

---

---

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

**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): September 27, 2018**

**VECTOR GROUP LTD.**

(Exact Name of Registrant as Specified in Its Charter)

**DELAWARE**

(State or Other Jurisdiction of Incorporation)

**1-5759**

(Commission File Number)

**65-0949535**

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

**4400 Biscayne Boulevard, Miami, Florida**

(Address of Principal Executive Offices)

**33137**

(Zip Code)

**(305) 579-8000**

(Registrant's Telephone Number, Including Area Code)

**(Not Applicable)**

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- 
-

## **Item 2.02. Results of Operations and Financial Condition**

On August 29, 2018, the Board of Directors of Vector Group Ltd. (the “Company”) declared a 5% stock dividend to stockholders of record as of September 18, 2018. The stock dividend was paid on September 27, 2018. The Company is filing updated Selected Financial Data to reflect the stock dividend as Exhibit 99.1.

### **Non-GAAP Financial Measures**

Adjusted Net Income, Adjusted Operating Income, Tobacco Adjusted Operating Income and Tobacco Adjusted EBITDA (hereafter referred to as “the Non-GAAP Financial Measures”) are financial measures not prepared in accordance with generally accepted accounting principles (“GAAP”).

The Company is also filing this Current Report on Form 8-K to revise previously reported Non-GAAP Financial Measures to reflect the impact of its recent 5% stock dividend, which was paid on September 27, 2018 to stockholders of record on September 18, 2018, in calculating its Non-GAAP financial measure of Adjusted Net Income (related to Earnings Per Share). The Company is also filing this Current Report on Form 8-K to revise previously reported Non-GAAP financial measures to reflect the impact of its adoption of ASU 2017-07 during the first quarter of 2018 and the recasting of the Corporate and Other Segment to include the results of the Company's E-cigarette operations. All Non-GAAP financial measures and their reconciliations to GAAP measures have been presented as part of Exhibit 99.2. The Non-GAAP financial measures included in Exhibit 99.2 were previously reported in the Current Reports on Form 8-K, which were filed on August 7, 2018, June 14, 2018, May 9, 2018, March 1, 2018, November 24, 2017, November 7, 2017, March 8, 2016 and March 2, 2015.

Exhibit 99.2 contains the Non-GAAP Financial Measures discussed below.

Tables 1 through 6 of Exhibit 99.2 contain information relating to the Company's Non-GAAP Financial Measures for the years ended December 31, 2017, 2016, 2015, 2014 and 2013 and the three months ended June 30, 2018, March 31, 2018, December 31, 2017, September 30, 2017, June 30, 2017 and March 31, 2017.

Non-GAAP Financial Measures include adjustments for the one-time non-cash benefit from the Tax Cuts and Jobs Act of 2017 arising out of the remeasurement of certain tax assets and liabilities, purchase accounting associated with the Company's acquisition of its additional 20.59% interest in Douglas Elliman Realty, LLC, as well as the related purchase accounting adjustments. Non-GAAP Financial Measures also include adjustments for litigation settlement and judgment expenses in the Tobacco segment, settlements of long-standing disputes related to the Master Settlement Agreement (“MSA”) in the Tobacco segment, restructuring and pension settlement expense in the Tobacco segment, non-cash stock compensation expense (for purposes of Adjusted EBITDA only) and non-cash interest items associated with the Company's convertible debt.

The Company believes that the Non-GAAP Financial Measures are important measures that supplement discussions and analysis of its results of operations and enhances an understanding of its operating performance. The Company believes the Non-GAAP Financial Measures provide investors and analysts with a useful measure of operating results unaffected by differences in capital structures and ages of related assets among otherwise comparable companies.

Management uses the Non-GAAP Financial Measures as measures to review and assess operating performance of the Company's business, and management and investors should review both the overall performance (GAAP net income) and the operating performance (the Non-GAAP Financial Measures) of the Company's business. While management considers the Non-GAAP Financial Measures to be important, they should be considered in addition to, but not as substitutes for or superior to, other measures of financial performance prepared in accordance with GAAP, such as operating income, net income and cash flows from operations. In addition, the Non-GAAP Financial Measures are susceptible to varying calculations and the Company's measurement of the Non-GAAP Financial Measures may not be comparable to those of other companies.

### **Forward-Looking Statements**

This Current Report on Form 8-K contains forward-looking statements, which involve risk and uncertainties. The words “could,” “believe,” “expect,” “estimate,” “may,” “will,” “could,” “plan,” or “continue” and similar expressions are intended to identify forward-looking statements. The Company's actual results could differ significantly from the results discussed in such forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those discussed under the heading “Risk Factors” in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 and the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Current Report on Form 8-K. The Company undertakes no obligation to (and expressly disclaims any obligation to) revise or update any forward-looking

statement, whether as a result of new information, subsequent events, or otherwise (except as may be required by law), in order to reflect any event or circumstance which may arise after the date of this Current Report on Form 8-K.

**Item 9.01. Condensed Consolidated Financial Statements and Exhibit**

(c) Exhibit.

<u>Exhibit No.</u>	<u>Exhibit</u>
<a href="#">99.1</a>	Selected Financial Data adjusted to reflect 5% stock dividend paid September 27, 2018 to stockholders of record on September 18, 2018.
<a href="#">99.2</a>	Non-GAAP Financial Measures (furnished pursuant to Regulation FD).

SIGNATURE

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

VECTOR GROUP LTD.

By: /s/ J. Bryant Kirkland III

---

J. Bryant Kirkland III

Senior Vice President, Treasurer and Chief Financial Officer

Date: September 28, 2018

**Selected Financial Data**

The following table sets forth our summary condensed consolidated financial data for the periods presented below and our earnings per share as adjusted for the stock dividends described below. The summary condensed consolidated financial data as of June 30, 2018 have been derived from our unaudited condensed consolidated financial statements. Our unaudited condensed consolidated financial statements include only normal and recurring adjustments, necessary to state fairly the data included therein.

The per-share amounts shown below have been retroactively adjusted to reflect the 5% stock dividend which was paid on September 27, 2018 to stockholders of record on September 18, 2018 (see note (2) below).

Our historical results are not necessarily indicative of the results of operations for future periods, and our results of operations for the six-month period ended June 30, 2018 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2018. You should read the following summary condensed consolidated financial data in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our condensed consolidated financial statements and related notes included in our Quarterly Report on Form 10-Q for the period ended June 30, 2018.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
<b>Statement of Operations Data:</b>					
Total revenues (1)	\$ 1,807,476	\$ 1,690,949	\$ 1,657,197	\$ 1,591,315	\$ 1,079,921
Operating income (3)	235,648	234,505	205,936	211,561	111,305
Net income attributed to Vector Group Ltd.	84,572	71,127	59,198	36,856	37,300 <sup>(4)</sup>
Per basic common share (2)					
Net income attributed to Vector Group Ltd. applicable to common shares	\$ 0.56	\$ 0.50	\$ 0.42	\$ 0.29	\$ 0.31
Per diluted common share (2)					
Net income attributed to Vector Group Ltd. applicable to common shares	\$ 0.56	\$ 0.50	\$ 0.42	\$ 0.29	\$ 0.31
Cash distributions declared per common share (2)	\$ 1.47	\$ 1.40	\$ 1.33	\$ 1.27	\$ 1.21

	June 30, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
<b>Balance Sheet Data:</b>						
Current assets	\$ 629,012	\$ 613,709	\$ 705,463	\$ 583,739	\$ 751,397	\$ 484,388
Total assets	1,333,911	1,328,278	1,404,035	1,280,615	1,389,042	1,089,965
Current liabilities	464,107	204,639	196,148	216,292	212,424	359,376
Notes payable, embedded derivatives, long-term debt and other obligations, less current portion	1,089,222	1,270,657	1,245,275	1,000,150	995,001	607,872
Noncurrent employee benefits, deferred income taxes and other long-term liabilities	209,301	184,742	215,884	186,334	202,297	173,322
Stockholders' deficiency	(428,719)	(331,760)	(253,272)	(122,161)	(20,680)	(50,605)

	For the Three Months Ended						For the Six Months Ended	
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	June 30, 2018	June 30, 2017
<b>Statement of Operations Data:</b>								
Total revenues (5)	\$ 481,488	\$ 428,966	\$ 435,654	\$ 484,625	\$ 471,989	\$ 415,208	\$ 910,454	\$ 887,197
Operating income	61,861	48,084	48,204	59,723	74,300	53,421	109,945	127,721
Net income (loss) attributed to Vector Group Ltd.	17,818	7,211	42,724	19,264	26,811	(4,227)	25,029	22,584
<b>Per basic common share (2)</b>								
Net income (loss) attributed to Vector Group Ltd. applicable to common shares	\$ 0.12	\$ 0.04	\$ 0.30	\$ 0.13	\$ 0.18	\$ (0.04)	\$ 0.15	\$ 0.14
<b>Per diluted common share (2)</b>								
Net income (loss) attributed to Vector Group Ltd. applicable to common shares	\$ 0.12	\$ 0.04	\$ 0.26	\$ 0.13	\$ 0.18	\$ (0.04)	\$ 0.15	\$ 0.14
Cash distributions declared per common share (2)	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.76	\$ 0.73

(1) Revenues include excise taxes of \$460,561, \$425,980, \$439,647, \$446,086, and \$456,703, respectively.

(2) Per share computations include the impact of 5% stock dividends on September 27, 2018, September 28, 2017, September 29, 2016, September 29, 2015, September 26, 2014, and September 27, 2013, respectively.

(3) Operating income includes \$2,721, \$4,364, \$1,419 and \$11,823 of income from MSA Settlements for the years ended December 31, 2017, 2015, 2014, and 2013, respectively and \$247 of expense from MSA Settlements for the year ended December 31, 2016; and \$6,591, \$20,000, \$20,072, \$2,475 and \$88,106 of litigation judgment and settlement expense for the years ended December 31, 2017, 2016, 2015, 2014, and 2013, respectively; and \$41 and \$1,819 of restructuring charges for the years ended December 31, 2016 and 2015, respectively.

(4) Net income attributed to Vector Group Ltd. includes a gain of \$36,140, net of taxes, to account for the difference between the carrying value and the fair value of the previously held 50% interest in Douglas Elliman.

(5) Revenues include excise taxes of \$115,970, \$112,801, \$109,086, \$126,912, \$115,194, \$109,368, \$228,771, and \$224,562, respectively.

**TABLE 1**  
**VECTOR GROUP LTD. AND SUBSIDIARIES**  
**RECONCILIATION OF ADJUSTED NET INCOME**  
**(Unaudited)**  
**(Dollars in Thousands, Except Per Share Amounts)**

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	June 30, 2018	June 30, 2017
Net income (loss) attributed to Vector Group Ltd.	\$ 17,818	\$ 7,211	\$ 42,724	\$ 19,264	\$ 26,811	\$ (4,227)	\$ 25,029	\$ 22,584
Change in fair value of derivatives embedded within convertible debt	(10,717)	(10,567)	(9,777)	(9,437)	(8,134)	(8,571)	(21,284)	(16,705)
Non-cash amortization of debt discount on convertible debt	20,386	18,193	16,330	14,978	13,426	12,053	38,579	25,479
Loss on extinguishment of debt	—	—	—	—	—	34,110	—	34,110
Litigation settlement and judgment expense, net (a)	525	(2,469)	800	4,104	102	1,585	(1,218)	1,687
Impact of MSA Settlement (b)	(2,808)	(3,490)	—	(1,826)	—	(895)	(6,298)	(895)
Impact of interest expense capitalized to real estate ventures, net	4,324	(1,953)	(9,044)	(1,108)	4,212	(445)	2,371	3,767
Douglas Elliman Realty, LLC purchase accounting adjustments (c)	268	265	136	(1,508)	251	321	533	572
Total adjustments	11,978	(21)	(1,555)	5,203	9,857	38,158	12,683	48,015
Tax (expense) benefit related to adjustments	(3,351)	6	637	(2,357)	(3,944)	(15,492)	(3,339)	(19,436)
Tax benefit from Tax Cuts and Jobs Act of 2017 (d)	—	—	(28,845)	—	—	—	—	—
Adjusted Net Income attributed to Vector Group Ltd.	<u>\$ 26,445</u>	<u>\$ 7,196</u>	<u>\$ 12,961</u>	<u>\$ 22,110</u>	<u>\$ 32,724</u>	<u>\$ 18,439</u>	<u>\$ 34,373</u>	<u>\$ 51,163</u>
Per diluted common share:								
Adjusted Net Income applicable to common shares attributed to Vector Group Ltd.	<u>\$ 0.18</u>	<u>\$ 0.04</u>	<u>\$ 0.07</u>	<u>\$ 0.15</u>	<u>\$ 0.22</u>	<u>\$ 0.12</u>	<u>\$ 0.22</u>	<u>\$ 0.35</u>

- a. Represents accruals for settlements of judgment expenses in the *Engle* progeny tobacco litigation and proceeds received from a litigation award at Douglas Elliman Realty, LLC, net of non-controlling interest.
- b. Represents the Company's tobacco segment's settlement of a long-standing dispute related to the Master Settlement Agreement.
- c. Represents 70.59% of purchase accounting adjustments in the periods presented for assets acquired in connection with the increase of the Company's ownership of Douglas Elliman Realty, LLC, which occurred in 2013.
- d. Represents one-time benefit from change in tax rates to net deferred tax liabilities at December 31, 2017 as a result of Tax Cuts and Jobs Act of 2017.

**TABLE 2**  
**VECTOR GROUP LTD. AND SUBSIDIARIES**  
**RECONCILIATION OF ADJUSTED NET INCOME**  
**(Unaudited)**  
**(Dollars in Thousands, Except Per Share Amounts)**

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Net income attributed to Vector Group Ltd.	\$ 84,572	\$ 71,127	\$ 59,198	\$ 36,856	\$ 37,300
Acceleration of interest expense related to debt conversion	—	—	—	5,205	12,414
Change in fair value of derivatives embedded within convertible debt	(35,919)	(31,710)	(24,455)	(19,409)	(18,935)
Non-cash amortization of debt discount on convertible debt	56,787	38,528	27,211	51,472	36,378
Loss on extinguishment of 11% Senior Secured Notes due 2015	—	—	—	—	21,458
Loss on extinguishment of 7.75% Senior Secured Notes due 2021	34,110	—	—	—	—
Litigation settlement and judgment expense (a)	6,591	20,000	20,072	2,475	88,106
Impact of interest expense capitalized to real estate ventures, net	(6,385)	(11,433)	(9,928)	—	—
Impact of MSA Settlement (b)	(2,721)	247	(4,364)	(1,419)	(11,823)
Interest income from MSA Settlement (c)	—	—	—	—	(1,971)
Gain on acquisition of Douglas Elliman Realty, LLC (d)	—	—	—	—	(60,842)
Restructuring expense (e)	—	41	7,257	—	—
Adjustment to reflect additional 20.59% of net income from Douglas Elliman Realty, LLC (f)	—	—	—	—	8,557
Out-of-period adjustment related to Douglas Elliman acquisition in 2013 (g)	—	—	—	(1,231)	—
Douglas Elliman Realty, LLC purchase accounting adjustments (h)	(800)	5,057	5,303	6,019	1,165
Total adjustments	51,663	20,730	21,096	43,112	74,507
Tax expense related to adjustments	(21,156)	(8,416)	(8,778)	(17,827)	(29,467)
One-time adjustment to income tax expense due to purchase accounting (i)	—	—	—	1,670	—
Tax benefit from Tax Cuts and Jobs Act of 2017 (j)	(28,845)	—	—	—	—
Adjusted Net Income attributed to Vector Group Ltd.	<u>\$ 86,234</u>	<u>\$ 83,441</u>	<u>\$ 71,516</u>	<u>\$ 63,811</u>	<u>\$ 82,340</u>
Per diluted common share:					
Adjusted Net Income applicable to common shares attributed to Vector Group Ltd.	<u>\$ 0.58</u>	<u>\$ 0.59</u>	<u>\$ 0.51</u>	<u>\$ 0.50</u>	<u>\$ 0.68</u>

- a. Represents accruals for settlements of judgment expenses in the *Engle* progeny tobacco litigation.
- b. Represents the Company's tobacco segment's settlement of a long-standing dispute related to the Master Settlement Agreement.
- c. Represents interest income from the Company's tobacco segment's settlement of a long-standing dispute related to the Master Settlement Agreement.
- d. Represents gain associated with the increase of ownership of Douglas Elliman Realty, LLC.
- e. Includes pension charges that were reclassified to "Other, net" as a result of the adoption of ASU 2017-07 during the first quarter of 2018.
- f. Represents 20.59% of Douglas Elliman Realty LLC's net income from January 1, 2013 to December 13, 2013 and the years ended December 31, 2012 and 2011. On December 13, 2013, the Company increased its ownership of Douglas Elliman Realty, LLC from 50% to 70.59%. Consequently, after December 13, 2013, the Company includes an additional 20.59% of Adjusted Net Income from Douglas Elliman Realty, LLC in the Company's Adjusted Net Income.
- g. Represents an out-of-period adjustment related to a non-accrual of a receivable from Douglas Elliman in the fourth quarter of 2013 and would have increased the Company's gain on acquisition of Douglas Elliman in 2013.

- h. Represents 70.59% of purchase accounting adjustments in the periods presented for assets acquired in connection with the increase of the Company's ownership of Douglas Elliman Realty, LLC, which occurred in 2013.
- i. Represents adjustments to income tax expense due to a change in the Company's marginal income tax rate from 40.6% to 41.35% as a result of its acquisition of 20.59% of Douglas Elliman Realty, LLC on December 13, 2013.
- j. Represents one-time benefit from change in tax rates to net deferred tax liabilities at December 31, 2017 as a result of Tax Cuts and Jobs Act of 2017.

**TABLE 3**  
**VECTOR GROUP LTD. AND SUBSIDIARIES**  
**RECONCILIATION OF ADJUSTED OPERATING INCOME**  
**(Unaudited)**  
**(Dollars in Thousands, Except Per Share Amounts)**

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	June 30, 2018	June 30, 2017
Operating income	\$ 61,861	\$ 48,084	\$ 48,204	\$ 59,723	\$ 74,300	\$ 53,421	\$ 109,945	\$ 127,721
Litigation settlement and judgment expense, net (a)	525	(2,469)	800	4,104	102	1,585	(1,944)	1,687
Impact of MSA settlement (b)	(2,808)	(3,490)	—	(1,826)	—	(895)	(6,298)	(895)
Douglas Elliman Realty, LLC purchase accounting adjustments (c)	380	375	193	(2,136)	355	455	755	810
Total adjustments	(1,903)	(5,584)	993	142	457	1,145	(7,487)	1,602
Adjusted Operating Income (d)	<u>\$ 59,958</u>	<u>\$ 42,500</u>	<u>\$ 49,197</u>	<u>\$ 59,865</u>	<u>\$ 74,757</u>	<u>\$ 54,566</u>	<u>\$ 102,458</u>	<u>\$ 129,323</u>

- a. Represents accruals for settlements of judgment expenses in the *Engle* progeny tobacco litigation and proceeds received from a litigation award at Douglas Elliman Realty, LLC.
- b. Represents the Company's tobacco segment's settlement of a long-standing dispute related to the Master Settlement Agreement.
- c. Amounts represent purchase accounting adjustments recorded in the periods presented in connection with the increase of the Company's ownership of Douglas Elliman Realty, LLC, which occurred in 2013.
- d. Does not include a reduction for 29.41% non-controlling interest in Douglas Elliman Realty, LLC.

**TABLE 4**  
**VECTOR GROUP LTD. AND SUBSIDIARIES**  
**RECONCILIATION OF ADJUSTED OPERATING INCOME**  
**(Unaudited)**  
**(Dollars in Thousands, Except Per Share Amounts)**

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Operating income	\$ 235,648	\$ 234,505	\$ 205,936	\$ 211,561	\$ 111,305
Litigation settlement and judgment expense, net (a)	6,591	20,000	20,072	2,475	88,106
Restructuring expense	—	41	1,819	—	—
Impact of MSA settlement (b)	(2,721)	247	(4,364)	(1,419)	(11,823)
Reclassification of operating income as a result of the consolidation of Douglas Elliman Realty, LLC (c)	—	—	—	—	42,598
Douglas Elliman Realty, LLC purchase accounting adjustments (d)	(1,133)	7,164	7,513	8,527	1,650
Total adjustments	2,737	27,452	25,040	9,583	120,531
Adjusted Operating Income (e)	<u>\$ 238,385</u>	<u>\$ 261,957</u>	<u>\$ 230,976</u>	<u>\$ 221,144</u>	<u>\$ 231,836</u>

- a. Represents accruals for settlements of judgment expenses in the *Engle* progeny tobacco litigation.
- b. Represents the Company's tobacco segment's settlement of a long-standing dispute related to the Master Settlement Agreement.
- c. Represents Adjusted Operating Income of Douglas Elliman Realty, LLC in 2013. On December 13, 2013, the Company increased its ownership of Douglas Elliman Realty, LLC from 50% to 70.59%. Consequently, after December 13, 2013, the Company consolidated the operations and financial position of Douglas Elliman Realty in its financial statements. The Company had previously accounted for its interest in Douglas Elliman under the equity method and operating income from Douglas Elliman Realty, LLC was not included in the Company's operating income.
- d. Amounts represent purchase accounting adjustments recorded in the periods presented in connection with the increase of the Company's ownership of Douglas Elliman Realty, LLC, which occurred in 2013.
- e. Does not include a reduction for 29.41% non-controlling interest in Douglas Elliman Realty, LLC.

**TABLE 5**  
**VECTOR GROUP LTD. AND SUBSIDIARIES**  
**RECONCILIATION OF TOBACCO ADJUSTED OPERATING INCOME**  
**AND TOBACCO ADJUSTED EBITDA**  
**(Unaudited)**  
**(Dollars in Thousands)**

	Three Months Ended						Six Months Ended	
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	June 30, 2018	June 30, 2017
<b>Tobacco Adjusted Operating Income:</b>								
Operating income from tobacco segment	\$ 62,515	\$ 63,411	\$ 54,874	\$ 61,601	\$ 64,281	\$ 59,644	\$ 125,926	\$ 123,925
Litigation settlement and judgment expense (a)	525	—	800	4,104	102	1,585	525	1,687
Impact of MSA settlement (b)	(2,808)	(3,490)	—	(1,826)	—	(895)	(6,298)	(895)
Total adjustments	(2,283)	(3,490)	800	2,278	102	690	(5,773)	792
Tobacco Adjusted Operating Income	<u>\$ 60,232</u>	<u>\$ 59,921</u>	<u>\$ 55,674</u>	<u>\$ 63,879</u>	<u>\$ 64,383</u>	<u>\$ 60,334</u>	<u>\$ 120,153</u>	<u>\$ 124,717</u>
<b>Tobacco Adjusted EBITDA:</b>								
Operating income from tobacco segment	\$ 62,515	\$ 63,411	\$ 54,874	\$ 61,601	\$ 64,281	\$ 59,644	\$ 125,926	\$ 123,925
Litigation settlement and judgment expense (a)	525	—	800	4,104	102	1,585	525	1,687
Impact of MSA settlement (b)	(2,808)	(3,490)	—	(1,826)	—	(895)	(6,298)	(895)
Total adjustments	(2,283)	(3,490)	800	2,278	102	690	(5,773)	792
Tobacco Adjusted Operating Income	60,232	59,921	55,674	63,879	64,383	60,334	120,153	124,717
Depreciation and amortization	2,075	2,037	2,023	2,050	2,333	2,420	4,112	4,753
Stock-based compensation expense	21	21	22	21	21	21	42	42
Total adjustments	2,096	2,058	2,045	2,071	2,354	2,441	4,154	4,795
Tobacco Adjusted EBITDA	<u>\$ 62,328</u>	<u>\$ 61,979</u>	<u>\$ 57,719</u>	<u>\$ 65,950</u>	<u>\$ 66,737</u>	<u>\$ 62,775</u>	<u>\$ 124,307</u>	<u>\$ 129,512</u>

- a. Represents accruals for settlements of judgment expenses in the *Engle* progeny tobacco litigation.  
b. Represents the Company's tobacco segment's settlement of a long-standing dispute related to the Master Settlement Agreement.

**TABLE 6**  
**VECTOR GROUP LTD. AND SUBSIDIARIES**  
**RECONCILIATION OF TOBACCO ADJUSTED OPERATING INCOME**  
**AND TOBACCO ADJUSTED EBITDA**  
**(Unaudited)**  
**(Dollars in Thousands)**

	Year Ended December 31,				
	2017	2016	2015	2014	2013
<b>Tobacco Adjusted Operating Income:</b>					
Operating income from tobacco segment	\$ 240,400	\$ 237,524	\$ 214,131	\$ 196,948	\$ 111,914
Litigation settlement and judgment expense (a)	6,591	20,000	20,072	2,475	88,106
Restructuring expense	—	41	1,819	—	—
Impact of MSA settlement (b)	(2,721)	247	(4,364)	(1,419)	(11,823)
Total adjustments	3,870	20,288	17,527	1,056	76,283
<b>Tobacco Adjusted Operating Income</b>	<b>\$ 244,270</b>	<b>\$ 257,812</b>	<b>\$ 231,658</b>	<b>\$ 198,004</b>	<b>\$ 188,197</b>
	Year Ended December 31,				
	2017	2016	2015	2014	2013
<b>Tobacco Adjusted EBITDA:</b>					
Operating income from tobacco segment	\$ 240,400	\$ 237,524	\$ 214,131	\$ 196,948	\$ 111,914
Litigation settlement and judgment expense (a)	6,591	20,000	20,072	2,475	88,106
Restructuring expense	—	41	1,819	—	—
Impact of MSA settlement (b)	(2,721)	247	(4,364)	(1,419)	(11,823)
Total adjustments	3,870	20,288	17,527	1,056	76,283
<b>Tobacco Adjusted Operating Income</b>	<b>244,270</b>	<b>257,812</b>	<b>231,658</b>	<b>198,004</b>	<b>188,197</b>
Depreciation and amortization	8,826	10,224	11,323	10,885	9,509
Stock-based compensation expense	85	85	86	108	35
Total adjustments	8,911	10,309	11,409	10,993	9,544
<b>Tobacco Adjusted EBITDA</b>	<b>\$ 253,181</b>	<b>\$ 268,121</b>	<b>\$ 243,067</b>	<b>\$ 208,997</b>	<b>\$ 197,741</b>

- a. Represents accruals for settlements of judgment expenses in the *Engle* progeny tobacco litigation.  
b. Represents the Company's tobacco segment's settlement of a long-standing dispute related to the Master Settlement Agreement.