 5.1% (128 million units) decline in unit sales volume and changes in sales mix from the volume increase in *Montego* and volume declines in our other brands priced in the traditional discount category.

Montego is our largest brand and has increased to approximately 72% of Liggett's total unit sales for the three months ended June 30, 2024 from approximately 64% for the three months ended June 30, 2023. *Montego*'s unit volume continues to increase, even as we have been transitioning *Montego* to an income-based growth strategy through price increases. See "Pricing actions" in Item 2 of the MD&A for more information.

Eagle 20's is our second-largest brand and its percentage of Liggett's total unit sales declined to approximately 17% for the three months ended June 30, 2024 from approximately 24% for the three months ended June 30, 2023. *Pyramid*, Liggett's third-largest brand, provided approximately 7% of Liggett's total unit sales for both the three months ended June 30, 2024 and 2023.

Tobacco cost of sales. The major components of our Tobacco cost of sales were as follows:

	Three Months Ended	
	June 30,	2023
	2024	2023
Manufacturing overhead, raw materials and labor	\$ 42,859	\$ 43,422
Customer shipping and handling	2,325	2,077
Federal excise taxes, net	120,452	126,750
FDA expense	8,041	7,773
MSA expense, net of market share exemption	70,917	68,962
Total cost of sales	<u>\$ 244,594</u>	<u>\$ 248,984</u>

The Tobacco segment's MSA expense is the most volume-sensitive component (on a per-unit basis) of its cost of sales because, under the terms of the MSA, the Tobacco segment has no payment obligations except to the extent that its U.S. cigarette market share exceeds 1.93%. We estimate MSA expense based on total U.S. taxable cigarette shipments, our taxable shipments and inflation. Based on assumptions discussed below, we estimated our MSA expense increased to \$0.59 per pack for the three months ended June 30, 2024 from \$0.55 per pack for the three months ended June 30, 2023. (We estimated our MSA expense was \$0.56 per pack for the year ended December 31, 2023.)

Due to Liggett and Vector Tobacco's cost exemption, our MSA expense is impacted by total U.S. taxable shipments. As of June 30, 2024, we estimate taxable shipments in the U.S. will decline by 9.3% in 2024 compared to our estimate as of June 30, 2023 of a decline of 8.0% in 2023. We estimate our 2024 projected annual MSA expense changes by approximately \$1,700 for each 1% change in U.S. shipment volumes.

Under the MSA, our market share is computed using taxable shipments which closely resemble shipments from manufacturers to wholesalers. Our market share, computed on a wholesale basis, increased to 5.7% for the three months ended June 30, 2024 from 5.4% for the three months ended June 30, 2023. We believe market share, computed on a wholesale basis, may be affected by irregular industry wholesaler purchasing patterns.

The rate of inflation also impacts Liggett's MSA expense, which is subject to an annual inflation adjustment. The inflation adjustment is the greater of the U.S. CPI rate or 3.0%. As of June 30, 2024, Liggett's management assumed an inflation adjustment to MSA expense of 3.9% compared to an assumption of 3.0% as of June 30, 2023. (The actual inflation adjustment to the MSA in 2023 was 4.7%.) Our annual MSA expense increases by approximately \$2,600 for each 1% increase in the inflation rate of more than 3%.

In addition to the MSA expense, we could experience inflationary impacts from manufacturing costs. The largest component of Liggett's manufacturing costs is leaf tobacco and other raw materials. Prior to 2021, Liggett's raw material costs were relatively flat and had not been impacted by inflation due to declining prices of leaf tobacco as well as efficiencies gained from technological innovation. Since 2021, leaf tobacco and other raw materials costs have been rising. During the three months ended June 30, 2024, Liggett experienced a 4.2% year over year increase in leaf tobacco and raw materials (on a per-unit basis) compared to an 18.6% year-over-year increase in leaf tobacco and raw materials during the three months ended June 30, 2023. Further, when including labor costs, manufacturing overhead and shipping costs with leaf tobacco and raw materials, Liggett experienced a 4.6% year-over-year increase in production costs (on a per-unit basis) during the three months ended June 30, 2024, compared to a 15.7% year-over-year increase in production costs during the three months ended June 30, 2023. While inflationary pressures continue to persist in the marketplace, we believe the cost increases of leaf tobacco and raw materials are stabilizing. The cost of leaf and raw materials represented approximately 10.3% and 10.2% of Liggett's cost of sales for the three months ended June 30, 2024 and 2023, respectively.

Tobacco gross profit was \$127,320 for the three months ended June 30, 2024 compared to \$116,678 for the three months ended June 30, 2023, an increase of \$10,642 (9.1%). The increase in gross profit for the three months ended June 30, 2024 was primarily attributable to increases in net pricing offset by a 5.1% decline in unit sales, increased per-unit MSA costs, and increased manufacturing costs. As a percentage of revenue (excluding Federal Excise Taxes), Tobacco gross profit margin increased to 50.6% in the three months ended June 30, 2024 from 48.8% in the three months ended June 30, 2023.

Tobacco expenses. Tobacco operating, selling, general and administrative expenses, excluding settlements and judgments, were \$24,320 and \$23,451 for the three months ended June 30, 2024 and 2023, respectively. The increase of \$869 was primarily due to increases in sales personnel and inflationary adjustments to compensation partially offset by declines in advertising expenses. Tobacco product liability legal expenses, including settlements and judgments, were \$1,997 and \$20,133 for the three months ended June 30, 2024 and 2023, respectively. Litigation settlement and judgment expenses for the three months ended June 30, 2023 included the \$18,000 Mississippi settlement accrual.

Tobacco operating income. Tobacco operating income was \$102,927 for the three months ended June 30, 2024 compared to \$75,122 for the three months ended June 30, 2023. The increase of \$27,805 (37.0%) was primarily attributable to the absence of the \$18,000 Mississippi settlement accrual which was recorded in the 2023 period and increased gross profit partially offset by increases in operating, selling, general and administrative expenses.

Real Estate.

Real Estate operating (loss) income. The Real Estate segment operating loss was \$56 for the three months ended June 30, 2024 compared to operating income of \$148 for the three months ended June 30, 2023.

Corporate and Other.

Corporate and Other operating loss. The operating loss at the Corporate and Other segment was \$5,085 for the three months ended June 30, 2024 compared to \$3,627 for the same period in 2023. The increase was primarily attributable to increased non-cash stock compensation.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Revenues. Total revenues were \$696,481 for the six months ended June 30, 2024 compared to \$699,807 for the six months ended June 30, 2023. The \$3,326 (0.5%) decline in revenues was due to a \$3,326 decline in Tobacco revenues.

Cost of sales. Total cost of sales was \$462,495 for the six months ended June 30, 2024 compared to \$481,270 for the six months ended June 30, 2023. The \$18,775 (3.9%) decline in cost of sales was due to a \$18,775 decline in Tobacco cost of sales.

Expenses. Operating expenses were \$58,419 for the six months ended June 30, 2024 compared to \$72,597 for the six months ended June 30, 2023. The \$14,178 (19.5%) decline was due to \$16,756 decline in Tobacco expenses, primarily related to the decline in litigation settlement and judgement expenses, partially offset by a \$2,283 increase in Corporate and Other expense and a \$295 increase in Real Estate expenses.

Operating income. Operating income was \$175,567 for the six months ended June 30, 2024 compared to \$145,940 for the six months ended June 30, 2023 because of an increase in Tobacco operating income of \$32,205, partially offset by an increase in Real Estate operating loss of \$295 and an increase in Corporate and Other operating loss of \$2,283.

Other expenses. Other expenses were \$52,499 for the six months ended June 30, 2024 compared to \$44,507 for the six months ended June 30, 2023. For the six months ended June 30, 2024, other expenses primarily consisted of interest expense of \$54,032 and equity in losses from real estate ventures of \$11,934. This was offset by other income of \$11,970 and equity in earnings from investments of \$1,497. For the six months ended June 30, 2023, other expenses primarily consisted of interest expense of \$54,598 and a loss of \$181 recognized on the repurchase of the 10.5% Senior Notes. This was offset by other income of \$8,411, equity in earnings from real estate ventures of \$1,061 and equity in earnings from investments of \$800.

Income before provision for income taxes. Income before income taxes was \$123,068 and \$101,433 for the six months ended June 30, 2024 and 2023, respectively.

Income tax expenses. Income tax expenses were \$34,090 for the six months ended June 30, 2024 compared to income tax expense of \$28,603 for the six months ended June 30, 2023. Our provision for income taxes in interim periods is based on expected income, statutory rates, nontaxable differences, valuation allowances against deferred tax assets, and tax planning opportunities available to us. For interim financial reporting, we estimate the annual effective income tax rate based on full year projections and apply the annual effective income tax rate against year-to-date pretax income to record income tax expense, adjusted for discrete items, if any. We refine annual estimates as new information becomes available.

Tobacco.

Tobacco revenues. All our Tobacco sales were in the discount category in 2024 and 2023. For the six months ended June 30, 2024, Tobacco revenues were \$696,481 compared to \$699,807 for the six months ended June 30, 2023. Revenues declined by \$3,326 (0.5%) due primarily to a 7.7% (375 million units) decline in unit sales volume and changes in sales mix from the volume increase in *Montego* and volume declines in our other brands priced in the traditional discount category, partially offset by price increases.

Montego is our largest brand and has increased to approximately 71% of Liggett's total unit sales for the six months ended June 30, 2024 from approximately 61% for the six months ended June 30, 2023. *Montego*'s unit volume continues to increase, even as we have been transitioning *Montego* to an income-based growth strategy through price increases. See "Pricing actions" in Item 2 of the MD&A.

Eagle 20's is our second-largest brand and its percentage of Liggett's total unit sales declined to approximately 18% for the six months ended June 30, 2024 from approximately 26% for the six months ended June 30, 2023. *Pyramid*, Liggett's third-largest brand, declined slightly to 7% of Liggett's total unit sales for the six months ended June 30, 2024 compared to 8% for the six months ended June 30, 2023.

Tobacco cost of sales. The major components of our Tobacco cost of sales were as follows:

	Six Months Ended	
	June 30,	2023
	2024	2023
Manufacturing overhead, raw materials and labor	\$ 80,026	\$ 80,596
Customer shipping and handling	4,262	4,200
Federal excise taxes, net	226,275	244,568
FDA expense	17,128	16,228
MSA expense, net of market share exemption	134,804 ⁽¹⁾	135,678 ⁽²⁾
Total cost of sales	\$ 462,495	\$ 481,270

⁽¹⁾ Includes \$169 received from a litigation settlement associated with the MSA expense (which reduced cost of sales).

⁽²⁾ Includes \$311 received from a litigation settlement associated with the MSA expense (which reduced cost of sales).

The Tobacco segment's MSA expense is the most volume-sensitive component (on a per-unit basis) of its cost of sales because, under the terms of the MSA, the Tobacco segment has no payment obligations except to the extent that its U.S. Cigarette market share exceeds 1.93%. We estimate MSA expense based on total U.S. taxable cigarette shipments, our taxable shipments and inflation. Based on assumptions discussed below, we estimated our MSA expense increased to \$0.60 per pack for the six months ended June 30, 2024 from our estimate of \$0.56 per pack for the six months ended June 30, 2023. (We estimated our MSA expense was \$0.56 per pack for the year ended December 31, 2023.)

Due to Liggett and Vector Tobacco's cost exemption, our MSA expense is impacted by total U.S. taxable cigarette shipments, which declined by 8.6% in 2023. As of June 30, 2024, we estimate taxable shipments in the U.S. will decline by 9.3% in 2024 compared to our estimate as of June 30, 2023 of a decline of 8.0% in 2023. We estimate our 2024 projected annual MSA expense changes by approximately \$1,700 for each 1% change in U.S. shipment volumes.

Under the MSA, our market share is computed using taxable shipments which closely resemble shipments from manufacturers to wholesalers. Our market share, computed on a wholesale basis, increased to 5.7% for the six months ended June 30, 2024 from 5.5% for the six months ended June 30, 2023. We believe market share, computed on a wholesale basis, may be affected by irregular industry wholesaler purchasing patterns.

The inflation rate also impacts Liggett's MSA expense, which is subject to an annual inflation adjustment. The inflation adjustment is the greater of the U.S. CPI rate or 3%. As of June 30, 2024, Liggett's management assumed an inflation adjustment to MSA expense of 3.9% compared to an assumption of 3.0% as of June 30, 2023. (The actual inflation adjustment to the MSA in 2023 was 4.7%.) Our annual MSA expense increases by approximately \$2,600 for each 1% increase in the inflation rate of more than 3%.

In addition to the MSA expense, we could experience inflationary impacts from manufacturing costs. The largest component of Liggett's manufacturing costs is leaf tobacco and other raw materials. Prior to 2021, Liggett's raw material costs were relatively flat and had not been impacted by inflation due to declining prices of leaf tobacco as well as efficiencies gained from technological innovation. Since 2021, leaf tobacco and other raw materials costs have been rising. During the six months ended June 30, 2024, Liggett experienced a 4.7% year-over-year increase in leaf tobacco and raw materials (on a per-unit basis) compared to a 17.9% year-over-year increase in leaf tobacco and raw materials during the six months ended June 30, 2023. Further, when including labor costs, manufacturing overhead and shipping costs with leaf tobacco and raw materials, Liggett experienced an 7.7% year over year increase in production costs (on a per-unit basis) during the six months ended June 30, 2024, compared to a 13.3% year-over-year increase in production costs during the six months ended June 30, 2023. While inflationary pressures continue to persist in the marketplace, we believe the cost increases of leaf tobacco and raw materials are stabilizing. The cost of leaf and raw materials represented approximately 10.2% and 10.1% of Liggett's cost of sales for the six months ended June 30, 2024 and 2023, respectively.

Tobacco gross profit was \$233,986 for the six months ended June 30, 2024 compared to \$218,537 for the six months ended June 30, 2023, an increase of \$15,449 (7.1%). This increase in gross profit for the six months ended June 30, 2024 was primarily attributable to increases in net pricing offset by a 7.7% decline in unit sales, increased per unit MSA costs, and increased manufacturing costs. As a percentage of revenue (excluding Federal Excise Taxes), Tobacco gross profit margin increased to 49.8% for the six months ended June 30, 2024 from 48.0% for the six months ended June 30, 2023.

Tobacco expenses. Tobacco operating, selling, general and administrative expenses, excluding settlements and judgments, were \$47,796 for the six months ended June 30, 2024 compared to \$46,441 for the six months ended June 30, 2023. The increase of \$1,355 was primarily due to increases in sales personnel and inflationary adjustments to compensation, partially offset by decreases in professional fees and travel expenses. Travel expenses for the six months ended June 30, 2024 declined from the prior year period because of the absence of our triennial sales conference in 2024. Tobacco product liability legal expenses, including settlements and judgments, were \$4,115 and \$22,306 for the six months ended June 30, 2024 and 2023, respectively. Litigation settlement and judgment expenses for the six months ended June 30, 2023 included the \$18,000 Mississippi settlement accrual.

Tobacco operating income. Tobacco operating income was \$185,926 for the six months ended June 30, 2024 compared to \$153,721 for the six months ended June 30, 2023. The increase of \$32,205 (21.0%) was primarily attributable to the absence of the \$18,000 Mississippi settlement accrual which was recorded in the 2023 period, and increased gross profit.

Real Estate.

Real Estate operating (loss) income. The Real Estate segment operating loss was \$85 for the six months ended June 30, 2024 compared to operating income of \$210 for the six months ended June 30, 2023.

Corporate and Other.

Corporate and Other loss. The operating loss at the Corporate and Other segment was \$10,274 for the six months ended June 30, 2024 compared to \$7,991 for the same period in 2023. The increase was primarily attributable to increased non-cash stock compensation.

Summary of Real Estate Investments

We own and seek to acquire investment interests in various domestic real estate projects through debt and equity investments. Our real estate investments primarily include the following projects as of June 30, 2024:

(Dollars in Thousands. Area and Unit Information in Ones)

Location	Date of Initial Investment	Percentage Owned (1)	Net Cash Invested (Returned)	Cumulative Earnings (Losses)	Value as of June 30, 2024	Future Commitments		Projected		Number of Lots, Units and/or Hotel	Actual/Projected Construction Start Date	Projected Construction End Date			
						Carrying		Projected Residential							
						Projected	Projected Residential	Projected	Projected Commercial						
						from New Valley (2)	and/or Hotel Area	Space	Rooms						
Investments in real estate ventures:															
111 Murray Street	TriBeCa, Manhattan, NY	May 2013	9.5%	\$ 10,075	\$ (4,413)	\$ 5,662	\$ —	330,000 SF	1,700 SF	157 R	September 2014	Completed			
87 Park (8701 Collins Avenue)	Miami Beach, FL	December 2013	23.1%	(6,646)	6,646	—	—	160,000 SF	—	70 R	October 2015	Completed			
West Hollywood Edition (9040 Sunset Boulevard) (3)	West Hollywood, CA	October 2014	48.5%	18,673	(18,941)	(268)	—	210,000 SF	—	190 H	May 2015	Completed			
Monad Terrace (1300 West Ave)	Miami Beach, FL	May 2015	16.8%	7,635	(7,635)	—	—	160,000 SF	—	59 R	May 2016	Completed			
Dime (209 Havemeyer St)	Brooklyn, NY	November 2017	16.4%	9,145	(9,145)	—	—	100,000 SF	150,000 SF	177 R	May 2017	Completed			
Meatpacking Plaza (44 Ninth Ave)	Manhattan, NY	April 2019	16.7%	10,692	(5,016)	5,676	—	— SF	76,919 SF	15 R	July 2021	Completed			
Five Park (500 Alton Road)	Miami Beach, FL	September 2019	38.9%	18,098	4,249	22,347	—	472,000 SF	15,000 SF	234 R	April 2020	November 2024			
The Brooklyn Tower (9 DeKalb Avenue)	Brooklyn, NY	April 2019	4.1%	5,000	(5,000)	—	—	450,000 SF	120,000 SF	540 R	March 2019	December 2024			
Natura Gardens (17351 NW 94th Court)	Miami, FL	December 2019	77.8%	(1,143)	1,143	—	—	460,000 SF	—	460 R	December 2019	Completed			
Ritz-Carlton Villas (4701 Meridian Avenue)	Miami Beach, FL	December 2020	50.0%	(3,688)	3,688	—	—	58,000 SF	—	15 R	October 2020	Completed			
2000 N. Atlantic Ave.	Daytona Beach, FL	November 2021	75.0%	4,023	450	4,473	—	TBD			TBD	TBD			
Society Nashville (915 Division St)	Nashville, TN	November 2021	39.9%	27,366	4,874	32,240	—	335,000 SF	8,000 SF	502 R	July 2022	November 2025			
3621 Collins Ave (4)	Miami Beach, FL	March 2022	1.0%	800	—	800	—	TBD			TBD	TBD			
Alchemy Nash Square (303 S. Dawson St)	Raleigh, NC	June 2022	60.2%	8,666	1,076	9,742	—	TBD			TBD	TBD			
Aventura View (2999 NE 191st St)	Aventura, FL	June 2022	12.5%	4,084	142	4,226	—	TBD	105,000 SF		N/A	N/A			
2261 NE 164th St	North Miami Beach, FL	August 2022	35.0%	4,406	310	4,716	—	TBD			TBD	TBD			
353 6th Ave	Brooklyn, NY	January 2023	26.8%	700	55	755	—	5,360 SF	—	4 R	April 2023	Completed			
1717 N. Flagler Drive (4)	West Palm Beach, FL	June 2023	N/A	2,500	—	2,500	—								
20 N. Ocean Blvd (4)	Pompano Beach, FL	June 2023	N/A	2,500	—	2,500	—								
Banyan Cay	West Palm Beach, FL	December 2023	13.5%	3,983	156	4,139	—	187,000 SF	—	232 R	July 2024	December 2025			
Condominium and Mixed-Use Development															
The Park (500 Broadway)	Santa Monica, CA	March 2017	1.5 %	\$ 1,270	\$ (1,270)	\$ —	—	245,000 SF	49,000 SF	249 R	N/A	Completed			
Riverchase Landing	Hoover, AL	October 2021	50.0 %	11,600	(5,315)	6,285	—	746,000 SF	N/A	468 R	N/A	N/A			
Apartment Buildings															
215 Chrystie Street	NY	December 2012	12.3 %	(1,270)	1,270	—	—	246,000 SF	—	367 H	June 2014	Completed			
Coral Beach and Tennis Club	Coral Beach, Bermuda	December 2013	49.0 %	6,048	(6,048)	—	—	52 Acres	—	101 H	N/A	N/A			
The Thompson Central Park (119 W 56th St)	Midtown, Manhattan, NY	July 2019	0.4 %	1,000	(995)	5	—	470,000 SF	—	99 R	May 2020	Completed			
Hotels															
The Plaza at Harmon Meadow	Secaucus, NJ	March 2015	49.0 %	\$ 13,535	\$ (5,874)	\$ 7,661	—	—	219,000 SF	—	N/A	N/A			
Wynn Las Vegas Retail	Las Vegas, NV	December 2016	1.6 %	2,342	6,580	8,922	—	—	160,000 SF	—	N/A	N/A			
Commercial															
Total Carrying Value															

(1) The Percentage Owned reflects our estimated current ownership percentage. Our actual ownership percentage as well as the percentage of earnings and cash distributions may ultimately differ because of a number of factors including potential dilution, financing or admission of additional partners.

(2) This column only represents capital commitments required under the various joint venture agreements. However, many of the operating agreements provide for the operating partner to call capital. If a joint venture partner, such as New Valley, declines to fund the capital call, then the partner's ownership percentage could either be diluted or, in some situations, the character of a funding member's contribution would be converted from a capital contribution to a member loan.

(3) Equity in losses more than the joint ventures' carrying value were \$268 as of June 30, 2024, and are classified in Other current liabilities on the condensed consolidated balance sheets.

(4) The 3621 Collins Ave, 1717 N. Flagler Drive and 20 N. Ocean Blvd ventures are measured at cost, less impairment, following the guidance under ASC 821. The investments are included in Other Assets on the condensed consolidated balance sheets.

N/A - Not applicable

SF - Square feet

H - Hotel rooms

TBD - To be determined R - Residential Units R Lots - Residential lots

New Valley capitalizes net interest expense into the carrying value of its ventures whose projects were under development. Net capitalized interest costs included in "Carrying Value as of June 30, 2024" were \$13,014. This amount is included in the "Cumulative Earnings (Losses)" column in the table above. During the six months ended June 30, 2024, New Valley capitalized \$2,424 of interest costs and utilized (reversed) \$4,409 of previously capitalized interest in connection with the recognition of equity in (losses) earnings, gains and liquidations from various ventures.

Liquidity and Capital Resources

Cash, cash equivalents and restricted cash increased by \$121,527 and \$106,326 for the six months ended June 30, 2024 and 2023, respectively.

Cash provided by operations was \$215,321 and \$218,218 for the six months ended June 30, 2024 and 2023, respectively. The difference related primarily to changes in working capital in our tobacco segment related to the timing of inventory purchases and collection of trade receivables.

Cash used in investing activities was \$26,472 and \$14,569 for the six months ended June 30, 2024 and 2023, respectively. In the first six months of 2024, cash used in investing activities was for the purchase of investment securities of \$53,317, investments in real estate ventures of \$5,220, capital expenditures of \$3,387, purchase of long-term investments of \$2,000, an increase in cash surrender value of life insurance policies of \$1,329, and an increase in restricted assets of \$15. This was offset by maturities of investment securities of \$23,550, distributions from investments in real estate ventures of \$10,029, proceeds from the sale or liquidation of long-term investments of \$4,750, the sale of investment securities of \$427, and paydowns of investment securities of \$40. In the first six months of 2023, cash used in investing activities was for the purchase of investment securities of \$48,726, capital expenditures of \$7,790, investments in real estate ventures of \$5,281, purchase of long-term investments of \$5,088, an increase in cash surrender value of life insurance policies of \$1,109, and an increase in restricted assets of \$18. This was offset by maturities of investment securities of \$39,764, the sale of investment securities of \$9,505, distributions from investments in real estate ventures of \$4,109, and paydowns of investment securities of \$65.

Cash used in financing activities was \$67,322 and \$97,323 for the six months ended June 30, 2024 and 2023, respectively. In the first six months of 2024, cash was used for the dividends on common stock of \$63,457, the withholding of shares as payment of payroll tax liabilities in connection with restricted stock vesting of \$3,857, and the repurchase and repayments of debt of \$8. In the first six months of 2023, cash was used for the dividends on common stock of \$63,200, net repayments of debt under the Credit Agreement of \$22,031, the repurchase and repayments of debt of \$8,412, and the withholding of shares as payment of payroll tax liabilities in connection with restricted stock vesting and exercise of stock options of \$3,680. Repurchases and repayments of debt for the six months ended June 30, 2023 included our repurchase in the market of \$8,352 in aggregate principal amount of our 10.5% Senior Notes due 2026 at a price of \$8,398 plus accrued interest. The 10.5% Senior Notes that were repurchased have been retired.

We use dividends from our tobacco and real estate subsidiaries, as well as cash and cash equivalents maintained at the corporate level, to fund our significant liquidity commitments at the corporate level (not including our tobacco and real estate operations). These liquidity commitments include cash interest expense of approximately \$104,800, dividends on our outstanding common shares of approximately \$127,500, which is based on an assumed quarterly cash dividend of \$0.20 per share and other corporate expenses and income taxes.

As of June 30, 2024, we had cash and cash equivalents of \$390,758 (including \$149,154 of cash at Liggett), investment securities and long-term investments, which were carried at \$187,772 (see Note 3 to condensed consolidated financial statements). As of June 30, 2024, our investments in real estate ventures were carried at \$116,849.

Limitation of interest expense deductible for income taxes. The amount of interest expense that is deductible in the computation of income tax liability is limited to 30% of taxable income before interest. However, interest expense allocable to a designated excepted trade or business is not subject to limitation. One such excepted trade or business is any electing real property trade or business, for which portions of our real estate businesses may qualify. If any interest expense is disallowed, we are permitted to carry forward the disallowed interest expense indefinitely. Because interest expense that is allocated to our real estate businesses (from the holding company) is not subject to the limitation, all interest expense to date has been tax deductible; however, a portion of our interest expense in future years may not be deductible, which may increase the after-tax cost of any new debt financings as well as the refinancing of our existing debt. We evaluate the impact of the nondeductible interest on our operations and capital structure on an annual basis.

Tobacco Litigation. As of June 30, 2024, 16 verdicts were entered in *Engle* progeny cases against Liggett. Several of these verdicts have been affirmed on appeal and have been satisfied by Liggett. Liggett has paid \$40,111, including interest and attorney's fees, to satisfy the final judgments entered against it. It is possible that additional cases could be decided unfavorably.

Notwithstanding the comprehensive nature of the *Engle* Progeny Settlements of more than 5,200 cases, six cases remain outstanding. Therefore, we and Liggett may still be subject to periodic adverse judgments that could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

Management cannot predict the cash requirements related to any future settlements or judgments, including cash required to bond any appeals, and there is a risk that those requirements will not be able to be met. Management is unable to make a reasonable estimate of the amount or range of loss that could result from an unfavorable outcome of the cases pending against Liggett or the costs of defending such cases. It is possible that our consolidated financial position, results of operations or cash flows in any future period could be materially adversely affected by an unfavorable outcome in any such tobacco-related litigation.

Vector Indebtedness.

5.75% Senior Secured Notes due 2029. In 2021, we sold \$875,000 in aggregate principal amount of our 5.75% Senior Secured Notes due 2029 ("5.75% Senior Secured Notes") to qualified institutional buyers and non-U.S. persons in a private offering pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, (the "Securities Act") contained in Rule 144A and Regulation S thereunder.

The 5.75% Senior Secured Notes pay interest on a semi-annual basis at a rate of 5.75% per year and mature on the earlier of February 1, 2029 and the date that is 91 days before the final stated maturity date of our 10.5% Senior Notes due 2026 ("10.5% Senior Notes") if such 10.5% Senior Notes have not been repurchased and cancelled or refinanced by such date. We may presently redeem some or all 5.75% Senior Secured Notes at a premium that will decline over time, plus accrued and unpaid interest, if any, to the redemption date. In the event of a change of control, as defined in the indenture governing the 5.75% Senior Secured Notes (the "2029 Indenture"), each holder of the 5.75% Senior Secured Notes may require us to repurchase some or all 5.75% Senior Secured Notes at a repurchase price equal to 101% of their aggregate principal amount plus accrued and unpaid interest, if any, to the date of purchase. If we sell certain assets and do not apply the proceeds as required pursuant to the 2029 Indenture, we must offer to repurchase the 5.75% Senior Secured Notes at the prices listed in the 2029 Indenture.

The 5.75% Senior Secured Notes are fully and unconditionally guaranteed, subject to certain customary automatic release provisions, on a joint and several basis by all wholly owned domestic subsidiaries that are engaged in the conduct of our cigarette businesses, which subsidiaries, as of the issuance date of the 5.75% Senior Secured Notes, were also guarantors under our outstanding 10.5% Senior Notes. The 5.75% Senior Secured Notes are not guaranteed by New Valley LLC, or any of our subsidiaries engaged in our real estate business conducted through our subsidiary, New Valley LLC. The guarantees provided by certain of the guarantors are secured by first priority or second priority security interests in certain collateral of such guarantors pursuant to security and pledge agreements, subject to certain permitted liens and exceptions as further described in the 2029 Indenture and the security documents relating thereto. Vector Group Ltd. does not provide any security for the 5.75% Senior Secured Notes.

The 2029 Indenture contains covenants that restrict the payment of dividends if our consolidated earnings before interest, taxes, depreciation and amortization ("Consolidated EBITDA"), as defined in the 2029 Indenture, for the most recently ended four full quarters is less than \$75,000. The 2029 Indenture also restricts the incurrence of debt if our Leverage Ratio and our Secured Leverage Ratio, each as defined in the 2029 Indenture, exceed 3.0 to 1.0 and 1.5 to 1.0, respectively. Our Leverage Ratio is defined in the 2029 Indenture as the ratio of our and our guaranteeing subsidiaries' total debt less the fair market value of our cash, investment securities and long-term investments to Consolidated EBITDA, as defined in the 2029 Indenture. Our Secured Leverage Ratio is defined in the 2029 Indenture in the same manner as the Leverage Ratio, except that secured indebtedness is substituted for indebtedness. The following table summarizes the requirements of these financial tests and the extent to which we satisfied these requirements as of June 30, 2024.

Covenant	Indenture Requirement	June 30, 2024
Consolidated EBITDA, as defined	\$75,000	\$418,181
Leverage ratio, as defined	<3.0 to 1	1.9 to 1
Secured leverage ratio, as defined	<1.5 to 1	0.68 to 1

As of June 30, 2024, we were in compliance with all debt covenants related to the 2029 Indenture.

10.5% Senior Notes due 2026. In 2018 and 2019, we sold \$325,000 and \$230,000, respectively, in aggregate principal amount of our 10.5% Senior Notes to qualified institutional buyers and non-U.S. persons pursuant to the exemptions from the registration requirements of the Securities Act contained in Rule 144A and Regulation S thereunder. The 10.5% Senior Notes were fully and unconditionally guaranteed subject to certain customary automatic release provisions on a joint and several basis by all wholly owned domestic subsidiaries that are engaged in the conduct of our cigarette businesses.

The 10.5% Senior Notes pay interest on a semi-annual basis at a rate of 10.5% per year and mature on November 1, 2026. We may presently redeem the 10.5% Senior Notes at the price of 100%. In addition, in the event of a change of control, as

defined in the indenture governing the 10.5% Senior Notes (the "2026 Indenture"), each holder of the 10.5% Senior Notes may require us to make an offer to repurchase some or all 10.5% Senior Notes at a repurchase price equal to 101% of their aggregate principal amount plus accrued and unpaid interest, if any, to the date of purchase. If we sell certain assets and do not apply the proceeds as required pursuant to the 2026 Indenture, we must offer to repurchase the 10.5% Senior Notes at the prices listed in the 2026 Indenture.

The indenture governing our 10.5% Senior Notes contains covenants that restrict the payment of dividends and certain other distributions subject to certain exceptions, including exceptions for (1) dividends and other distributions in an amount up to 50% of our consolidated net income, plus certain specified proceeds received by us, if no event of default has occurred, and we are in compliance with a Fixed Charge Coverage Ratio (as defined in the 2026 Indenture) of at least 2.0 to 1.0, and (2) dividends and other distributions in an unlimited amount, if no event of default has occurred and we are in compliance with a Net Leverage Ratio (as defined in the 2026 Indenture) no greater than 4.0 to 1.0. As a result, absent an event of default, we can pay dividends if the Net Leverage ratio is below 4.0 to 1.0, regardless of the value of the Fixed Charge Coverage Ratio at the time. The 2026 Indenture also restricts our ability to incur debt if our Fixed Charge Coverage Ratio is less than 2.0 to 1.0, and restricts our ability to secure debt to the extent doing so would cause our Secured Leverage Ratio (as defined in the 2026 Indenture) to exceed 3.75 to 1.0, unless our 10.5% Senior Notes are secured on an equal and ratable basis. Our Fixed Charge Coverage Ratio is defined in the 2026 Indenture as the ratio of our Consolidated EBITDA to our Fixed Charges (each as defined in the 2026 Indenture). Our Net Leverage Ratio is defined in the 2026 Indenture as the ratio of our and our guaranteeing subsidiaries' total debt less our cash, cash equivalents, and the fair market value of our investment securities, long-term investments, investments in real estate, net, and investments in real estate ventures, to Consolidated EBITDA, as defined in the 2026 Indenture. Our Secured Leverage Ratio is defined in the 2026 Indenture as the ratio of our and our guaranteeing subsidiaries' total secured debt to Consolidated EBITDA, as defined in the 2026 Indenture.

The following table summarizes the requirements of these financial tests and the extent to which we satisfied these requirements as of June 30, 2024.

Covenant	Indenture Requirement	June 30, 2024
Consolidated EBITDA, as defined	N/A	\$376,610
Fixed charge coverage ratio, as defined	>2.0 to 1	4.62 to 1
Net leverage ratio, as defined	<4.0 to 1	1.8 to 1
Secured leverage ratio, as defined	<3.75 to 1	2.29 to 1

As of June 30, 2024, we were in compliance with all debt covenants related to the 2026 Indenture.

During the six months ended June 30, 2023, we repurchased in the market \$8,352 in aggregate principal amount of our 10.5% Senior Notes. All the repurchased 10.5% Senior Notes have been retired.

Guarantor Summarized Financial Information. Vector Group Ltd. (the "Issuer") and its wholly owned domestic subsidiaries that are engaged in the conduct of its cigarette business (the "Subsidiary Guarantors") have filed a shelf registration statement for the offering of debt and equity securities on a delayed or continuous basis and we are including this condensed consolidating financial information in connection therewith. Any such debt securities may be issued by us and guaranteed by our Subsidiary Guarantors. New Valley and any of its subsidiaries (the "Nonguarantor Subsidiaries") will not guarantee any such debt securities. Both the Subsidiary Guarantors and the Nonguarantor Subsidiaries are wholly owned by the Issuer. The Condensed Consolidating Balance Sheet as of June 30, 2024 and the related Condensed Consolidating Statements of Operations for the six months ended June 30, 2024 of the Issuer, Subsidiary Guarantors and Nonguarantor Subsidiaries are set forth in Exhibit 99.2.

Presented herein are the Summarized Combined Balance Sheets as of June 30, 2024 and December 31, 2023 and the related Summarized Combined Statements of Operations for the six months ended June 30, 2024 for the Issuer and the Subsidiary Guarantors (collectively, the "Obligor Group"). The summarized combined financial information is presented after the elimination of: (i) intercompany transactions and balances among the Obligor Group, and (ii) equity in earnings from and investments in the Nonguarantor Subsidiaries.

Summarized Combined Balance Sheets:

	June 30, 2024	December 31, 2023
Assets:		
Current assets	\$ 694,123	\$ 524,309
Noncurrent assets	280,364	276,784
Intercompany receivables from Nonguarantor Subsidiaries	2,980	2,854
Liabilities:		
Current liabilities	295,519	160,199
Noncurrent liabilities	1,496,324	1,500,525

Summarized Combined Statements of Operations:

	Six Months Ended	
	June 30,	2023
	2024	2023
Revenues	\$ 696,481	\$ 699,807
Cost of sales	462,495	481,270
Operating income	175,765	145,885
Net income	98,142	72,072

Liggett Credit Facility. Liggett, Maple and Vector Tobacco are party to the Credit Agreement with Wells Fargo, as agent and lender, which provides a maximum credit line of \$90,000 and matures on March 22, 2026. As of June 30, 2024, there was no outstanding balance due under the Credit Agreement. Availability as determined under the Credit Agreement was approximately \$89,600 based on eligible collateral on June 30, 2024. As of June 30, 2024, Liggett was in compliance with all covenants under the Credit Agreement; Liggett's EBITDA, as defined, were \$384,585 for the last twelve months ended June 30, 2024. Loans under the Credit Agreement bear interest at a rate equal to, at the borrower's option, (a) the base rate, (b) Term SOFR for the applicable interest period plus 2.25% or (c) Daily Simple SOFR plus 2.25%, where "SOFR" means the Secured Overnight Financing Rate. The interest rate as of June 30, 2024 was 7.56%. An unused line fee is also payable on the average undrawn commitments at a rate of 0.25%, regardless of the amount borrowed under the facility.

Anticipated Liquidity Obligations. We and our subsidiaries have significant indebtedness and debt service obligations. As of June 30, 2024, we and our subsidiaries had total outstanding indebtedness of approximately \$1,393,700. Of this amount, \$875,000 comprised the outstanding amount under our 5.75% Senior Secured Notes due 2029, and \$518,692 comprised the outstanding amount under our 10.5% Senior Notes due 2026. There is a risk that we will not be able to generate sufficient funds to repay our debt. If we cannot service our fixed charges, it would have a material adverse effect on our business and results of operations.

We believe that our cigarette operations are a positive cash-flow-generating unit and will continue to be able to sustain its operations without any significant liquidity concerns. We had cash and cash equivalents of approximately \$390,800, investment securities at fair value of approximately \$141,000, long-term investments with an estimated value of approximately \$46,800, and availability under Liggett's Credit Agreement of approximately \$89,600 on June 30, 2024. We currently anticipate that these amounts, as well as expected cash flows from our operations, proceeds from public and/or private debt and equity financing to the extent available, management fees and other payments from subsidiaries should be sufficient to meet our liquidity needs over the next 12 months.

We continue to evaluate our capital structure and current market conditions related to our capital structure. During the six months ended June 30, 2023, we repurchased in the market \$8,352 in aggregate principal amount of our 10.5% Senior Notes for a purchase price of \$8,398. The 10.5% Senior Notes that were repurchased have been retired. Depending on market conditions, we may utilize our cash, investment securities and long-term investments to repurchase additional amounts of our 10.5% Senior Notes in open-market purchases or privately negotiated transactions.

Furthermore, we may access the capital markets to refinance our 10.5% Senior Notes. We can presently redeem such bonds at the price of 100%. There can be no assurance that we would be able to continue to issue debt at a lower interest rate than our historical borrowing levels in the future and if we pursue any capital markets activities, our ability to complete any debt or equity offering would be subject to market conditions.

We may acquire or seek to acquire additional operating businesses through merger, purchase of assets, stock acquisition or other means, or to make other investments, which may limit our liquidity otherwise available.

Off-Balance Sheet Arrangements

We have various agreements in which we may be obligated to indemnify the other party with respect to certain matters. Generally, these indemnification clauses are included in contracts arising in the normal course of business under which we customarily agree to hold the other party harmless against losses arising from a breach of representations related to such matters as title to assets sold and licensed or certain intellectual property rights. Further, our obligations under these arrangements may be limited in terms of time and/or amount, and in some instances, we may have recourse against third parties for certain payments made by us. It is not possible to predict the maximum potential number of future payments under these indemnification agreements due to the conditional nature of our obligations and the unique facts of each particular agreement. Historically, payments made by us under these agreements have not been material. As of June 30, 2024, we were not aware of any indemnification agreements that would or are reasonably expected to have a current or future material adverse impact on our financial position, results of operations or cash flows.

We have a leaf inventory management program whereby, among other things, we are committed to purchase certain quantities of leaf tobacco. The purchase commitments are for quantities not exceeding anticipated requirements and are at prices, including carrying costs, established at the commitment date. As of June 30, 2024, Liggett had tobacco purchase commitments of approximately \$31,363. We have a single source supply agreement for reduced ignition propensity cigarette paper through 2025.

Future machinery and equipment purchase commitments at Liggett were \$6,100, including \$3,700 for factory modernization as of June 30, 2024.

Market Risk

We are exposed to market risks principally from fluctuations in interest rates, foreign currency exchange rates and equity prices. We seek to minimize these risks through our regular operating and financing activities and our long-term investment strategy. Our market risk management procedures cover all market risk sensitive financial instruments.

As of June 30, 2024, there was no outstanding balance due on the Liggett Credit Agreement which also has variable interest rates. As of June 30, 2024, we had no interest rate caps or swaps. Based on a hypothetical 100 basis point increase or decline in interest rates (1%), our annual interest expense could increase or decline by approximately \$0.

We held debt securities available for sale totaling \$102,849 as of June 30, 2024. See Note 3 to our condensed consolidated financial statements. Adverse market conditions could have a significant impact on the value of these investments. Based on a hypothetical 100 basis point increase or decline in interest rates (1%), the fair value of our debt securities available for sale could decrease or increase by approximately \$878.

On a quarterly basis, we evaluate our debt securities available for sale and equity securities without readily determinable fair values that do not qualify for the NAV practical expedient to determine whether an impairment has occurred. If so, we also determine if such impairment is considered temporary or other-than-temporary. We believe that the assessment of temporary or other-than-temporary impairment is facts-and-circumstances driven. The impairment indicators that are taken into consideration as part of our analysis include (a) a significant deterioration in the earnings performance, credit rating, asset quality, or business prospects of the investee, (b) a significant adverse change in the regulatory, economic, or technological environment of the investee, (c) a significant adverse change in the general market condition of either the geographical area or the industry in which the investee operates, and (d) factors that raise significant concerns about the investee's ability to continue as a going concern, such as negative cash flows from operations, working capital deficiencies, or noncompliance with statutory capital requirements or debt covenants.

Equity Security Price Risk

As of June 30, 2024, we held various investments in equity securities with a total fair value of \$67,569, of which \$38,134 represents mutual funds that invest in debt securities and other equity securities at fair value and \$29,435 represents long-term investment securities at fair value. The latter securities represent long-term investments in various investment partnerships. These investments are illiquid and their ultimate realization is subject to the performance of the underlying entities. See Note

3 to our condensed consolidated financial statements for more details on equity securities at fair value and long-term investment securities at fair value. The impact to our condensed consolidated statements of operations related to equity securities fluctuates based on changes in their fair value.

We record changes in the fair value of equity securities in net income. To the extent that we continue to hold equity securities, our operating results may fluctuate significantly. Based on our equity securities held as of June 30, 2024, a hypothetical decrease of 10% in the price of these equity securities would reduce the fair value of the investments and, accordingly, our net income by approximately \$6,757.

New Accounting Pronouncements

Refer to Note 1, *Summary of Significant Accounting Policies*, to our financial statements for further information on New Accounting Pronouncements.

Legislation and Regulation

There are no material changes from the Legislation and Regulation section set forth in Item 7, *"Management's Discussion and Analysis of Financial Condition and Results of Operations,"* of our Annual Report on Form 10-K for the year ended December 31, 2023, except as follows:

Significant Regulatory Issues – Graphic Health Warning Labels

In March 2024, the U.S. Court of Appeals ruled that FDA's required graphic warning labels did not violate the First Amendment, overturning a December 2022 district court ruling. The Court of Appeals has returned the case to U.S. District Judge in Texas to assess whether the FDA rule violated federal administrative law. The plaintiffs plan to file a petition for Writ of Certiorari for review of their First Amendment argument with the U.S. Supreme Court by August 19, 2024.

Menthol and Flavorings

On May 4, 2022, FDA published a proposed rule to prohibit menthol as a characterizing flavor in cigarettes. For the last twelve months ended June 30, 2024, approximately 22% of our cigarette unit sales were menthol flavored. FDA had been expected to adopt a final rule in 2024. Once a final rule is published, it ordinarily would not be expected to take effect until at least one year after the date of publication. In addition, if litigation is brought against FDA's menthol regulation, the effective date may be extended further. On April 26, 2024, U.S. Department of Health and Human Services Secretary Xavier Becerra announced an indefinite delay in the publication of a final rule banning menthol cigarettes. We cannot predict how a tobacco product standard or a restriction on the sale and distribution of tobacco products with menthol, if ultimately issued by FDA, will impact product sales, or whether it will have a material adverse effect on Liggett or Vector Tobacco.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this report contains "forward-looking statements" within the meaning of the federal securities law. Forward-looking statements include information relating to our intent, belief or current expectations, primarily with respect to, but not limited to:

- economic outlook,
- capital expenditures,
- cost reduction,
- competition,
- legislation and regulations,
- cash flows,
- operating performance,
- litigation, and
- related industry developments (including trends affecting our business, financial condition and results of operations).

We identify forward-looking statements in this report by using words or phrases such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may be," "objective," "opportunistically," "plan," "potential," "predict," "project," "prospects," "seek," or "will be" and similar words or phrases or their negatives.

The forward-looking information involves important risks and uncertainties that could cause our actual results, performance or achievements to differ materially from our anticipated results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause actual results to differ materially from those suggested by the forward-looking statements include, without limitation, the following:

- general economic and market conditions and any changes therein, due to acts of war and terrorism or otherwise;
- impact of business combinations, including acquisitions and divestitures, both internally for us and externally in the tobacco industry;
- uncertainty related to product liability and other tobacco-related litigations including the *Engle* progeny cases pending in Florida and other individual and class action cases where certain plaintiffs have alleged compensatory and punitive damage amounts ranging into the hundreds of million and even billions of dollars;
- governmental regulations and policies;
- adverse changes in global, national, regional and local economic and market conditions, including those related to pandemics and health crises;
- significant changes in the price, availability or quality of tobacco, other raw materials or component parts;
- impact of legislation on our results of operations and product costs, i.e., the impact of federal legislation providing for regulation of tobacco products by FDA;
- impact of substantial increases in federal, state and local excise taxes;
- potential additional payment obligations for us under the MSA and other settlement agreements with the states;
- significant changes or disruptions to our supply or distribution chains or in the price, availability or quality of tobacco, other raw materials or component parts;
- potential dilution to our holders of common stock because of issuances of additional shares of common stock to fund our financial obligations and other financing activities;
- effects of industry competition;
- the impacts of the tax deductibility of interest expense and the impact of the markets on our Real Estate segment;
- the impacts of future income tax legislation in the U.S., including the impact of the markets on our Real Estate segment;
- failure to properly use and protect customer and employee information and data; and
- the effect of a material breach of security or other performance issues on any of our systems or our vendors' systems.

Further information on the risks and uncertainties to our business includes the risk factors discussed above in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and under Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission.

Although we believe the expectations reflected in these forward-looking statements are based on reasonable assumptions, there is a risk that these expectations will not be attained and that any deviations will be material. The forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any of these statements to reflect events or circumstances occurring after the date of this report. New factors may emerge, and it is not possible to predict all factors that may affect our business and operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk" is incorporated herein by reference.

ITEM 4. CONTROLS AND PROCEDURES**Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, and, based on their evaluation, our principal executive officer and principal financial officer have concluded that these controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting that occurred during the quarterly period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to Note 6, incorporated herein by reference, to our condensed consolidated financial statements included elsewhere in this report which contains a general description of certain legal proceedings to which our company, or its subsidiaries are a party. Reference is also made to Exhibit 99.1 for additional information regarding the pending smoking-related legal proceedings to which either Liggett or us is a party. A copy of Exhibit 99.1 will be furnished without charge upon written request to us at our principal executive offices, 4400 Biscayne Boulevard, 10th Floor, Miami, Florida 33137, Attn. Investor Relations.

ITEM 1A. RISK FACTORS

There are no material changes from the risk factors set forth in Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

No equity securities of ours which were not registered under the Securities Act have been issued or sold by us during the three months ended June 30, 2024.

Issuer Purchase of Equity Securities

Our purchases of our common stock during the three months ended June 30, 2024 were as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 to April 30, 2024	—	\$ —	—	—
May 1 to May 31, 2024	41,529	10.90 ⁽¹⁾	—	—
June 1 to June 30, 2024	—	—	—	—
Total	41,529	\$ 10.90	—	—

⁽¹⁾ Represents withholdings of shares as payment of payroll tax liabilities incident to the vesting of certain employees' shares of restricted stock. The shares purchased were immediately canceled.

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

In the quarter ended June 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated a plan for the purchase or sale of our securities intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or a non-Rule 10b5-1 trading arrangement for the purchase or sale of our securities within the meaning of Item 408 of Regulation S-K. However, certain of our officers or directors have made, and may from time to time make elections to have shares withheld to cover withholding taxes or pay the exercise price of options, which may be designed to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or may constitute non-Rule 10b5-1 trading arrangements.

ITEM 6. EXHIBITS:

22.1	List of Subsidiary Guarantors.
31.1	Certification of Chief Executive Officer, Pursuant to Exchange Act Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer, Pursuant to Exchange Act Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
* 32.1	Certifications of Chief Executive Officer and Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Certain Legal Proceedings.
99.2	Condensed Consolidating Financial Statements of Vector Group Ltd.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (the cover page tabs are embedded within the Inline XBRL document).

* Furnished herewith. These exhibits shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section. Such exhibits shall not be deemed incorporated into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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.

VECTOR GROUP LTD.
(Registrant)

By: /s/ J. Bryant Kirkland III

J. Bryant Kirkland III
Senior Vice President, Treasurer and
Chief Financial Officer

Date: August 2, 2024

Vector Group Ltd. List of Guarantor Subsidiaries

Vector Group Ltd. ("Vector Group"), a Delaware corporation, and the following 100% owned subsidiaries of Vector Group have filed a shelf registration statement for the offering of debt securities on a delayed or continuous basis. Any such debt securities may be issued by Vector Group and guaranteed on a full and unconditional basis by the following subsidiaries:

Entity	Jurisdiction of Incorporation or Organization
VGR Holding LLC	Delaware
Liggett Group LLC	Delaware
Liggett & Myers Holdings Inc.	Delaware
Liggett Vector Brands LLC	Delaware
Vector Tobacco LLC	Virginia
100 Maple LLC	Delaware
Eve Holdings LLC	Delaware
Zoom E-Cigs LLC	Delaware

RULE 13a-14(a)/15d-14(a) CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Howard M. Lorber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vector Group Ltd.;
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 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 control 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 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 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: August 2, 2024

/s/ Howard M. Lorber

Howard M. Lorber

President and Chief Executive Officer

RULE 13a-14(a)/15d-14(a) CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, J. Bryant Kirkland III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vector Group Ltd.;
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 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 control 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 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 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: August 2, 2024

/s/ J. Bryant Kirkland III

J. Bryant Kirkland III

Senior Vice President, Treasurer and Chief Financial
Officer

SECTION 1350 CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

In connection with the Quarterly Report of Vector Group Ltd. (the "Company") on Form 10-Q for the quarter ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Howard M. Lorber, as Chief Executive 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, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 2, 2024

/s/ Howard M. Lorber

Howard M. Lorber

President and Chief Executive Officer

In connection with the Quarterly Report of Vector Group Ltd. (the "Company") on Form 10-Q for the quarter ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Bryant Kirkland III, as Chief Financial 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, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 2, 2024

/s/ J. Bryant Kirkland III

J. Bryant Kirkland III

Senior Vice President, Treasurer and Chief Financial Officer

I. INDIVIDUAL CASES

A. Engle Progeny Cases.

Carmenates, et al. v. R.J. Reynolds Tobacco Company, et al., Case No. 07-46080, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 12/27/07). Three plaintiffs suing on behalf of the estates and survivors of three deceased smokers.

Forbing, et al. v. R.J. Reynolds Tobacco Company, et al., Case No. 2008-CA-001013, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 01/07/08). Two individuals suing.

Gray, et al. v. R.J. Reynolds Tobacco Company, et al., Case No. 2008-CA-000517, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 01/07/08). Two Plaintiffs suing on behalf of the estates and survivors of two deceased smokers.

Palmieri v. R.J. Reynolds Tobacco Company, et al., Case No. 07-026287, Circuit Court of the 17th Judicial Circuit, Broward County (case filed 10/10/07). One individual suing on behalf of the estate and survivors of a deceased smoker.

Pappas v. R.J. Reynolds Tobacco Company, et al., Case No. 07-022785, Circuit Court of the 17th Judicial Circuit, Broward County (case filed 09/11/07). One individual suing on behalf of the estate and survivors of a deceased smoker.

Perez, et al. v. R.J. Reynolds Tobacco Company, et al., Case No. 08-1231, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 01/10/08). One individual suing on behalf of the estate and survivors of a deceased smoker.

B. Non-Engle Individual Cases.

California

Taylor, et al. v. R.J. Reynolds Tobacco Company, et al., Case No. 8:23-cv-00483, United States District Court, Central District of California (case filed 12/16/2022). Three individuals suing for the death of their husband and father.

Florida

Cowart v. Liggett Group Inc., et al., Case No. 98-01483-CA, Circuit Court of the 4th Judicial Circuit, Duval County (case filed 03/16/1998). One individual suing. Liggett is the only remaining defendant in this case. The case is dormant.

Cunningham v. R.J. Reynolds Tobacco Company, et al., Case No. 17-CA-000293, Circuit Court of the 19th Judicial Circuit, St. Lucie County (case filed 02/20/2017). One individual suing on behalf of the estate and survivors of a deceased smoker.

Monette v. Reynolds Tobacco Company, et al., Case No. 2024-11530-CICI, Circuit Court of the 7th Judicial Circuit, Volusia County (case filed 05/05/2024). One individual suing on behalf of the estate and survivors of a deceased smoker. Plaintiff sued Vector, not Liggett.

Santayana, et al., v. Philip Morris USA Inc., et al., Case No. 2022-022140, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 11/18/2022). Two individuals suing.

Schoene v. R.J. Reynolds Tobacco Company, et al., Case No. 21-004689, Circuit Court of the 17th Judicial Circuit, Broward County (case filed 03/05/2021). One individual suing.

Taylor v. Philip Morris USA Inc., et al., Case No. 19-CA-255, Circuit Court of the 2nd Judicial Circuit, Wakulla County (case filed 12/18/2019). One individual suing.

Voglio v. R.J. Reynolds Tobacco Company, et al., Case No. 18-CA-000640, Circuit Court of the 19th Judicial Circuit, Martin County (case filed 08/29/2018). One individual suing on behalf of the estate and survivors of a deceased smoker.

Hawaii

Kanuha v. Philip Morris USA Inc., et al., Case No. 1CCV-22-0000832, Circuit Court, 1st Circuit, Hawaii, (case filed 07/19/2022) One individual suing. The case is set for trial starting 12/16/2024.

Illinois

Bromberek, et al. v. Philip Morris USA Inc., et al., Case No. 2023-L-008023, Circuit Court of Cook County, Illinois (case filed 08/10/2023). Two individuals suing.

Bush v. Philip Morris USA Inc., et al., Case No. 2023-L-008342, Circuit Court of Cook County, Illinois (case filed 08/21/2023). One individual suing. This case is set for trial starting 09/09/2026.

Cain v. Philip Morris USA, Inc., et al., Case No. 2021-L-008850, Circuit Court of Cook County, Illinois (case filed 09/02/2021). One individual suing. This case is set for trial starting 11/04/2024.

Collins v. Philip Morris USA Inc., et al., Case No. 2022-L-000578, Circuit Court of Cook County, Illinois (case filed 01/19/2022). One individual suing.

Duncan v. Philip Morris USA Inc., et al., Case No. 2024-L-001778, Circuit Court of Cook County, Illinois (case filed 02/16/2024). One individual suing.

Dunn v. Philip Morris USA Inc., et al., Case No. 24-LA-12, Circuit Court of Fulton County, Illinois (case filed 05/24/2024). One individual suing on behalf of the estate.

Fields, et al. v. Philip Morris USA Inc., et al., Case No. 2023-L-008345, Circuit Court of Cook County, Illinois (case filed 08/21/2023). Two individuals suing. This case is set for trial starting 11/04/2026.

Gerace, et al. v. Philip Morris USA Inc., et al., Case No. 2022-L-003599, Circuit Court of Cook County, Illinois (case filed 04/19/2022). Two individuals suing. This case is set for trial starting 03/31/2025.

Gleason, et al. v. Philip Morris USA Inc., et al., Case No. 2023-L-010781, Circuit Court of Cook County, Illinois (case filed 10/24/2023). Two individuals suing.

Hedlund v. R. J. Reynolds Tobacco Company, et al., Case No. 2023-L-009387, Circuit Court of Cook County, Illinois (case filed 09/15/2023). One individual suing. This case is set for trial starting 03/01/2027.

Jones v. R. J. Reynolds Tobacco Company, et al., Case No. 2024-L-005455, Circuit Court of Cook County, Illinois (case filed 05/16/2024). One individual suing.

Johnson v. Philip Morris USA Inc., et al., Case No. 2024-L-000939, Circuit Court of Cook County, Illinois (case filed 01/26/2024). Two individuals suing.

Malevitis, et al. v. Philip Morris USA Inc., et al., Case No. 2023-L-007203. Circuit Court of Cook County, Illinois (case filed 7/19/2023). Two individuals suing. This case is set for trial starting 01/27/2025.

Morton v. Philip Morris USA Inc., et al., Case No. 2022-L-006350, Circuit Court of Cook County, Illinois (case filed 07/15/2022). One individual suing. This case is set for trial starting 06/02/2025.

Norwood, et al. v. Philip Morris USA Inc., et al., Case No. 2023-L-007660, Circuit Court of Cook County, Illinois, (case filed 08/02/2023). Two individuals suing. This case is set for trial starting 11/03/2025.

Ogbebor v. Philip Morris USA Inc., et al., Case No. 2023-L-000605, Circuit Court of Cook County, Illinois (case filed 01/20/2023). One individual suing.

Outlaw v. Philip Morris USA Inc., et al., Case No. 2023-L-010786, Circuit Court of Cook County, Illinois (case filed 10/24/2023). One individual suing. This case is set for trial starting 11/01/2027.

Reeves v. R.J. Reynolds Tobacco Co., et al., Case No. 2024-LA-0421, Circuit Court of the 12th Judicial Circuit, St. Clair County, Illinois (case filed 3/15/2024). One individual suing Liggett and other tobacco product manufacturers for injuries allegedly developed due to exposure to secondhand smoke. Plaintiff also sued three additional entities for alleged occupational and environmental exposures that allegedly contributed to her injuries.

Schillen v. Philip Morris USA Inc., et al., Case No. 2024-L-001630, Circuit Court of Cook County, Illinois (case filed 02/13/2024). Two individuals suing.

Thompson, et al. v. Philip Morris USA Inc., et al., Case No. 2023-L-000843, Circuit Court of Cook County, Illinois (case filed 01/27/2023). Two individuals suing.

Van Johnson v. Philip Morris USA Inc., et al., Case No. 2023-L-007709, Circuit Court of Cook County, Illinois (case filed 08/02/2023). One individual suing. This case is set for trial starting 03/02/2026.

Ziemba v. Philip Morris USA Inc., et al., Case No. 2023-L-008024, Circuit Court of Cook County, Illinois (case filed 08/10/2023). One individual suing. This case is set for trial starting 05/04/2026.

Louisiana

Oser v. The American Tobacco Co., et al., Case No. 97-9293, Circuit Court of the Civil District Court, Parish of Orleans (case filed 05/27/1997). One individual suing. There has been no recent activity in this case.

Reese, et al. v. R. J. Reynolds, et al., Case No. 2003-12761, Circuit Court of the 22nd Judicial District Court, St. Tammany Parish (case filed 06/10/2003). Five individuals suing. There has been no recent activity in this case.

Massachusetts

Anderson v. Philip Morris USA Inc., et al., Case No. 2384-CV-01033, Superior Court of Massachusetts, Suffolk County (case filed 05/02/2023). One individual suing.

Allen v. Philip Morris USA Inc., et al., Case No. 2384-CV-00680, Superior Court of Massachusetts, Suffolk County (case filed 03/20/2023). One individual suing. This case is set for trial starting 12/02/2025.

Ashmore v. Philip Morris USA Inc., et al., Case No. 2384-CV-00492, Superior Court of Massachusetts, Suffolk County (case filed 03/06/2023). One individual suing.

Ayala v. Philip Morris USA Inc., et al., Case No. 2384-CV-01742, Superior Court of Massachusetts, Suffolk County (case filed 07/31/2023). One individual suing.

Bloom v. Philip Morris USA Inc., et al., Case No. 2384-CV-00386, Superior Court of Massachusetts, Suffolk County (case filed 02/10/2023). One individual suing. This case is set for trial starting 01/07/2026.

Boutwell v. Philip Morris USA Inc., et al., Case No. 2384-CV-02503, Superior Court of Massachusetts, Suffolk County (case filed 11/02/2023). One individual suing.

Campagnone. v. Philip Morris USA Inc., et al., Case No. 2377-CV-00486, Superior Court of Massachusetts, Essex County (case filed 05/19/2023). One individual suing on behalf of the estate.

Cantor v. R. J. Reynolds Tobacco Company, et al., Case No. 2484-CV-01158, Superior Court of Massachusetts, Suffolk County (case filed 04/30/2024). One individual suing on behalf of the estate.

Cavanaugh v. Philip Morris USA Inc., et al., Case No. 2384-CV-01096, Superior Court of Massachusetts, Suffolk County (case filed 05/11/2023). One individual suing.

Chafei v. R. J. Reynolds Tobacco Company, et al., Case No. 2484-CV-01639, Superior Court of Massachusetts, Suffolk County (case filed 06/24/2024). One individual suing.

Crowfoot v. R.J. Reynolds Tobacco Company, et al., Case No. 2384-CV-01244, Superior Court of Massachusetts, Suffolk County (case filed 5/30/2023). One individual suing.

Daviolo v. Philip Morris USA Inc., et al., Case No. 2384-CV-01014, Superior Court of Massachusetts, Suffolk County (case filed 05/01/2023). One individual suing.

Defuria v. R.J. Reynolds Tobacco Company, et al., Case No. 2384-CV-02225, Superior Court of Massachusetts, Suffolk County (case filed 10/03/2023). One individual suing.

Dent v. Philip Morris USA Inc., et al., Case No. 2384-CV-00746, Superior Court of Massachusetts, Suffolk County (case filed 03/28/2023). One individual suing.

Derosiers v. Philip Morris USA Inc., et al., Case No. 2482-CV-00374, Superior Court of Massachusetts, Norfolk County (case filed 04/17/2024). One individual suing.

DiMaio v. Philip Morris USA Inc., et al., Case No. 2384-CV-01036, Superior Court of Massachusetts, Suffolk County (case filed 05/02/2023). One individual suing.

Doherty v. Philip Morris USA Inc., et al., Case No. 2484-CV-00141, Superior Court of Massachusetts, Suffolk County (case filed 01/17/2024). One individual suing.

Duplisea v. Philip Morris USA Inc., et al., Case No. 2484-CV-00140, Superior Court of Massachusetts, Suffolk County (case filed 01/17/2024). One individual suing.

Eckhardt v. Philip Morris USA, Inc. et al., Case No. 2484-CV-01032, Superior Court of Massachusetts, Suffolk County (case filed 04/17/2024). One individual suing.

Fakhiri v. Philip Morris USA Inc., et al., Case No. 2484-CV-00046, Superior Court of Massachusetts, Suffolk County (case filed 01/05/2024). One individual suing.

Goodwin v. Philip Morris USA Inc., et al., Case No. 2384-CV-00767, Superior Court of Massachusetts, Suffolk County (case filed 03/29/2023). One individual suing. The case is set for trial starting 03/24/2025.

Hammond v. R.J. Reynolds Tobacco Company, et al., Case No. 2484-CV-01870, Superior Court of Massachusetts, Suffolk County (case filed 07/16/2024). One individual suing.

Holroyd v. Philip Morris USA Inc., et al., Case No. 2484-CV-00374, Superior Court of Massachusetts, Suffolk County (case filed 02/08/2024). One individual suing.

Hynes v. R.J. Reynolds Tobacco Company, et al., Case No. 2384-CV-01050, Superior Court of Massachusetts, Suffolk County (case filed 04/18/2024). One individual suing.

Jankouski v. Philip Morris USA Inc., et al., Case No. 2384-CV-01015, Superior Court of Massachusetts, Suffolk County (case filed 05/01/2023). One individual suing.

Jensen v. R.J. Reynolds Tobacco Company, et al., Case No. 2484-CV-00926, Superior Court of Massachusetts, Suffolk County (case filed 04/05/2024). One individual suing.

Johnson v. Philip Morris USA Inc., et al., Case No. 2384-CV-0559, Superior Court of Massachusetts, Suffolk County (case filed 03/06/2023). One individual suing.

Lapreste v. Philip Morris USA Inc., et al., Case No. 2484-CV-00045, Superior Court of Massachusetts, Suffolk County (case filed 01/05/2024). One individual suing.

LoGiudice v. Philip Morris USA Inc., et al., Case No. 2384-CV-01038, Superior Court of Massachusetts, Suffolk County (case filed 05/03/2023). One individual suing.

Malloy v. Philip Morris USA Inc., et al., Case No. 2484-CV-00296, Superior Court of Massachusetts, Suffolk County (case filed 02/01/2024). One individual suing.

McGrath v. Philip Morris USA Inc., et al., Case No. 2484-CV-00258, Superior Court of Massachusetts, Suffolk County (case filed 01/29/2024). One individual suing.

McGrath v. Philip Morris USA Inc., et al., Case No. 2484-CV-00254, Superior Court of Massachusetts, Suffolk County (case filed 01/29/2024). One individual suing on behalf of the estate and survivors of William McGrath, a deceased smoker.

McLester v. R.J. Reynolds Tobacco Company, et al., Case No. 2484-CV-00900, Superior Court of Massachusetts, Suffolk County (case filed 04/03/2024). One individual suing.

O'Neal v. Philip Morris USA Inc., et al., Case No. 2384-CV-02488, Superior Court of Massachusetts, Suffolk County (case filed 11/01/2023). One individual suing.

Pachico v. R.J. Reynolds Tobacco Company, et al., Case No. 2384-CV-01047, Superior Court of Massachusetts, Suffolk County (case filed 04/18/2024). One individual suing.

Prescott v. R.J. Reynolds Tobacco Company, et al., Case No. 2384-CV-0058, Superior Court of Massachusetts, Suffolk County (case filed 03/06/2023). One individual suing. This case is set for trial starting 03/04/2026.

Rasmussen v. Philip Morris USA Inc., et al., Case No. 2384CV02821, Superior Court of Massachusetts, Suffolk County (case filed 12/13/2023). One individual suing.

Rodrigues, D. v. Philip Morris USA Inc., et al., Case No. 2384-CV-01680, Superior Court of Massachusetts, Suffolk County (case filed 07/21/2023). One individual suing.

Rodrigues, J. v. Philip Morris USA Inc., et al., Case No. 2484-CV-00258, Superior Court of Massachusetts, Suffolk County (case filed 02/06/2024). One individual suing.

Sweeney v. Philip Morris USA Inc., et al., Case No. 2385-CV-01285, Superior Court Worcester County, Massachusetts, (case filed 11/28/2023). One individual suing on behalf of the estate.

Tibbetts v. R.J. Reynolds Tobacco Company, et al., Case No. 2484-CV-00923, Superior Court of Massachusetts, Suffolk County (case filed 04/05/2024). One individual suing.

Vanstigt v. Philip Morris USA Inc., et al., Case No. 2377-CV-00866, Superior Court of Massachusetts, Essex County (case filed 09/08/2023). One individual suing.

Vartanian v. Philip Morris USA Inc., et al., Case No. 2384-CV-01035, Superior Court of Massachusetts, Suffolk County (case filed 05/02/2023). One individual suing.

Waldrip v. R.J. Reynolds, et al., Case No. 2377-CV-01130, Superior Court of Massachusetts, Essex County (case filed 11/20/23). One individual suing.

Webster v. Philip Morris USA Inc., et al., Case No. 2473-CV-00315, Superior Court of Massachusetts, Bristol County (case filed 04/17/2024). One individual suing.

Zachariewicz v. Philip Morris USA Inc., et al., Case No. 2384CV00981, Superior Court of Massachusetts, Suffolk County (case filed 04/27/2023). One individual suing.

Nevada

Camacho v. Philip Morris USA Inc., et al., Case No. A-19-807650C, District Court, Clark County, Nevada, (case filed 12/30/2019). One individual suing on behalf of the estate and survivors of deceased smoker. The case is set for trial starting 09/02/2025.

Lango v. Philip Morris USA Inc., et al., Case No. A-23-872964-C, District Court, Clark County, Nevada (case filed 06/26/2023). One individual suing. The case is set for trial starting 08/04/2025.

Rowan v. Philip Morris USA Inc., et al., Case No. A-20-811091C, District Court, Clark County, Nevada, (case filed 02/25/2020). One individual suing on behalf of the estate and survivors of a deceased smoker.

Tully v. Philip Morris USA Inc., et al., Case No. A-19-807657C, District Court, Clark County, Nevada, (case filed 12/30/2019). One individual suing on behalf of the estate and survivors of a deceased smoker. The case is set for trial starting 12/01/2025.

New Mexico

Fanelli, et al. v. R.J. Reynolds Tobacco Company, et al., Case No. D-1329-CV-2024-00716, 13th Judicial District Court, Sandoval County, New Mexico (case filed 04/25/2024). Two individuals suing.

Youngers, et al. v. Shook, Hardy & Bacon, LLP, et. al., Case No. D-101-CV-2024-00833, 1st Judicial District Court, Santa Fe County, New Mexico (case filed 04/03/2024). Two individuals suing. One on behalf of the estate of a deceased smoker and one individually as the surviving spouse.

Oregon

Alameda v. Philip Morris USA Inc., et al., Case No. 24-CV-00525, Circuit Court of the State of Oregon, Multnomah County, Oregon (case filed 03/06/2024). One individual suing.

Bertram v. Philip Morris USA Inc., et al., Case No. 24-CV-25737, Circuit Court of the State of Oregon, Multnomah County, Oregon (case filed 05/24/2024). One individual suing.

Dollar v. Philip Morris USA Inc., et al., Case No. 24-CV-22594, Circuit Court of the State of Oregon, Multnomah County, Oregon (case filed 05/08/2024). One individual suing.

Heagle v. Philip Morris USA Inc., et al., Case No. 24-CV-13696, Circuit Court of the State of Oregon, Multnomah County, Oregon (case filed 03/21/2024). One individual suing.

Hutchinson v. Philip Morris USA Inc., et al., Case No. 24-CV-15580, Circuit Court of the State of Oregon, Multnomah County, Oregon (case filed 004/04/2024). One individual suing.

Martinez v. Philip Morris USA, Inc. et al., Case No. 24-CV-19443, Circuit Court of the State of Oregon, Multnomah County, Oregon (case filed 05/02/2024). One individual suing.

Ryan, et al. v. Philip Morris USA Inc., et al., Case No. 24-CV-13688, Circuit Court of the State of Oregon, Multnomah County, Oregon (case filed 03/21/2024). Two individuals suing.

St. Croix

Barthlett v. R.J. Reynolds Tobacco Co., et al., Case No. 188/2024, Virgin Islands, St. Croix (case filed 05/09/2024). One individual suing.

Cruz v. R.J. Reynolds Tobacco Company, et al., Case No. 156/2024, Virgin Islands, St. Croix (case filed 04/09/24). One individual suing.

Farrelly v. R.J. Reynolds Tobacco Company, et al., Case No. 152/2024, Virgin Islands, St. Croix (case filed 04/08/24). One individual suing.

Henderson v. R.J. Reynolds Tobacco Company, et al., Case No. 148/2024, Virgin Islands, St. Croix (case filed 04/05/24). One individual suing.

James v. R.J. Reynolds Tobacco Company, et al., Case No. 153/2024, Virgin Islands, St. Croix (case filed 04/08/24). One individual suing.

II. CLASS ACTION CASES

Parsons, et al. v. A C & S Inc., et al., Case No. 00-C-7000, First Judicial Circuit, West Virginia, Ohio County (case filed 02/09/1998). This purported class action is brought on behalf of plaintiff and all West Virginia residents who allegedly have claims arising from their exposure to cigarette smoke and asbestos fibers and seeks compensatory and punitive damages. The case has been stayed since December 2000 as a result of bankruptcy petitions filed by three co-defendants.

Young, et al. v. American Brands Inc., et al., Case No. 97-19984cv, Civil District Court, Louisiana, Orleans Parish (case filed 11/12/1997). This purported class action is brought on behalf of plaintiff and all similarly situated residents in Louisiana who, though not themselves cigarette smokers, were exposed to and suffered injury from secondhand smoke from cigarettes. The plaintiffs seek an unspecified amount of compensatory and punitive damages. The case has been stayed since March 2016 pending the completion of the smoking cessation program ordered by the court in *Scott v. The American Tobacco Co.*

III. HEALTH CARE COST RECOVERY ACTIONS

Crow Creek Sioux Tribe v. The American Tobacco Company, et al., Case No. cv-97-09-082, Tribal Court of the Crow Creek Sioux Tribe, South Dakota (case filed 09/26/1997). The plaintiff seeks to recover actual and punitive damages, restitution, funding of a clinical cessation program, funding of a corrective public education program and disgorgement of unjust profits from alleged sales to minors. The case is dormant.

IV. OTHER MATTERS

Mayor of Baltimore, et al. v. Philip Morris USA Inc., et al., Case No. 24C2200494, Circuit Court for Baltimore City, Maryland (case filed 11/21/22). The Mayor and City Council of Baltimore sued

Liggett and others, claiming, among other things, that defendants' failure to use biodegradable filters on their cigarette products resulted in littering by smokers of the city's streets, sidewalks, beaches, parks, lawns and waterways, which in turn resulted in contamination of the soil and water, increased costs of clean-up and disposal of this litter, as well as the reduction of property values and tourism to the city. Plaintiffs seek compensatory damages, punitive damages, penalties, fines, disgorgement of profits and equitable relief.

Vector Group Ltd.
Condensed Consolidating Financial Statements
June 30, 2024
(in thousands of dollars)

Presented herein are Condensed Consolidating Balance Sheet as of June 30, 2024 and the related Condensed Consolidating Statements of Operations for the six months ended June 30, 2024 of Vector Group Ltd. (Parent/Issuer), the guarantor subsidiaries (Subsidiary Guarantors) and the subsidiaries that are not guarantors (Subsidiary Non-Guarantors).

CONDENSED CONSOLIDATING BALANCE SHEETS

	June 30, 2024				
	Parent/ Issuer	Subsidiary Guarantors	Non- Guarantors	Consolidating Adjustments	Consolidated Vector Group Ltd.
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 240,893	\$ 149,162	\$ 703	\$ —	\$ 390,758
Investment securities at fair value	140,983	—	—	—	140,983
Accounts receivable - trade, net	—	29,637	—	—	29,637
Intercompany receivables	2,980	—	—	(2,980)	—
Inventories	—	105,132	—	—	105,132
Income taxes receivable, net	14,484	—	20,686	(34,587)	583
Other current assets	1,635	12,197	262	—	14,094
Total current assets	400,975	296,128	21,651	(37,567)	681,187
Property, plant and equipment, net	632	35,158	7,819	—	43,609
Long-term investment securities	46,789	—	—	—	46,789
Investments in real estate ventures	—	—	116,849	—	116,849
Operating lease right-of-use assets	6,484	4,893	—	—	11,377
Investments in consolidated subsidiaries	297,720	—	—	(297,720)	—
Intangible assets	—	107,511	—	—	107,511
Other assets	14,286	64,611	7,802	—	86,699
Total assets	\$ 766,886	\$ 508,301	\$ 154,121	\$ (335,287)	\$ 1,094,021
LIABILITIES AND STOCKHOLDERS' DEFICIENCY:					
Current liabilities:					
Intercompany payables	\$ —	\$ 581	\$ 2,399	\$ (2,980)	\$ —
Income taxes payable, net	—	34,587	—	(34,587)	—
Current payments due under the Master Settlement Agreement	—	131,200	—	—	131,200
Current operating lease liability	1,742	2,444	—	—	4,186
Other current liabilities	37,658	106,219	536	—	144,413
Total current liabilities	39,400	275,031	2,935	(37,567)	279,799
Notes payable, long-term debt and other obligations, less current portion	1,374,266	—	—	—	1,374,266
Non-current employee benefits	62,824	5,939	—	—	68,763
Deferred income taxes, net	(4,947)	27,921	30,923	—	53,897
Non-current operating lease liability	5,046	2,716	—	—	7,762
Other liabilities, including litigation accruals and payments due under the Master Settlement Agreement	3,643	18,916	321	—	22,880
Total liabilities	1,480,232	330,523	34,179	(37,567)	1,807,367
Commitments and contingencies					
Total stockholders' (deficiency) equity	(713,346)	177,778	119,942	(297,720)	(713,346)
Total liabilities and stockholders' deficiency	\$ 766,886	\$ 508,301	\$ 154,121	\$ (335,287)	\$ 1,094,021

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Six Months Ended June 30, 2024

	Parent/ Issuer	Subsidiary Guarantors	Non- Guarantors	Consolidating Adjustments	Consolidated Vector Group Ltd.
Revenues	\$ —	\$ 696,481	\$ 515	\$ (515)	\$ 696,481
Expenses:					
Cost of sales	—	462,495	—	—	462,495
Operating, selling, administrative and general expenses	17,482	40,475	713	(515)	58,155
Litigation settlement and judgment expense	—	264	—	—	264
Management fee expense	—	7,326	—	(7,326)	—
Operating (loss) income	(17,482)	185,921	(198)	7,326	175,567
Other income (expenses):					
Interest expense	(52,419)	(1,613)	—	—	(54,032)
Equity in losses from real estate ventures	—	—	(11,934)	—	(11,934)
Equity in earnings from investments	1,497	—	—	—	1,497
Equity in earnings in consolidated subsidiaries	126,609	—	—	(126,609)	—
Management fee income	7,326	—	—	(7,326)	—
Other, net	8,558	3,484	(72)	—	11,970
Income (loss) before provision for income taxes	74,089	187,792	(12,204)	(126,609)	123,068
Income tax benefit (expense)	14,889	(52,019)	3,040	—	(34,090)
Net income	<u><u>\$ 88,978</u></u>	<u><u>\$ 135,773</u></u>	<u><u>\$ (9,164)</u></u>	<u><u>\$ (126,609)</u></u>	<u><u>\$ 88,978</u></u>
Comprehensive income (loss)	<u><u>\$ 89,092</u></u>	<u><u>\$ 135,839</u></u>	<u><u>\$ (9,164)</u></u>	<u><u>\$ (126,675)</u></u>	<u><u>\$ 89,092</u></u>