

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For The Fiscal Year Ended December 31, 2021

**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

*(State or other jurisdiction of incorporation
incorporation or organization)*

1-5759

Commission File Number

65-0949535

(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 Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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, as amended (the "Exchange Act"), during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging Growth Company

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the Registrant is a shell company as defined in Rule 12b-2 of the Exchange Act. Yes No

The aggregate market value of the common stock held by non-affiliates of Vector Group Ltd. as of June 30, 2021 was approximately \$2.06 billion.

At February 25, 2022, Vector Group Ltd. had 153,868,177 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III (Items 10, 11, 12, 13 and 14) from the definitive Proxy Statement for the 2022 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission no later than 120 days after the end of the Registrant's fiscal year covered by this report.

VECTOR GROUP LTD.
FORM 10-K

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PART I

ITEM 1. **BUSINESS**

Basis of Presentation

The Consolidated Financial Statements included in this annual report present the financial position of Vector Group Ltd., a Delaware corporation, as of December 31, 2021 and 2020 and the results of our operations for the years ended December 31, 2021, 2020 and 2019 giving effect to the spin-off of Douglas Elliman Inc. with the historical financial results of Douglas Elliman reflected as discontinued operations. The cash flows and comprehensive income related to Douglas Elliman have not been segregated and are included in the Consolidated Statements of Cash Flows and Consolidated Statements of Comprehensive Income, respectively, for all periods presented. Unless otherwise indicated, the information in the Notes to the Consolidated Financial Statements refer only to Vector Group's continuing operations and do not include discussion of balances or activity of Douglas Elliman.

Spin-off of and Relationship with Douglas Elliman

On December 29, 2021, at 11:59 p.m., New York City time, we completed the distribution to our stockholders (including Vector Group common stock underlying outstanding stock options and restricted stock awards) of the common stock of Douglas Elliman. Each holder of our common stock (including common stock underlying outstanding stock option awards and restricted stock awards) received one share of Douglas Elliman's common stock for every two shares of our common stock (including Vector Group common stock underlying outstanding stock option awards and restricted stock awards) held of record as of the close of business, New York City time, on December 20, 2021. An aggregate of 77,720,159 shares of Douglas Elliman's common stock were issued and distributed, with fractional shares converted to cash and paid to applicable Vector Group stockholders.

Following the spin-off, Douglas Elliman is a separate public company listed on the New York Stock Exchange and trades under the symbol "DOUG", and owns the real estate services and property technology investment business formerly owned by Vector Group through Vector Group's subsidiary New Valley LLC, a Delaware limited liability company. Vector Group and Douglas Elliman entered into a Distribution Agreement and several ancillary agreements for the purpose of accomplishing the distribution of Douglas Elliman common stock to Vector Group's stockholders. These agreements also govern our relationship with Douglas Elliman after the spin-off and provide for the allocation of employee benefits, tax and additional liabilities and obligations attributable to periods before and after the distribution. These agreements also include a Transition Services Agreement with respect to transition services and a number of ongoing commercial relationships. The Distribution Agreement includes an agreement that Vector Group and Douglas Elliman will provide each other with appropriate indemnities with respect to liabilities arising out of the business transferred to Douglas Elliman by Vector Group. Douglas Elliman is party to other arrangements with Vector Group and its subsidiaries. We also entered into a Tax Disaffiliation Agreement with Douglas Elliman that governs each of our respective rights, responsibilities and obligations with respect to taxes and tax benefits, the filing of tax returns, the control of audits and other tax matters.

In addition, Douglas Elliman has been engaged by developers as the sole broker or the co-broker for several real estate development projects that New Valley owns an interest in through its real estate venture investments.

Following the spin-off, there is an overlap between certain officers of Vector Group and Douglas Elliman. Howard M. Lorber serves as the President and Chief Executive Officer of Vector Group and of Douglas Elliman. Richard J. Lampen serves as the Chief Operating Officer of Vector Group and of Douglas Elliman, J. Bryant Kirkland III serves as the Chief Financial Officer and Treasurer of Vector Group and of Douglas Elliman, Marc N. Bell serves as the General Counsel and Secretary of Vector Group and of Douglas Elliman, and J. David Ballard serves as Senior Vice President, Enterprise Efficiency and Chief Technology Officer of Vector Group and of Douglas Elliman. Furthermore, immediately following the spin-off, three of the members of our Board of Directors, Messrs. Lorber and Lampen as well as Wilson L. White, will also serve as directors of Douglas Elliman.

Overview

Vector Group is a holding company and is engaged principally in two business segments:

- Tobacco: the manufacture and sale of cigarettes in the United States 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 (i) has interests in numerous real estate projects across the United States and (ii) is seeking to acquire or invest in additional real estate properties or projects.

Strategy

Our strategy is to maximize stockholder value by increasing the profitability of our subsidiaries in the following ways:

Liggett and Vector Tobacco

- Continue to offer an excellent value proposition in the U.S. cigarette industry by consistently delivering high quality products within the discount segment;
- Capitalize on our tobacco subsidiaries' cost advantage in the United States cigarette market due to the favorable treatment that they receive under the Master Settlement Agreement ("MSA");
- Focus marketing and selling efforts on the discount segment, continue to build volume and margin in focus discount brands (*Eagle 20's*, *Pyramid*, and *Montego*) and utilize core brand equity to selectively build distribution;
- Selectively expand the portfolio of partner brands and private label brands utilizing a pricing strategy that offers long-term price stability for customers;
- Increase operational efficiency by developing and adopting an organizational structure to maximize profit potential; and
- Identify, develop and launch relevant new tobacco products to the market in the future.

New Valley

- Continue to leverage our expertise as direct investors by actively pursuing real estate investments; and
- Invest our excess funds opportunistically in real estate situations that we believe can maximize stockholder value.

Tobacco Operations

General. Our Tobacco segment operates through our two subsidiaries, Liggett and Vector Tobacco. Liggett is the operating successor to Liggett & Myers Tobacco Company, which was founded in 1873. Vector Tobacco is a discount cigarette manufacturer selling product in the deep discount category. In this report, certain references to "Liggett" refer to our tobacco operations, including the business of Liggett and Vector Tobacco, unless otherwise specified.

For the year ended December 31, 2021, Liggett was the fourth-largest manufacturer of cigarettes in the United States in terms of unit sales. Liggett's manufacturing facilities are located in Mebane, North Carolina where it manufactures most of Vector Tobacco's cigarettes pursuant to a contract manufacturing agreement. At present, Liggett and Vector Tobacco have no foreign operations.

The U.S. cigarette market consists of premium cigarettes, which are generally marketed under well-recognized brand names at higher retail prices to adult smokers with a strong preference for branded products, and discount cigarettes, which are marketed at lower retail prices to adult smokers who are more value conscious. In recent years, however, the discounting of premium cigarettes has become far more significant in the marketplace. Since 2004, Liggett has only produced discount cigarettes and all of Liggett's units sold in 2021, 2020 and 2019 were in the discount segment.

According to data from Management Science Associates, Inc., the discount segment represented 28.3% of the total U.S. cigarette market in 2021 compared to 28.6% in 2020 and 28.3% in 2019. Liggett's domestic shipments of approximately 8.6 billion cigarettes during 2021 accounted for 4.1% of the total cigarettes shipped in the United States during such year. Liggett's market share was 4.1% in 2021, 4.1% in 2020 and 4.0% in 2019. According to Management Science Associates, Liggett held a share of approximately 14.4% of the overall discount market segment for 2021 compared to 14.2% for 2020 and 14.3% for 2019.

Liggett produces cigarettes in approximately 100 combinations of length, style and packaging. Liggett's current brand portfolio includes:

- *Eagle 20's* — a brand positioned in the deep discount segment for long-term growth re-launched as a national brand in 2013; *Eagle 20's* represented 57.0% of Liggett's unit volume in 2021, 62.0% in 2020 and 59.9% in 2019. *Eagle 20's* is the largest seller in Liggett's family of brands,
- *Pyramid* — the industry's first deep discount product with a brand identity re-launched in the second quarter of 2009; *Pyramid* represented 19.5% of Liggett's unit volume in 2021, 23.2% in 2020 and 26.5% in 2019,
- *Montego* — From August 2020 to December 2021, Liggett expanded the distribution of its *Montego* deep discount brand into a total of 35 states. *Montego* was Liggett's third-largest brand for the year ended December 31, 2021. Prior to August 2020, *Montego* was sold in select targeted markets in four states. *Montego's* volume represented

approximately 15.9% of Liggett's unit volume for the year ended December 31, 2021 compared to approximately 6.0% for the year ended December 31, 2020.

- *Grand Prix, Liggett Select, Eve, USA* and various partner brands and private label brands.

Under the MSA reached in November 1998 with 46 states and various territories, cigarette manufacturers selling product in the U.S. must make settlement payments to the states and territories based on how many cigarettes they sell annually. Liggett, however, is not required to make any payments unless its market share exceeds its grandfathered market share established under the MSA of approximately 1.65% of the U.S. cigarette market. Additionally, Vector Tobacco has no payment obligation unless its market share exceeds approximately 0.28% of the U.S. cigarette market. We believe our tobacco subsidiaries have gained a sustainable cost advantage over their competitors as a result of the settlement.

Liggett's and Vector Tobacco's payments under the MSA are based on each respective company's incremental market share above the grandfathered market share applicable to each respective company. Thus, if Liggett's total market share is 3%, its MSA payment is based on 1.35%, which is the difference between Liggett's total market share of 3% and its approximate applicable grandfathered market share of 1.65%. We anticipate that both Liggett's and Vector Tobacco's payment exemptions will be fully utilized for the foreseeable future.

The source of industry data in this report is Management Science Associates, Inc., an independent third-party data management organization that collects wholesale and retail shipment data from various cigarette manufacturers and distributors and provides analysis of market share unit sales volume for individual companies and the industry as a whole. Management Science Associates, Inc.'s information relating to unit sales volume and market share of certain smaller, primarily deep discount, cigarette manufacturers is based on estimates developed by Management Science Associates, Inc.

Sales, Marketing and Distribution. Liggett's products are distributed from a central distribution center in Mebane, North Carolina to 15 public warehouses located throughout the United States by third-party trucking companies. These warehouses serve as local distribution centers for Liggett's customers.

Liggett's customers are primarily wholesalers and distributors of tobacco and convenience products as well as large grocery, drug and convenience store chains. Two customers accounted for 14% and 12% of Liggett's revenues in 2021, 18% and 12% of Liggett's revenues in 2020, and 17% and 12% of Liggett's revenues in 2019. Concentrations of credit risk with respect to trade receivables are generally limited due to Liggett's large number of customers. Liggett's two largest customers, represented approximately 0% and 2%, respectively, of net accounts receivable at December 31, 2021, 5% and 4%, respectively, at December 31, 2020, and 2% and 4%, respectively, at December 31, 2019. Ongoing credit evaluations of customers' financial condition are performed and, generally, no security is required. Liggett maintains appropriate reserves for potential credit losses and such losses, in the aggregate, have not exceeded management's expectations.

Trademarks. All of the major trademarks used by Liggett are federally registered or are in the process of being registered in the United States and other markets. Trademark registrations typically have a duration of ten years and can be renewed at Liggett's option prior to their expiration date.

In view of the significance of cigarette brand awareness among consumers, management believes that the protection afforded by these trademarks is material to the conduct of its business. These trademarks are pledged as collateral for certain of our senior secured debt.

Manufacturing. Liggett purchases and maintains leaf tobacco inventory to support its cigarette manufacturing requirements. Liggett believes that there is a sufficient worldwide supply of tobacco to satisfy its current production requirements. Liggett stores its leaf tobacco inventory in warehouses in North Carolina and Virginia. There are several different types of leaf tobacco, including flue-cured, burley, Maryland, oriental, cut stems and reconstituted sheet. Leaf components of American-style cigarettes are generally the flue-cured and burley tobaccos. While premium and discount brands use many of the same tobacco products, input ratios of these products may vary between premium and discount products. Liggett purchases its tobacco requirements from both domestic and foreign leaf dealers, much of it under long-term purchase commitments. As of December 31, 2021, the majority of Liggett's commitments were for the purchase of foreign tobacco.

Liggett's cigarette manufacturing facility was designed for the execution of short production runs in a cost-effective manner, which enables Liggett to manufacture and market approximately 100 different cigarette brand styles. Liggett's facility produced approximately 8.5 billion cigarettes in 2021, but maintains the capacity to produce approximately 17.6 billion cigarettes per year. Vector Tobacco has contracted with Liggett to produce most of its cigarettes at Liggett's manufacturing facility in Mebane.

Competition. Liggett's competition is divided into two segments. The first segment consists of the three largest manufacturers of cigarettes in the United States: 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.

Historically, there have been substantial barriers to entry into the cigarette business, including extensive distribution organizations, large capital outlays for sophisticated production equipment, substantial inventory investment, costly promotional spending, regulated advertising and, for premium brands, strong brand loyalty. However, after the MSA was signed, some smaller manufacturers and importers that are not parties to the MSA (“Non-Participating Manufacturers”) were able to overcome these competitive barriers due to an unintended cost advantage resulting from the MSA. These Non-Participating Manufacturers were subsequently impacted by the state statutes enacted pursuant to the MSA; however, these companies still have significant market share in the aggregate through competitive discounting in this segment.

In the cigarette business, Liggett competes on dual fronts. Philip Morris and RJ Reynolds, the two largest cigarette manufacturers, compete among themselves for premium brand market share based on advertising, promotional activities, trade rebates and incentives. They compete with Liggett and others for discount market share, primarily on the basis of price and in store merchandising. These competitors have substantially greater financial resources than Liggett, and most of their brands have greater sales and consumer recognition than Liggett’s products. Liggett’s discount brands must also compete in the marketplace with the smaller manufacturers’ and importers’ deep discount brands.

According to Management Science Associates Inc.’s data, the unit sales of Philip Morris and RJ Reynolds accounted in the aggregate for 73.8% of the domestic cigarette market in 2021. Liggett’s domestic shipments of approximately 8.6 billion cigarettes during 2021 accounted for 4.1% of the approximately 212 billion cigarettes shipped in the United States, compared to 9.2 billion cigarettes in 2020 (4.1%) and 9.0 billion cigarettes in 2019 (4.0%).

In 2021 industry wide shipments in the United States decreased by 6.5% (approximately 14.7 billion units) and for the five year period 2016 to 2021, industry-wide shipments of cigarettes in the United States have declined by approximately 3.6% per annum. Liggett’s management believes that industry-wide shipments of cigarettes in the United States will continue to decline as a result of numerous factors. These factors include health considerations, diminishing social acceptance of smoking, and a wide variety of federal, state and local laws limiting smoking in public places, as well as increases in federal and state excise taxes and settlement-related expenses which have contributed to higher cigarette prices in recent years.

Philip Morris and RJ Reynolds domination of the domestic cigarette market makes it more difficult for Liggett to compete for shelf space in retail outlets and could impact price competition in the market, either of which could have a material adverse effect on its sales volume, operating income and cash flows.

Historically, Philip Morris and RJ Reynolds, have been able to determine cigarette prices for the various pricing tiers within the industry. Market pressures have historically caused other cigarette manufacturers to bring their prices in line with the levels established by these two major manufacturers. Off-list price discounting and similar promotional activity by manufacturers, however, has substantially affected the average price differential at retail, which can be significantly less than the manufacturers’ list price gap. In addition, in recent years, the discount segment has experienced increased price competition from smaller manufacturers and this has led to more aggressive price discounting of certain “deep discount” brands when compared to “traditional discount” brands. Consequently, changes in the price gap of products at retail between “deep discount” and “traditional discount” has led to shifts in price segment performance.

Legislation and Regulation

In the United States, tobacco products are subject to substantial and increasing legislation, regulation, taxation, and litigation, which have a negative effect on revenue and profitability.

The cigarette industry continues to be challenged on numerous fronts. The industry faces increased pressure from anti-smoking groups and continued smoking and health litigation, the effects of which, at this time, we are unable to quantify. Product liability litigation continues to adversely affect the cigarette industry. See Item 1A. “*Risk Factors*”, Item 3. “*Legal Proceedings*” and Note 15 to our consolidated financial statements, which contain a description of litigation.

The harmful physical effects of cigarette smoking have been publicized for many years and, in the opinion of Liggett’s management, have had and will continue to have an adverse effect on cigarette sales. Since 1964, the Surgeon General of the United States and the Secretary of Health and Human Services have released a number of reports stating that cigarette smoking is a causative factor with respect to a variety of health hazards, including certain cancers and heart and lung disease and have recommended various government actions to reduce the incidence of smoking. In 1997, Liggett publicly acknowledged that, as the Surgeon General and respected medical researchers have found, smoking causes health problems, including lung cancer, heart and vascular disease, and emphysema.

On June 22, 2009, the Family Smoking Prevention and Tobacco Control Act (the “TCA”) became law. The law grants the U.S. Food and Drug Administration (“FDA”) broad authority over the manufacture, sale, marketing and packaging of

tobacco products, although FDA is prohibited from banning all cigarettes or all smokeless tobacco products. Among other measures, the law (under various deadlines):

- requires FDA to develop graphic warnings for cigarette packages and grants FDA authority to require new warnings;
- imposes new restrictions on the sale and distribution of tobacco products, including significant new restrictions on tobacco product advertising and promotion, as well as the use of brand and trade names;
- bans the use of “light,” “mild,” “low” or similar descriptors on tobacco products;
- bans the use of “characterizing flavors” in cigarettes other than tobacco or menthol;
- gives FDA the authority to impose tobacco product standards that are appropriate for the protection of the public health (by, for example, requiring reduction or elimination of the use of particular constituents or components, requiring product testing, or addressing other aspects of tobacco product construction, constituents, properties or labeling);
- requires manufacturers to obtain FDA review and authorization for the marketing of certain new or modified tobacco products which could ultimately result in FDA prohibiting Liggett from selling certain of its products;
- requires pre-market approval by FDA for tobacco products represented (through labels, labeling, advertising, or other means) as presenting a lower risk of harm or tobacco-related disease;
- requires manufacturers to report ingredients and harmful constituents and requires FDA to disclose certain constituent information to the public;
- mandates that manufacturers test and report on ingredients and constituents identified by FDA as requiring such testing to protect the public health and allows FDA to require the disclosure of testing results to the public;
- requires manufacturers to submit to FDA certain information regarding the health, toxicological, behavioral or physiological effects of tobacco products;
- requires FDA to establish “good manufacturing practices” to be followed at tobacco manufacturing facilities;
- authorizes FDA to require the reduction of nicotine (although it may not require the reduction of nicotine yields of a tobacco product to zero) and the potential reduction or elimination of other constituents, including menthol;
- imposes (and allows FDA to impose) various recordkeeping and reporting requirements on tobacco product manufacturers; and
- grants FDA broad regulatory authority to impose additional restrictions.

The TCA imposes user fees on certain tobacco product manufacturers in order to fund tobacco-related FDA activities. User fees are allocated among tobacco product classes according to a formula set out in the statute, and then among manufacturers and importers within each class based on market share. FDA user fees for 2021 were \$23,832 for Liggett and Vector Tobacco combined and will likely increase in the future.

The law also required establishment of a Tobacco Products Scientific Advisory Committee (“TPSAC”) to provide advice, information and recommendations with respect to safety, dependence and health issues related to tobacco products.

Menthol and Flavorings

On January 27, 2022, FDA announced that it expects to issue a proposed rule to prohibit menthol as a characterizing flavor in cigarettes by the spring of 2022. For the year ended December 31, 2021, approximately 19% of our cigarette unit sales were menthol flavored. 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, whether it will have a material adverse effect on Liggett or Vector Tobacco, or whether it will impact Liggett and Vector Tobacco to a greater degree than other companies in the industry. In addition to FDA, certain states, including California and Massachusetts, have, or are considering, a ban on the sale of menthol cigarettes.

Advertising and Warnings on Packaging

The TCA imposes significant new restrictions on the advertising and promotion of tobacco products. As written, these regulations significantly limit the ability of manufacturers, distributors and retailers to advertise and promote tobacco products, by, for example, restricting the use of color and graphics in advertising, limiting the use of outdoor advertising, restricting the

sale and distribution of non-tobacco items and services, gifts, and sponsorship of events, and imposing restrictions on the use for cigarette or smokeless tobacco products of trade or brand names that are used for non-tobacco products.

On March 18, 2020, FDA issued a final rule to require new health warnings on cigarette packages and in cigarette advertisements. This rule requires each cigarette package and advertisement to bear one of eleven textual warning statements accompanied by a corresponding graphic image covering 50% of the area of the front and rear panels of cigarette packages and at least 20% of the area at the top of cigarette advertisements. The rule establishes marketing requirements that include the random and equal display and distribution of the required warnings for cigarette packages and quarterly rotation of the required warnings for cigarette advertisements. The final rule provided for an effective date of June 18, 2021, 15 months after issuance of the final rule. On April 3, 2020, Liggett, along with other tobacco companies, commenced an action against the FDA in the United States District Court, District of Texas (Tyler Division) challenging the legality of the graphic warning final rule. On February 10, 2022, the court granted a motion to postpone the effective date of the final rule to April 9, 2023. The inclusion of new warnings and rotation requirements pursuant to the final rule would likely increase Liggett's production costs.

Product Review

The TCA requires premarket review of "new tobacco products." A "new tobacco product" is one that was not commercially marketed in the United States as of February 15, 2007 or that was modified after that date. In general, before a company may commercially market a "new tobacco product," it must either (a) submit an application and obtain an order from FDA permitting the product to be marketed; or (b) submit an application and receive an FDA order finding the product to be "substantially equivalent" to a "predicate" tobacco product that was commercially marketed in the U.S. as of February 15, 2007. A "substantially equivalent" tobacco product is one that has the "same characteristics" as the predicate or one that has "different characteristics" but does not raise "different questions of public health."

Manufacturers of products first introduced after February 15, 2007 and before March 22, 2011 who submitted a substantial equivalence application to FDA prior to March 23, 2011 may continue to market the tobacco product unless FDA issues an order that the product is not substantially equivalent ("NSE"). Failure to timely submit the application, or FDA's conclusion that such a "new tobacco product" is not substantially equivalent, will cause the product to be deemed misbranded and/or adulterated. After March 22, 2011, a "new tobacco product" may not be marketed without an FDA substantial equivalence determination. Prior to the deadline, Liggett and Vector Tobacco submitted substantial equivalence applications to FDA for each of their respective cigarette brand styles.

To date, Liggett has received NSE orders relating to 20 cigarette brand styles. Liggett has elected to pursue administrative appeals with FDA for 14 of the 20 cigarette brand styles and discontinued six brand styles. Sales of these 14 cigarette brand styles accounted for approximately 0.6% of the tobacco segment's annual revenue in 2021. Liggett is continuing to sell the affected cigarette brand styles during the administrative appeal process. Vector Tobacco received NSE orders relating to three cigarette brand styles in November 2017. Sales of these three cigarette brand styles accounted for approximately 0.4% of the tobacco segment's annual revenue in 2021. Vector Tobacco elected to pursue administrative appeals with FDA and is continuing to sell the affected cigarette brand styles during the administrative appeal process.

On April 5, 2018, FDA announced a change in its process for reviewing "provisional" substantial equivalence applications. Both Liggett and Vector Tobacco submitted provisional substantial equivalence applications for all of their respective cigarette brand styles. FDA announced that it will continue to review the approximately 1,000 pending provisional applications that were determined to have the greatest potential to raise different questions of public health and will remove from review the approximately 1,500 provisional applications that were determined less likely to do so.

As a result, Vector Tobacco received a letter from FDA in April 2018, advising that FDA does not intend to conduct further review of Vector Tobacco's remaining substantial equivalence applications that have not yet received a substantial equivalence determination unless one of the following occurs: (i) the new tobacco product that is the subject of the provisional application is also the subject of another pending application submitted by the same manufacturer; (ii) FDA receives new information (e.g., from inspectional findings) suggesting that the new tobacco product that is the subject of a provisional application is more likely to have the potential to raise different questions of public health than previously determined; or (iii) FDA has reason to believe that the new tobacco product was not introduced or delivered for introduction into interstate commerce for commercial distribution in the United States after February 15, 2007, and prior to March 22, 2011 ((i), (ii) and (iii) are collectively, the "Conditions").

On May 21, 2018, FDA sent a letter to Liggett stating that the products identified in the letter would be removed from review unless one of the Conditions occurs.

We cannot predict whether FDA will deem Liggett's and Vector Tobacco's outstanding applications to be sufficient to support determinations of substantial equivalence for the products covered by these substantial equivalence reports. It is possible that FDA could determine that some, or all, of these products are "not substantially equivalent" to a preexisting

tobacco product, as the agency has already done for 20 of Liggett's applications. NSE orders for other cigarette styles may require us to stop the sale of the applicable cigarettes and other cigarette styles and could have a material adverse effect on us.

Nicotine

Under the TCA, FDA may adopt a tobacco product standard for nicotine if the agency concludes that such a standard is appropriate for the protection of the public health. FDA may refer the proposed regulation to the TPSAC for a report and recommendation. FDA may consider a wide range of issues prior to the promulgation of a final rule, including the technical achievability of compliance with the proposed product standard. The rulemaking process could take many months or years and 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. We cannot predict how a tobacco product standard, if ultimately issued by FDA, will impact product sales, whether it will have a material adverse effect on Liggett or Vector Tobacco, or whether it will impact Liggett and Vector Tobacco to a greater degree than other companies in the industry.

State Minimum Price Legislation

In 2020, voters in the State of Colorado approved Proposition EE, increasing taxes on cigarettes, tobacco and nicotine products. In addition to raising the Colorado state excise tax on cigarettes, Proposition EE included a provision that fixed the minimum retail price of cigarettes in Colorado at \$7.00 per pack as of January 1, 2021, and thus reduced the competitive advantage of our Company's discount priced cigarettes in the Colorado marketplace. We have commenced litigation against Colorado challenging the legality of the minimum price provision contained in Proposition EE, the outcome of which cannot be predicted. Although no other state has adopted a fixed minimum retail price law for cigarettes, other states may attempt to do so if the minimum price provision in Proposition EE is determined by the courts to be legal. In the event that litigation challenging the minimum price legislation is not successful or other states pass similar legislation that withstands judicial scrutiny, the result could have a material adverse effect on our future financial condition, results of operations and cash flows.

The MSA and Other State Settlement Agreements

In March 1996, March 1997, and March 1998, Liggett entered into settlements of tobacco-related litigation with 45 states and territories. The settlements released Liggett from all tobacco-related claims within 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 (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 the "Participating Manufacturers") entered into the MSA with 46 states and various territories (collectively, the "Settling States") to settle the asserted and unasserted healthcare cost recovery and certain other claims of those 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; and (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 Participating Manufacturers. 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 Participating Manufacturer 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 Participating Manufacturers from licensing third parties to advertise tobacco brand names in any manner prohibited under the MSA; and prohibits Participating Manufacturers 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 Participating Manufacturers to affirm corporate principles to comply with the MSA and to reduce underage usage of tobacco products and imposes restrictions on lobbying activities conducted on behalf of Participating

Manufacturers. 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, the Participating Manufacturers are required to make annual payments of \$9.0 billion (subject to applicable adjustments, offsets and reductions). 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 Participating Manufacturer and are not the responsibility of any parent or affiliate of a Participating Manufacturer.

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 4.1% of the total cigarettes sold in the United States in 2021. 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 may have additional payment obligations under the MSA and its other settlement agreements with the states. See Item 1A. "Risk Factors" and Note 15 to our consolidated financial statements.

New Valley

New Valley is our real estate investment business. We have invested in numerous real estate projects in different asset classes, including planned communities, condominium and mixed – use developments, apartment buildings, hotels and commercial properties.

Real Estate Investments

We own, and seek to acquire investment interests in various domestic and international real estate projects through debt and equity investments. Our current real estate investments include the following projects (as of December 31, 2021):

Investments in Real Estate, net

Escena. We are developing a 450-acre approved master planned community in Palm Springs, CA. The development consists of 615 residential lots, which include both single and multi-family lots, an 18-hole golf course, clubhouse restaurant, golf shop and seven-acre site approved for a 450-room hotel.

Condominium and Mixed-Use Development

As of December 31, 2021, we owned investments in condominium and mixed-use development real estate ventures, carried at \$80.1 million. We had condominium and mixed-use development real estate ventures, carried at \$22.7 million as of December 31, 2021, in the New York City Standard Metropolitan Statistical Area ("SMSA"). Of the 9 condominium and mixed-use development real estate ventures in the New York City SMSA, seven were closing on units or completed as of December 31, 2021, and the remaining two had projected construction completion dates in 2023. We had condominium and mixed-use development real estate ventures with projected construction completion dates between August 2022 and July 2024 carried at \$57.5 million in other U.S. areas as of December 31, 2021.

Apartment Buildings

As of December 31, 2021, we owned an investment in a venture that owns an apartment building located in Hoover, AL, which was carried at \$11.9 million. The investment was operating as of December 31, 2021.

Hotels

As of December 31, 2021, we owned investments in hotels carried at \$3.2 million, with ventures carried at \$1.6 million located in the New York City SMSA and the remainder located in Bermuda. The hotels were operating as of December 31, 2021.

Commercial

As of December 31, 2021, we owned investments in commercial real estate ventures carried at \$7.3 million, one located in the New York City SMSA and one located in Las Vegas, Nevada. Both of the commercial real estate ventures were operating as of December 31, 2021.

In our real estate investment business, we seek to acquire investment interests in domestic and international real estate projects through debt and equity investments. We and our partners seek to enhance the cash flows and returns from our investments by using varying levels of leverage. In addition, we and our partners may earn incentives on certain investments if the investments achieve rates of return that exceed targeted thresholds. Our real estate investments are located in the United States and Bermuda and we may pursue growth in other markets where we identify attractive opportunities to invest in or acquire assets and to achieve strong risk-adjusted returns. We strive to invest at attractive valuations, capitalize on distressed situations where possible, create opportunities for superior valuation gains and cash flow returns and monetize assets at appropriate times to realize value. As of December 31, 2021, our real estate investment business held interests in joint ventures recorded on our financial statements at approximately \$105.1 million and approximately \$9.1 million in consolidated real estate investments.

For additional information concerning these investments, see Note 10 to our consolidated financial statements and “Summary of Real Estate Investments” located in Item 7. - “*Management’s Discussion and Analysis of Financial Condition and Results of Operations.*”

Human Capital

We have long believed that the diversity and talent of our people provide a competitive advantage to Vector Group and its subsidiaries. As of December 31, 2021, we employed approximately 500 employees, of which approximately 475 were employed by Liggett, and approximately 25 were employed at Vector Group’s corporate headquarters.

Approximately 31% of the Liggett workforce has been employed by the Company for more than 15 years. Liggett has maintained long relationships with its employees due to its philosophy of listening to their comments and concerns and regularly engaging them to enhance its human capital management objectives.

Historically, this has occurred with frequent communication across all levels of Liggett and in-person events with senior management. We believe this philosophy served Liggett well during the COVID-19 pandemic.

The health and safety of our employees is foundational to achieving our human capital objectives. In response to the COVID-19 pandemic, Liggett’s management proactively took the step of closing its cigarette factory for two weeks, beginning March 15, 2020, for scheduled maintenance and to plan for the necessary COVID-19 manufacturing protocols. Liggett’s management implemented and continues to use an extensive set of additional protocols and procedures to ensure the safety of its workforce. Among other things, Liggett introduced mandatory mask-wearing, physical distancing and reconfigured certain workspaces in its cigarette factory and the headquarters of Liggett Vector Brands.

Beginning in March 2020, management provided employees with periodic updates on Liggett’s business, including its response to the COVID-19 pandemic. Liggett believes that these initiatives were key in the successful execution of its manufacturing and sales operations throughout the COVID-19 pandemic.

Liggett offers comprehensive benefit programs to its employees which provide them with, among other things, medical, dental, and vision healthcare; 401(k) matching contributions; paid maternity leave; tuition assistance; and paid vacation time.

Of the approximately 475 employees at Liggett as of December 31, 2021, approximately 280 were employed at Liggett’s Mebane factory, 140 were employed throughout the United States in sales positions and the remaining 55 were employed in administrative functions supporting and coordinating sales and marketing efforts.

Of the employees at Liggett’s factory, approximately 200 were hourly employees who are represented by four unions affiliated with either the AFL-CIO or the Teamsters. Liggett has not experienced any significant work stoppages since 1977.

We will continue to listen, while engaging and connecting with employees at Liggett to further our human capital management objectives by continuing the initiatives we first began during the COVID-19 pandemic.

Available Information

Our website address is www.vectorgroupltd.com. We make available free of charge on the Investor Relations section of our website (<http://www.vectorgroupltd.com/investor-relations/>) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission (“SEC”). We also make available through our website other reports filed with the SEC under the Exchange Act, including our proxy statements and reports filed by officers and directors under Section 16(a) of that Act. Copies of these filings also are available on the SEC’s website. Copies of our

Code of Business Conduct and Ethics, Corporate Governance Guidelines, Audit Committee charter, Compensation Committee charter and Corporate Governance and Nominating Committee charter have been posted on the Investor Relations section of our website and are also available in print to any stockholder who requests it. We do not intend for information contained in, or available through, our website to be part of this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

Our business faces many risks. We have described below the known material risks that we and our subsidiaries face. There may be additional risks that we do not yet know of or that we do not currently perceive to be significant that may also impact our business or the business of our subsidiaries. Each of the risks and uncertainties described below could lead to events or circumstances that have a material adverse effect on the business, results of operations, cash flows, financial condition or equity of us or one or more of our subsidiaries, which in turn could negatively affect the value of our common stock. You should carefully consider and evaluate all of the information included in this report and any subsequent reports that we may file with the SEC or make available to the public before investing in any securities issued by us.

Risks Relating to Our Tobacco Business

Liggett faces intense competition in the domestic tobacco industry.

Liggett is considerably smaller and has fewer resources than its major competitors, and, as a result, has in certain circumstances a more limited ability to respond to market developments. Further, all of Liggett's unit volume is generated in the discount segment, which is highly competitive, with consumers having less brand loyalty and placing greater emphasis on price. Management Science Associates' data indicate that in 2021, Philip Morris and RJ Reynolds, the two largest cigarette manufacturers, controlled 73.8% of the United States cigarette market. Philip Morris is the largest manufacturer in the market, and its profits are derived principally from its sale of premium cigarettes. Philip Morris had 57.5% of the premium segment and 44.3% of the total domestic market during 2021. During 2021, all of Liggett's sales were in the discount segment, and its share of the total domestic cigarette market was 4.1%. Historically, because of their dominant market share, Philip Morris and RJ Reynolds, have been able to determine cigarette prices for the various pricing tiers within the industry.

Further consolidation in the industry could adversely affect our ability to compete in the U.S. cigarette market.

Liggett's business is highly dependent on the discount cigarette segment and to maintain market share, it may be required to take steps to reduce prices.

All of Liggett's unit volume is generated in the discount segment, which is highly competitive. While Philip Morris, RJ Reynolds, and ITG Brands compete with Liggett in the discount segment of the market, Liggett also faces intense competition for market share in the discount segment from a group of smaller manufacturers and importers, most of which sell low quality deep discount cigarettes. While Liggett's share of the discount market was 14.4% in 2021, 14.2% in 2020, and 14.3% in 2019, Management Science Associates' data indicate that the discount market share of these other smaller manufacturers and importers was approximately 34.2% in 2021, 35.5% in 2020, and 32.3% in 2019. If pricing in the discount market continues to be impacted by these smaller manufacturers and importers, margins in Liggett's only market segment could be negatively affected and, to maintain market share, Liggett may be required to take steps to reduce prices. Thus, Liggett's sales volume, operating income and cash flows would be materially adversely affected, which in turn could negatively affect the value of our common stock.

The domestic cigarette industry has experienced declining unit sales in recent periods, which could result in lower sales or higher costs for us.

Management Science Associates' data indicated that domestic industry-wide shipments of cigarettes declined by approximately 6.5% in 2021, increased by 1.5% in 2020, and declined by 5.3% in 2019. Since 1995, industry-wide shipments of cigarettes declined have declined in all years except 2020. We believe the 2020 increase in shipments was a COVID-19 related anomaly and that industry-wide shipments of cigarettes in the United States will continue to decline in future years as a result of numerous factors. These factors include health considerations, diminishing social acceptance of smoking, and a wide variety of federal, state and local laws limiting smoking in restaurants, bars and other public places, as well as increases in federal and state excise taxes and settlement-related expenses which have contributed to higher cigarette prices in recent years. In addition to a declining market impacting our sales volume, operating income and cash flows, our annual cost advantage from our payment exemption under the MSA declines by approximately \$1.8 million for each percentage point decline in shipment volumes in the U.S. market and approximately \$1.6 million for each percentage point increase in inflation (with the MSA rate increasing each year by the lesser of three percent or the Consumer Price Index increase). If this decline in industry-wide shipments continues and Liggett is unable to capture market share from its competitors, or if the industry as a whole is unable to offset the decline in unit sales with price increases, or if Liggett's market share percentage falls below its MSA payment

exemption percentage, or if prevailing inflation rates continue, Liggett's sales volume, operating income and cash flows could be negatively affected, which in turn could negatively affect the value of our common stock.

Our tobacco operations are subject to substantial and increasing legislation, regulation and taxation, which have a negative effect on revenue and profitability.

Cigarettes are subject to substantial regulation and taxation at the federal, state and local levels, which has had and may continue to have an adverse effect on our business. For a more complete discussion of the material regulations and taxation applicable to our Business, see *Item 1. Business. Legislation and Regulation*. For instance:

- Federal, state and local laws have limited the advertising, sale and use of cigarettes in the United States, such as laws prohibiting smoking in restaurants and other public places. Private businesses have also implemented prohibitions on the use of cigarettes. Further regulations or rules limiting advertising, sale or use of cigarettes or ingredients or flavorings could negatively impact sales of cigarettes, which would have an adverse effect on our results of operations.
- The federal government, as well as certain state, city and county governments, impose excise taxes on cigarettes, which has had, and is expected to continue to have, an adverse effect on sales of cigarettes. Since certain of these excise taxes were proportionately smaller on other types of tobacco products, a dramatic increase in the sale of mislabeled pipe tobacco occurred, which took away market share from traditional cigarette products.
- Various state and local government regulations have, among other things, increased the minimum age to purchase tobacco products, banned the sale of menthol cigarettes, restricted or banned sampling and advertising and required ingredient and constituent disclosure. Significantly, the federal government increased the minimum age of sale for tobacco products from 18 to 21 years of age in December 2019. Further regulations that limit the group of individuals able to purchase cigarettes in the United States or other regulations that limit the types of products we can offer, such as limitations on use of flavoring, could have a material adverse effect on demand for our products, our results of operations and our business. FDA and other organizations have also conducted anti-tobacco media campaigns, which have and may continue to have an adverse effect on the demand for cigarettes.

There have also been adverse legislative and political decisions and other unfavorable developments concerning cigarette smoking and the tobacco industry, as well as restrictive actions by federal agencies, including the Environmental Protection Agency and FDA. Additionally, all states have enacted statutes requiring cigarettes to meet a reduced ignition propensity standard. 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 similar litigation or legislation. We are not able to evaluate the effect of these developing matters on pending litigation or the possible commencement of additional litigation, but our consolidated financial position, results of operations or cash flows could be materially adversely affected.

Additional federal, state or local regulations relating to the manufacture, sale, distribution, advertising, labeling, or information disclosure of tobacco products could further reduce sales, increase costs and have a material adverse effect on our business.

FDA Regulation under the Family Smoking Prevention and Tobacco Control Act may adversely affect our sales and operating profit.

In June 2009, the Family Smoking Prevention and Tobacco Control Act (the "TCA") became law. The TCA grants FDA broad authority over the manufacture, sale, marketing and packaging of tobacco products, although FDA is prohibited from banning all cigarettes or all smokeless tobacco products. For a more complete discussion of the TCA, see *Item 1. Business. Legislation and Regulation*.

On January 27, 2022, FDA announced that it expects to issue a proposed rule to prohibit menthol as a characterizing flavor in cigarettes by the spring of 2022. For the last twelve months ended March 31, 2021, approximately 19% of our cigarette unit sales were menthol flavored. 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, whether it will have a material adverse effect on Liggett or Vector Tobacco, or whether it will impact Liggett and Vector Tobacco to a greater degree than other companies in the industry.

As part of the comprehensive plan announced in July 2017, FDA said it would focus on nicotine addiction, with the goal of lowering nicotine levels in combustible cigarettes through a product standard developed through notice and comment rulemaking, which FDA announced in March 2018. See *Item 1. Business. Legislation and Regulation*. At this time, we cannot predict the specific regulations FDA will enact, the timeframe for such regulations, or the effect of such regulations. The rulemaking process could take years and once a final rule is issued it typically does not take effect for at least one year. We

cannot predict how a nicotine tobacco product standard, if ultimately issued by FDA, would impact product sales, whether it would have a material adverse effect on Liggett or Vector Tobacco, or whether it would impact Liggett and Vector Tobacco to a greater degree than other companies in the industry.

In April 2018, FDA announced a change in its process for reviewing “provisional” substantial equivalence applications. See *Item 1. Business. Legislation and Regulation* for additional information on the substantial equivalence process. Vector Tobacco received a letter from FDA in April 2018 advising that FDA does not intend to conduct further review of Vector Tobacco’s remaining applications, with certain “conditions” (as described under *Item 1. Business. Legislation and Regulation*). Liggett received a letter from FDA in May 2018 advising that FDA does not intend to conduct further review for certain applications, also with certain “conditions” (as described under *Item 1. Business. Legislation and Regulation*). FDA has not indicated whether the applications relating to Liggett’s other products, not covered by that May 2018 letter, would proceed through FDA review. We cannot predict whether FDA will deem Liggett’s outstanding applications to be sufficient to support determinations of substantial equivalence for the products covered by these substantial equivalence reports. It is possible that FDA could determine that some, or all, of these products are “not substantially equivalent” to a preexisting tobacco product, as the agency has already done for 20 of Liggett’s applications. NSE orders for other cigarette styles may require us to stop the sale of the applicable cigarettes and other cigarette styles and could have a material adverse effect on us.

On March 18, 2020, FDA issued a final rule to require new health warnings on cigarette packages and in cigarette advertisements. This rule requires each cigarette package and advertisement to bear one of eleven textual warning statements accompanied by a corresponding graphic image covering 50% of the area of the front and rear panels of cigarette packages and at least 20% of the area at the top of cigarette advertisements. The rule establishes marketing requirements that include the random and equal display and distribution of the required warnings for cigarette packages and quarterly rotation of the required warnings for cigarette advertisements. The final rule provided for an effective date of June 18, 2021, 15 months after issuance of the final rule. On April 3, 2020, Liggett, along with other tobacco companies, commenced an action against the FDA in the United States District Court, District of Texas (Tyler Division) challenging the legality of the graphic warning final rule. On February 10, 2022, the court granted a motion to postpone the effective date of the final rule to April 9, 2023. We cannot predict whether the court will further postpone the effective date and/or determine that some or all of the proposed textual and/or graphic warnings, or proposed prominence of the warnings, violate the First Amendment, Administrative Procedure Act, or other legal requirements, or what the impact of such a court ruling would have on the compliance timeline or requirements imposed on industry.

It is likely that the TCA and further regulatory efforts by FDA could result in a decrease in cigarette sales in the United States, including sales of Liggett’s and Vector Tobacco’s brands. Compliance and related costs are not possible to predict and depend substantially on the future requirements imposed by FDA under the law. Costs, however, could be substantial and could have a material adverse effect on the companies’ financial condition, results of operations, and cash flows. In addition, FDA has a number of investigatory and enforcement tools available to it. Failure to comply with the law and with FDA regulatory requirements could result in significant financial penalties and could have a material adverse effect on the business, financial condition and results of operation of both Liggett and Vector Tobacco. At present, we are not able to predict whether the law will impact Liggett and Vector Tobacco to a greater degree than other companies in the industry, thus affecting our competitive position.

Certain states may attempt to pass minimum price legislation.

In 2020, voters in the state of Colorado approved Proposition EE, increasing taxes on cigarettes, tobacco and nicotine products. In addition to raising the Colorado state excise tax on cigarettes, Proposition EE included a provision that fixed the minimum retail price of cigarettes in Colorado at \$7.00 per pack as of January 1, 2021, and thus reduced the competitive advantage of our Company’s discount priced cigarettes in the Colorado marketplace. Although no other state has adopted a fixed minimum retail price law, other states may attempt to do so if the minimum price provision in Proposition EE is determined by the courts to be legal. In the event that other states pass similar legislation that withstands judicial scrutiny, the result could have a material adverse effect on our financial condition, results of operations and cash flows.

Litigation will continue to harm the tobacco industry, including Liggett.

Liggett could be subjected to substantial liabilities and bonding requirements from litigation relating to cigarette products. Adverse judgments could have a negative impact on our ability to operate due to their impact on cash flows. We and our Liggett subsidiary, as well as the entire cigarette industry, continue to be challenged on numerous fronts. New cases continue to be commenced against Liggett and other cigarette manufacturers. As of December 31, 2021, there were 79 individual product liability lawsuits, two purported class actions and one health care cost recovery action pending in the United States in which Liggett and/or we were named defendants. It is likely that similar legal actions, proceedings and claims will continue to be filed against Liggett. Punitive damages, often in amounts ranging into the billions of dollars, are specifically pleaded in certain cases, in addition to compensatory and other damages. 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. 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. Liggett could face difficulties in obtaining a bond to stay execution of a judgment pending appeal. As new product liability cases are commenced against Liggett, the costs associated with defending these cases and the risks relating to the inherent unpredictability of litigation continue to increase.

Individual tobacco-related cases resulting from the Florida Supreme Court's ruling in Engle could continue to harm Liggett.

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 \$145.0 billion in punitive damages, including \$790.0 million 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, we and Liggett, and other cigarette manufacturers, were sued in thousands of *Engle* progeny cases in both federal and state courts in Florida. Although we were not named as a defendant in the *Engle* case, we were named as a defendant in substantially all of the *Engle* progeny cases where Liggett was named as a defendant. Notwithstanding Liggett’s multi-plaintiff settlements, Liggett and Vector Group remain defendants in 28 state court *Engle* progeny cases. The costs associated with defending these cases continue to negatively impact our cash flows. We cannot predict the cash requirements related to any future settlements and judgments, including cash required to bond any appeals, and there is a risk that those requirements will not be able to be met.

Liggett may have additional payment obligations under the MSA.

NPM Adjustment. In March 2006, an economic consulting firm selected pursuant to the MSA determined that the MSA was a “significant factor contributing to” the loss of market share of Participating Manufacturers for 2003. This same determination has been made for additional years. This is known as the “NPM Adjustment.” As a result, the Participating Manufacturers may be entitled to potential NPM Adjustments to their MSA payments.

As of December 31, 2021, the Participating Manufacturers had entered into agreements with 38 Settling States setting out terms for settlement of the NPM Adjustment and addressing the NPM Adjustment with respect to those states for future years.

For 2003 - 2020, 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 paid subject to dispute, withheld payment or paid into a disputed payment account the amounts associated with these NPM Adjustments. The arbitration for 2004, for those states that did not enter into the agreement or otherwise settle, has commenced. As of December 31, 2021, Liggett and Vector Tobacco accrued approximately \$13.2 million related to disputed amounts withheld from the non-settling states for 2004 - 2010, which may be subject to payment, with interest, if Liggett and Vector Tobacco lose the disputes for those years.

Liggett may have additional payment obligations under its individual state settlements.

In 2004, the Attorneys General of Mississippi and Texas advised Liggett that they believed Liggett had failed to make all required payments under the respective settlement agreements with these states. Liggett believes these allegations are without merit, based, among other things, on the language of the most favored nation provisions of the settlement agreements. No amounts have been accrued in our consolidated financial statements for any additional amounts that may be payable by Liggett under the settlement agreements with Mississippi and Texas.

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 (the “1996 Agreement”). In April 2017, the Chancery Court ruled that the 1996 Agreement should be enforced and referred the matter to a Special Master for further proceedings to determine the amount of damages, if any, to be awarded.

In April 2021, the parties stipulated that the unpaid principal (exclusive of interest) purportedly due from Liggett to Mississippi pursuant to the 1996 Agreement (from inception through 2019) is approximately \$16.7 million, subject to Liggett’s right to litigate and/or appeal the enforceability of the 1996 Agreement (and all issues other than the calculation of such principal amount). In September 2019, the Special Master held a hearing regarding Mississippi’s claim for pre- and post-judgment interest. In August 2021, the Special Master issued a final report with proposed findings and recommendations that pre-judgment interest, in the amount of approximately \$18.8 million, is due from Liggett from April 2005 - August 3, 2021. On November 18, 2021, a hearing was held on Liggett’s objection to the final report in Mississippi Chancery Court. A ruling is pending. In the event Liggett appeals an adverse judgment, the posting of a bond may be required.

Liggett may be required to make additional payments to Mississippi and Texas which could have a material adverse effect on the Company's consolidated financial position, results of operations and cash flows.

Risks Associated with Our New Valley Real Estate Business.

New Valley is subject to risks relating to the industries in which it operates.

The real estate industry is significantly affected by changes in economic and political conditions as well as real estate markets, which could adversely impact returns on our investments, trigger defaults in project financing, cause cancellations of property sales, reduce the value of our properties or investments and could affect our results of operations and liquidity. The real estate industry is cyclical and is significantly affected by changes in general and local economic conditions which are beyond our control.

These conditions include short-term and long-term interest rates, inflation, fluctuations in debt and equity capital markets, levels of unemployment, consumer confidence and the general economic condition of the United States and the global economy. The real estate market also depends upon the strength of financial institutions, which are sensitive to changes in the general macroeconomic environment. Lack of available credit or lack of confidence in the financial sector could impact the real estate market, which in turn could adversely affect our business, financial condition and results of operations.

Any of the following could be associated with cyclicity in the real estate market by halting or limiting a recovery in the residential and commercial real estate markets, and have an adverse effect on our business by causing periods of lower growth or a decline in the number of home sales and/or property prices which, in turn, could adversely affect our business and financial condition:

- periods of economic slowdown or recession;
- rising interest rates;
- the general availability of mortgage financing;
- a negative perception of the market for residential and commercial real estate;
- an increase in the cost of homeowners' insurance;
- weak credit markets;
- a low level of consumer confidence in the economy and/or the real estate market;
- instability of financial institutions;
- legislative, tax or regulatory changes that would adversely impact the real estate market, including but not limited to potential reform relating to Fannie Mae, Freddie Mac and other government sponsored entities that provide liquidity to the U.S. housing and mortgage markets, and potential limits on, or elimination of, the deductibility of certain mortgage interest expense and property taxes;
- adverse changes in economic and general business conditions in the areas we invest;
- declining demand for real estate;
- acts of God, such as hurricanes, earthquakes and other natural disasters, or acts or threats of war or terrorism; and/or
- adverse changes in global, national, regional and local economic and market conditions, particularly in the New York metropolitan area and the other markets where our businesses operate, including those relating to pandemics and health crises, such as the outbreak of the coronavirus (COVID-19).

Real estate development is a competitive industry, and competitive conditions may adversely affect our results of operations. The real estate development industry is highly competitive. Real estate developers compete not only for buyers, but also for desirable properties, building materials, labor and capital. We compete with other local, regional, national and international real estate asset managers, investors and property developers, which have significant financial resources and experience. Competitive conditions in the real estate development industry could result in: difficulty in acquiring suitable investments in properties at acceptable prices; increased selling incentives; lower sales volumes and prices; lower profit margins; impairments in the value of our investments in real estate developments and other assets; and increased construction costs, delays in construction and increased carry costs. Development projects are subject to special risks including potential increase in costs, changes in market demand, inability to meet deadlines which may delay the timely completion of projects, reliance on contractors who may be unable to perform and the need to obtain various governmental and third party consents.

If the market value of our properties or investments decline, our results of operations could be adversely affected by impairments and write-downs. We acquire land and invest in real estate projects in the ordinary course of our business. There

is an inherent risk that the value of our land and investments may decline after purchase, which also may affect the value of existing properties under construction. The valuation of property is inherently subjective and based on the individual characteristics of each property. The market value of our land and investments in real estate projects depends on general and local real estate market conditions. These conditions can change and thereby subject valuations to uncertainty. Moreover, all valuations are made on the basis of assumptions that may not prove to reflect economic or demographic reality. We may have acquired options on or bought and developed land at a cost we will not be able to recover fully or on which we cannot build and sell the property profitably. In addition, our deposits or investments in deposits for building lots controlled under option or similar contracts may be put at risk. If market conditions deteriorate, some of our assets may be subject to impairments and write-down charges which would adversely affect our operations and financial results.

If demand for residential or commercial real estate decreases below what was anticipated when we purchased interests in or developed such inventory, profitability may be adversely affected and we may not be able to recover the related costs when selling and building our properties and/or investments. We regularly review the value of our investments and will continue to do so on a periodic basis. Write-downs and impairments in the value of our properties and/or investments may be required, and we may in the future sell properties and/or investments at a loss, which could adversely affect our results of operations and financial condition.

We face risks associated with property acquisitions. We may be unable to finance acquisitions or investments on favorable terms or properties may fail to perform as expected. We may underestimate the costs necessary to bring an investment up to standards established for its intended market position. We may also acquire or invest in properties subject to liabilities and with recourse, with respect to unknown liabilities. New Valley's acquisition of real estate investments are subject to several risks including: underestimated operating expenses for a property, possibly making it uneconomical or unprofitable; a property may fail to perform in accordance with expectations, in which case New Valley may sustain lower-than-expected income or need to incur additional expenses for the property; and New Valley may not be able to sell, dispose or refinance the property at a favorable price or terms, or at all, as the case may be; in addition to any potential loss on a sale, New Valley may have no choice but to hold on to the property and continue to incur net operating losses if underperforming for an indefinite period of time, as well as incur continuing tax, environmental and other liabilities. Acquisition agreements will typically contain conditions to closing, including completion of due diligence to our satisfaction or other conditions that are not within our control, which may not be satisfied. Each of these factors could have an adverse effect on our results of operations and financial condition.

Our success depends on the availability of suitable real estate investments at acceptable prices and having sufficient liquidity to acquire such investments. Our success in investing in real estate depends in part upon the continued availability of suitable real estate assets at acceptable prices. The availability of properties for investment at favorable prices depends on a number of factors outside of our control, including the risk of competitive over-bidding on real estate assets. Should suitable opportunities become less available, the number of properties we develop and invest in would be reduced, which would reduce revenue and profits. In addition, our ability to make investments will depend upon whether we have sufficient liquidity to fund such purchases and investments.

If we, or the entities we invest in, are not able to develop and market our real estate developments successfully or within expected timeframes or at projected pricing, our business and results of operations will be adversely affected. Before a property development generates any revenues, material expenditures are incurred to acquire land, obtain development approvals and construct significant portions of project infrastructure, amenities, model offices, showrooms, apartments or homes and sales facilities. It generally takes several years for a real estate development to achieve cumulative positive cash flow. If we, or the entities we invest in, are unable to develop and market our real estate developments successfully or to generate positive cash flows from these operations within expected timeframes, it could have a material adverse effect on our business and results of operations.

Because certain of our assets are illiquid, we may not be able to sell these assets when appropriate or when desired. Large real estate developments like the ones that we retain investments in can be hard to sell, especially if local market conditions are poor. Such illiquidity could limit our ability to diversify our assets promptly in response to changing economic or investment conditions. Additionally, financial difficulties of other property owners resulting in distressed sales could depress real estate values in the markets in which we operate in times of illiquidity. These restrictions reduce our ability to respond to changes in the performance of our assets and could adversely affect our financial condition and results of operations.

Guaranty risks; risks of joint ventures. New Valley has a number of real estate-related investments in which other partners hold significant interests. New Valley must seek approval from these other parties for important actions regarding these joint ventures. Since the other parties' interests may differ from those of New Valley, a deadlock could arise that might impair the ability of the ventures to function. Such a deadlock could significantly harm a venture. Further, our minority interest in these joint ventures means that we may not be able to influence the outcome of any particular project, and our rights to obtain information may be limited to the contractual requirements. As a result, we may not have adequate insight into the financial

condition of any of our joint ventures given that we do not oversee their financial reporting or decision making. If our partners face adverse financial conditions, it may impair their ability to fund capital calls or satisfy their share of any guarantees on project financing. In addition, we are typically obligated to execute guarantees or indemnify our partners for guarantees they may execute in connection with the acquisition or construction financing for our projects. The guarantees that we might be obligated to sign include guarantees for environmental liability at a project, improper acts committed by New Valley (otherwise known as a “bad boy” guaranty), as well as carry and completion guarantees for a project. In the event of a default, if a lender were to exercise its rights under these guarantees, it could have a material adverse effect on our business and results of operations.

Our real estate investments and the real estate market in general could be adversely impacted by changes in the law. Many different laws govern the development of real estate. Changes to laws such as affordable housing, zoning, air rights and others, could adversely impact our real estate projects. The Financial Crimes Enforcement Network of the Treasury Department has recently issued Geographic Targeting Orders that will temporarily require certain United States title insurance companies to identify the natural persons who directly or indirectly beneficially own companies that pay all cash for high-end residential real estate in the Borough of Manhattan in New York City and in Miami-Dade County in Florida. No assurances can be given as to the impact such requirements may have on the continued purchasing of high-end residential properties in Manhattan and Miami-Dade County by such individuals while such requirements are in effect, and no assurances can be given as to the impact such requirements may have in the event they are extended to other markets throughout the country in which New Valley is engaged in high-end residential properties.

The Tax Cuts and Jobs Act of 2017 could negatively impact New Valley’s markets. The Tax Cuts and Jobs Act of 2017 (the “Tax Act”) places limits on mortgage interest deductions as well as state and local income and property tax deductions. The loss of the use of these deductions may encourage residents of states with high income and property taxes and costs of housing to migrate to states with lower tax rates and housing costs. In 2021, approximately 25% of New Valley’s investments are located in New York and California, and a migration of residents from these markets or a reduction in the attractiveness of these markets as a place to live could adversely impact New Valley’s business, financial condition and results of operations.

The real estate developments we invest in may be subject to losses as a result of construction defects. Real estate developers are subject to construction defect and warranty claims arising in the ordinary course of their business. These claims are common in the real estate development industry and can be costly.

Claims may be asserted against the real estate developments we invest in for construction defects, personal injury or property damage caused by the developer, general contractor or subcontractors, and if successful, these claims may give rise to liability. Subcontractors are independent of the homebuilders that contract with them under normal management practices and the terms of trade contracts and subcontracts within the industry; however, if U.S. or other regulatory agencies or courts reclassify the employees of sub-contractors as employees of real estate developers, real estate developers using subcontractors could be responsible for wage, hour and other employment-related liabilities of their subcontractors.

In addition, where the real estate developments in which we invest hire general contractors, unforeseen events such as the bankruptcy of, or an uninsured or under-insured loss claimed against, the general contractor may sometimes result in the real estate developer becoming responsible for the losses or other obligations of the general contractor. The costs of insuring against construction defect and product liability claims are high, and the amount of coverage offered by insurance companies may be limited. There can be no assurance that this coverage will not be further restricted and become more costly. If the real estate developments in our real estate portfolio are not able to obtain adequate insurance against these claims in the future, our business and results of operations may be adversely affected.

Increasingly in recent years, individual and class action lawsuits have been filed against real estate developers asserting claims of personal injury and property damage caused by a variety of issues, including faulty materials and the presence of mold in residential dwellings. Furthermore, decreases in home values as a result of general economic conditions may result in an increase in both non-meritorious and meritorious construction defect claims, as well as claims based on marketing and sales practices. Insurance may not cover all of the claims arising from such issues, or such coverage may become prohibitively expensive. If real estate developments in our real estate portfolio are not able to obtain adequate insurance against these claims, they may experience litigation costs and losses that could reduce our revenues from these investments. Even if they are successful in defending such claims, we may incur significant losses.

Our real estate investments may face substantial damages as a result of existing or future litigation, arbitration or other claims. The real estate developments we invest in are exposed to potentially significant litigation, arbitration proceedings and other claims, including breach of contract, contractual disputes and disputes relating to defective title, property misdescription or construction defects. Class action lawsuits can be costly to defend, and if our assets were to lose any certified class action suit, it could result in substantial liability. With respect to certain general liability exposures, including construction defect and product liability claims, interpretation of underlying current and future trends, assessment of claims and the related liability and reserve estimation process requires us to exercise significant judgment due to the complex nature of these exposures, with each exposure exhibiting unique circumstances. Furthermore, once claims are asserted for construction defects, it is difficult to determine the extent to which the assertion of these claims will expand geographically. As a result, we may suffer losses on our investments which could adversely affect our business, financial condition and results of operations.

Our investments in real estate are susceptible to adverse weather conditions and natural and man-made disasters. Adverse weather conditions and natural and man-made disasters such as hurricanes, tornadoes, storms, earthquakes, floods, droughts, fires, snow, blizzards, as well as terrorist attacks, riots and electrical outages, can have a significant effect on the assets in our real estate portfolio. The severity and frequency of these adverse weather conditions are worsened by the effects of climate change. These adverse conditions can cause physical damage to work in progress and new developments, delays and increased costs in the construction of new developments and disruptions and suspensions of operations, whether caused directly or by disrupting or suspending operations of those upon whom our real estate developments rely in their operations. Such adverse conditions can mutually cause or aggravate each other, and their incidence and severity are unpredictable. If insurance is unavailable to the real estate developments we invest in or is unavailable on acceptable terms, or if insurance is not adequate to cover business interruptions or losses resulting from adverse weather or natural or man-made disasters, the real estate developments we invest in and our results of operations will be adversely affected. In addition, damage to properties in our real estate portfolio caused by adverse weather or a natural or man-made disaster may cause insurance costs for these properties to increase.

A major health and safety incident relating to our real estate investments could be costly in terms of potential liabilities and reputational damage. Building sites are inherently dangerous, and operating in the real estate development industry poses certain inherent health and safety risks. Due to regulatory requirements, health and safety performance is critical to the success of our real estate investments. Any failure in health and safety performance may result in penalties for non-compliance with relevant regulatory requirements, and a failure that results in a major or significant health and safety incident is likely to be costly in terms of potential liabilities incurred as a result. Such a failure could generate significant negative publicity and have a corresponding impact on the reputation and relationships of the developer with relevant regulatory agencies or governmental authorities, which in turn could have an adverse effect on our investment and operating results.

Insurance may not cover some potential losses or may not be obtainable at commercially reasonable rates, which could adversely affect our financial condition and results of operations. Real estate properties in our real estate portfolio maintain insurance on their properties in amounts and with deductibles that we believe are comparable with what owners of similar properties carry; however, such insurance may not cover some potential losses or may not be obtainable at commercially reasonable rates in the future. There also are certain types of risks (such as war, environmental contamination such as toxic mold, and lease and other contract claims) which are either uninsurable or not economically insurable. Should any uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more properties.

The volatility in the capital and credit markets has increased in recent years. Because the volatility in capital and credit markets may create additional risks in the upcoming months and possibly years, we will continue to perform additional assessments to determine the impact, if any, on our consolidated financial statements. Thus, future impairment charges may occur.

Risks Relating to the Spin-Off

We may be unable to achieve some or all of the benefits that we expect to achieve from our spin-off from Douglas Elliman

On December 29, 2021, we completed the spin-off of Douglas Elliman, which included the real estate services and PropTech investment business formerly owned by Vector Group. Although we believe that the spin-off will enhance our long-term value, we may not be able to achieve some or all of the anticipated benefits from the separation of our businesses, and the spin-off may adversely affect our business. Separating the businesses resulted in two independent, publicly traded companies, each of which is now a smaller, less diversified and more narrowly focused business than before the spin-off, which makes us more vulnerable to changing market and economic conditions and the risk of takeover by third parties. Operating as a smaller, independent entity may reduce or eliminate some of the benefits and synergies which previously existed across our business platforms before the spin-off, including our operating diversity, borrowing leverage, available capital for investments, partnerships and relationships and opportunities to pursue integrated strategies with the businesses within our former combined company and the ability to attract, retain and motivate key employees. In addition, as a smaller company, our ability to absorb

costs may be negatively impacted, including the significant cost of the spin-off transaction, and we may be unable to obtain financing or refinance our existing indebtedness. Any of these factors could have a material adverse effect on our business, financial condition, results of operations, cash flows, business prospects and the trading price of our common stock. By spinning off Douglas Elliman, we also may be more susceptible to market fluctuations and other adverse events than we would be if we did not spin off Douglas Elliman. If we fail to achieve some or all of the benefits that we expect to achieve as a result of the spin-off, or do not achieve them in the time we expect, our results of operations and financial condition could be materially adversely affected.

In connection with the spin-off, we agreed to indemnify Douglas Elliman and Douglas Elliman agreed to indemnify us for certain liabilities, and if we are required to perform under these indemnities or if Douglas Elliman is unable to satisfy its obligations under these indemnities, our financial results could be negatively affected.

In connection with the Transition Services Agreement, we and Douglas Elliman, as parties receiving services under the agreement, agreed to indemnify the party providing services for losses incurred by such party that arise out of or are otherwise in connection with the provision by such party of services under the agreement, except to the extent that such losses result from the providing party's gross negligence, willful misconduct or breach of its obligations under the agreement. Similarly, each party providing services under the agreement will agree to indemnify the party receiving services for losses incurred by such party that arise out of or are otherwise in connection with the indemnifying party's provision of services under the agreement if such losses result from the providing party's gross negligence, willful misconduct or breach of its obligations under the agreement.

In connection with our tobacco business, from time to time Douglas Elliman may be named as a defendant in tobacco-related lawsuits, notwithstanding the completion of the spin-off. Pursuant to the Distribution Agreement we entered into with Douglas Elliman in connection with the spin-off, we and each of our subsidiaries agreed to indemnify Douglas Elliman for liabilities related to our tobacco business, including liabilities that Douglas Elliman may incur for tobacco-related litigation. While we do not believe that Douglas Elliman has any liability for tobacco-related claims, an adverse decision in a tobacco-related lawsuit against Douglas Elliman could, if the indemnification is deemed for any reason to be unenforceable or any amounts owed to Douglas Elliman thereunder are not collectible, in whole or in part, have a material adverse effect on us.

In connection with the spin-off, Douglas Elliman provided us with indemnities with respect to liabilities arising out of Douglas Elliman's business. If we are subject to an adverse decision in a lawsuit related to Douglas Elliman's business, and Douglas Elliman fails to satisfy its obligations, our financial condition could be materially adversely affected.

The spin-off and related transactions may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws and legal distribution requirements.

The spin-off could be challenged under various state and federal fraudulent conveyance laws. An unpaid creditor could claim that we did not receive fair consideration or reasonably equivalent value in the spin-off, and that the spin-off left us insolvent or with unreasonably small capital or that we intended or believed we would incur debts beyond our ability to pay such debts as they mature. If a court were to agree with such a plaintiff, then such court could void the spin-off as a fraudulent transfer and could impose a number of different remedies, including without limitation, returning the assets or the shares of common stock in Douglas Elliman being distributed as part of the spin-off or providing us with a claim for money damages against the spun-off business in an amount equal to the difference between the consideration received by us and the fair market value of Douglas Elliman at the time of the spin-off.

Certain directors who serve on our Board of Directors currently serve as directors of Douglas Elliman following the spin-off, and ownership of shares of common stock of Douglas Elliman following the spin-off by our directors and executive officers may create, or appear to create, conflicts of interest.

Certain of our directors who serve on our Board of Directors currently serve on the board of directors of Douglas Elliman. This may create, or appear to create, conflicts of interest when our or Douglas Elliman's management and directors face decisions that could have different implications for us and Douglas Elliman, including the resolution of any dispute regarding the terms of the agreements governing the spin-off and the relationship between us and Douglas Elliman after the spin-off or any other commercial agreements entered into in the future between us and Douglas Elliman. For example, in the past, subsidiaries of Douglas Elliman have been engaged by certain 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 of approximately \$9.0 million, \$10.8 million and \$19.0 million from these projects for the years ended December 31, 2021, 2020 and 2019, respectively.

In addition, all of our executive officers and some of our non-employee directors currently own shares of the common stock of Douglas Elliman. The continued ownership of such common stock by our directors and executive officers following the spin-off creates or may create the appearance of a conflict of interest when these directors and executive officers are faced with decisions that could have different implications for us and Douglas Elliman

After the spin-off, certain of our executive officers will not devote their full time to Vector Group's affairs, and the overlap may give rise to conflicts.

Our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Technology Officer and General Counsel serve in the same roles at Douglas Elliman. This management model has and continues to use holding company executives to focus on public company matters while delegating the operations of our subsidiaries, including Liggett, to experienced operating professionals and we believe it has created stockholder value. Nonetheless, our management team divides its time between Vector Group and Douglas Elliman and consequently, does not spend its full time on our business. From time to time, our overlapping executive officers may be required to spend a significant portion of their time and attention on Douglas Elliman's affairs, and there can be no assurance that they will be able to devote sufficient time to the Company's affairs.

Our overlapping executive officers may also face actual or apparent conflicts of interest with respect to matters involving or affecting each company. For example, the potential for a conflict of interest may arise when we, on the one hand, and Douglas Elliman, on the other hand, consider corporate opportunities that may be suitable for both companies.

If the distribution, together with certain related transactions, were to fail to qualify as a reorganization for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the Internal Revenue Code of 1986, as amended ("Code"), then our stockholders, we and Douglas Elliman might be required to pay substantial U.S. federal income taxes.

The distribution was conditioned upon our receipt of an opinion of our spin-off tax advisor to the effect that, subject to the assumptions and limitations described therein, the distribution of Douglas Elliman common stock to holders of our common stock (such distribution, excluding, for the avoidance of doubt, the distribution of Douglas Elliman common stock with respect to our stock option awards and restricted stock awards), together with certain related transactions, will qualify as a reorganization for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the Code in which no gain or loss is recognized by us or our stockholders, except, in the case of our stockholders, for cash received in lieu of fractional shares. The opinion of our spin-off tax advisor was based on, among other things, certain assumptions as well as on the continuing accuracy of certain factual representations and statements that we and Douglas Elliman made to the spin-off tax advisor. In rendering its opinion, the spin-off tax advisor also relied on certain covenants that we and Douglas Elliman entered into, including the adherence by us and by Douglas Elliman to certain restrictions on future actions contained in the Tax Disaffiliation Agreement. If any of the representations or statements that we or Douglas Elliman made are or become inaccurate or incomplete, or if we or Douglas Elliman breach any of such covenants, the spin-off and such related transactions might not qualify for such tax treatment. The opinion of the spin-off tax advisor is not binding on the U.S. Internal Revenue Service ("IRS") or a court, and there can be no assurance that the IRS will not challenge the validity of the spin-off and such related transactions as a reorganization for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the Code eligible for tax-free treatment, or that any such challenge ultimately will not prevail.

If the spin-off does not qualify as a tax-free transaction for any reason, including as a result of a breach of a representation or covenant, we would recognize a substantial gain attributable to Douglas Elliman for U.S. federal income tax purposes. Additionally, if the spin-off does not qualify as tax-free under Section 355 of the Code, our stockholders will be treated as having received a distribution equal to the fair market value of the stock distributed, which generally would be treated first as a taxable dividend to the extent of such holder's pro rata share of our current and accumulated earnings and profits, then as a non-taxable return of capital to the extent of such holder's tax basis in our common stock, and thereafter as capital gain with respect to any remaining value.

We are subject to continuing contingent tax-related liabilities of Douglas Elliman following the spin-off.

After the spin-off, there are several significant areas where the liabilities of Douglas Elliman may become our obligations, either in whole or in part. For example, to the extent that any subsidiary of ours was included in the consolidated tax reporting group of Vector Group for any taxable period or portion of any taxable period ending on or before the effective date of the spin-off, such subsidiary is jointly and severally liable for the U.S. federal income tax liability of the entire consolidated tax reporting group of Vector Group, as applicable, for such taxable period. In connection with the spin-off, we have entered into a Tax Disaffiliation Agreement with Douglas Elliman, that allocates the responsibility for prior period consolidated taxes to Vector Group. If we are unable to pay any prior period taxes for which we are responsible, however, Douglas Elliman could be required to pay the entire amount of such taxes, and such amounts could be significant. Other provisions of federal, state or local law may establish similar liability for other matters, including laws governing tax-qualified pension plans, as well as other contingent liabilities.

Our ability to engage in acquisitions and other strategic transactions is subject to limitations because we have agreed to certain restrictions intended to support the tax-free nature of the spin-off.

The U.S. federal income tax laws that apply to transactions like the spin-off generally create a presumption that the spin-off would be taxable to us (but not to our stockholders) if we engage in, or enter into an agreement to engage in, an acquisition

of all or a significant portion of our common stock beginning two years before the distribution date, unless it is established that the transaction is not pursuant to a plan or series of transactions related to the spin-off. U.S. Treasury regulations currently in effect generally provide that whether an acquisition transaction and a distribution are part of a plan is determined based on all of the facts and circumstances, including specific factors listed in the Treasury regulations. In addition, these Treasury regulations provide several "safe harbors" for acquisition transactions that are not considered to be part of a plan that includes a distribution.

There are other restrictions imposed on us under current U.S. federal income tax laws with which we will need to comply in order for the spin-off and certain related transactions to qualify as a transaction that is tax-free under Sections 368(a)(1)(D) and 355 of the Code. For example, we will generally be required to continue to own and manage our business, and there will be limitations on issuances, redemptions and sales of our stock for cash or other property following the spin-off, except in connection with certain stock-for-stock acquisitions and other permitted transactions. If these restrictions are not followed, the spin-off could be taxable to us and our stockholders.

We entered into a Tax Disaffiliation Agreement with Douglas Elliman under which we have allocated, between Douglas Elliman and ourselves, responsibility for U.S. federal as well as state and local income and other taxes relating to taxable periods before and after the spin-off and provided for computing and apportioning tax liabilities and tax benefits between the parties. In the Tax Disaffiliation Agreement, we agreed that, among other things, we may not take, or fail to take, any action following the spin-off if such action, or failure to act: would be inconsistent with or prohibit the spin-off and certain related transactions from qualifying as a tax-free reorganization under Sections 368(a)(1)(D) and 355 and related provisions of the Code to us and our stockholders (except with respect to the receipt of cash in lieu of fractional shares of our stock).

In addition, we agreed that we may not, among other things, during the two-year period following the spin-off, except under certain specified circumstances, (i) redeem or otherwise repurchase our stock; (ii) liquidate, merge or consolidate with another person; (iii) sell or otherwise dispose of assets outside the ordinary course of business or materially change the manner of operating our business; or (iv) take any other action or actions that in the aggregate would have the effect that one or more persons acquire (or have the right to acquire), directly or indirectly, as part of a plan or series of related transactions, 35% of our stock. These restrictions could limit our strategic and operational flexibility, including our ability to finance our operations by issuing equity securities, make acquisitions using equity securities, repurchase our equity securities, or raise money by selling assets or enter into business combination transactions. We also agreed to indemnify Douglas Elliman for certain tax liabilities resulting from any such transactions. Further, our stockholders may consider these covenants and indemnity obligations unfavorable as they might discourage, delay or prevent a change of control.

Risks Relating to Our Indebtedness

We and our subsidiaries have a substantial amount of indebtedness and liquidity commitments.

We and our subsidiaries have significant indebtedness and debt service obligations. As of December 31, 2021, we and our subsidiaries had total outstanding indebtedness of \$1.43 billion. In addition, subject to the terms of any future agreements, we and our subsidiaries may be able to incur additional indebtedness in the future. 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 have significant liquidity commitments.

During 2022, we will have significant liquidity commitments that will require the use of our existing cash resources. As of December 31, 2021, our corporate expenditures (exclusive of Liggett, Vector Tobacco and New Valley) and other potential liquidity requirements over the next 12 months include the following:

- cash interest expense of approximately \$108.6 million,
- dividends of approximately \$127.5 million based on the assumed quarterly cash dividend rate of \$0.20 per share and assuming 158,720,996 shares outstanding (153,959,427 common shares outstanding as of December 31, 2021 and 4,761,569 employee stock options with dividend equivalent rights), and
- other corporate expenses and taxes.

In order to meet the above liquidity requirements as well as other liquidity needs in the normal course of business, we will be required to use cash flows from operations and existing cash and cash equivalents. Should these resources be insufficient to meet the upcoming liquidity needs, we may also be required to liquidate investment securities available for sale and other long-term investments, or, if available, draw on the Liggett Credit Facility. While there are actions we can take to reduce our liquidity needs, there can be no assurance that such measures will be successful.

Servicing our indebtedness requires a significant amount of cash and we may not generate sufficient cash flow from our businesses to pay our substantial indebtedness.

Our ability to make scheduled payments of the principal, to pay interest on, or to refinance our indebtedness, depends on our future performance, which is subject to economic, financial, competitive and regulatory factors, as well as other factors beyond our control. The cash flow from operations in the future may be insufficient to service our indebtedness because of factors beyond our control. If we are unable to generate the necessary cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Our high level of debt may adversely affect our ability to satisfy our obligations.

There can be no assurance that we will be able to meet our debt service obligations. A default in our debt obligations, including a breach of any restrictive covenant imposed by the terms of our indebtedness, could result in the acceleration of the affected debt as well as other of our indebtedness. In such a situation, it is unlikely that we would be able to fulfill our obligations under the debt or such other indebtedness or that we would otherwise be able to repay the accelerated indebtedness or make other required payments. Even in the absence of an acceleration of our indebtedness, a default under the terms of our indebtedness could have an adverse impact on our ability to satisfy our debt service obligations and on the trading price of our debt and our common stock.

Our high level of indebtedness, as well as volatility in the capital and credit markets, could have important consequences. For example, they could:

- make it more difficult for us to satisfy our other obligations with respect to our debt, including repurchase obligations, upon the occurrence of specified change of control events;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to obtain additional financing;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, reducing the amount of our cash flow available for dividends on our common stock and other general corporate purposes;
- require us to sell other securities or to sell some or all of our assets, possibly on unfavorable terms, to meet payment obligations;
- restrict us from making strategic acquisitions, investing in new capital assets or taking advantage of business opportunities;
- limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- place us at a competitive disadvantage compared to competitors that have less debt.

Our 5.75% Senior Secured Notes, 10.5% Senior Notes, and Liggett Credit Facility contain restrictive covenants, and the Liggett Credit Facility contains financial ratios, that limit our operating flexibility, and may limit our ability to pay dividends in the future.

The indenture governing our 5.75% Senior Secured Notes due 2029 (the “2029 Indenture”), the indenture governing our 10.5% Senior Notes due 2026 (the “2026 Indenture”) and the Liggett Credit Facility contain covenants that, among other things, restrict our ability to take specific actions, even if we believe them to be in our best interest, including restrictions on our ability to:

- incur or guarantee additional indebtedness or issue certain preferred stock;
- pay dividends or distributions on, or redeem or repurchase, capital stock or subordinated indebtedness, or make other restricted payments;
- create or incur liens with respect to our assets;
- make investments, loans or advances;
- incur dividend or other payment restrictions;
- prepay subordinated indebtedness;

- enter into certain transactions with affiliates; and
- merge, consolidate, reorganize or sell our assets, or use asset sale proceeds.

Our ability to comply with the provisions of the 2029 Indenture, the 2026 Indenture, and the Liggett Credit Facility may be affected by changes in our operating and financial performance, changes in general business and economic conditions, adverse regulatory developments or other events beyond our control. The breach of any of these covenants could result in a default under our indebtedness, which could cause those and other obligations to become due and payable. If any of our indebtedness is accelerated, we may not be able to repay it. See *Liquidity and Capital Resources* in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* for details of debt covenant compliance.

Changes in respect of the debt ratings of our notes may materially and adversely affect the availability, the cost and the terms and conditions of our debt.

Both we and several issues of our notes have been publicly rated by Moody's Investors Service, Inc., and Standard & Poor's Rating Services, independent rating agencies. In addition, future debt instruments may be publicly rated. These debt ratings may affect our ability to raise debt. Any future downgrading of the notes or our other debt by Moody's or S&P may affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the notes.

The Tax Act may increase the after-tax cost of debt financings.

The Tax Act limits our interest expense deduction to 30% of taxable income before interest, depreciation and amortization in 2018 and 2021 and 50% of taxable income before interest, depreciation, and amortization in 2019 and 2020 (as a result of provisions contained in the Coronavirus Aid, Relief and Economic Security ("CARES") Act, and then 30% of taxable income before interest thereafter for non-excepted trade or businesses. One such excepted trade or business is any electing real property trade or business, of which portions of our New Valley real estate business may qualify. Interest expense allocable to an excepted trade or business is not subject to limitation. The Tax Act permits us to carry forward disallowed interest expense indefinitely. Although all of our interest expense was deductible prior to the spin-off, due to our high degree of leverage, 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 will continue to evaluate the impact of the nondeductible interest on our operations and capital structure.

Risks Relating to Our Structure and Other Business Risks

We are a holding company and depend on cash payments from our subsidiaries, which are subject to contractual and other restrictions, in order to service our debt and to pay dividends on our common stock.

We are a holding company and have no operations of our own. We hold our interests in our various businesses through our wholly-owned subsidiaries, VGR Holding LLC ("VGR Holding") and New Valley. In addition to our own cash resources, our ability to pay interest on our debt and to pay dividends on our common stock depends on the ability of VGR Holding and New Valley to make cash available to us. VGR Holding's ability to pay dividends to us depends primarily on the ability of Liggett and Vector Tobacco, its wholly-owned subsidiaries, to generate cash and make it available to VGR Holding. The Liggett Credit Facility contains a restricted payments test that limits the ability of Liggett to pay cash dividends to VGR Holding. The ability of Liggett to meet the restricted payments test may be affected by factors beyond its control.

Our receipt of cash payments, as dividends or otherwise, from our subsidiaries is an important source of our liquidity and capital resources. If we do not have sufficient cash resources of our own and do not receive payments from our subsidiaries in an amount sufficient to repay our debts and to pay dividends on our common stock, we must obtain additional funds from other sources. There is a risk that we will not be able to obtain additional funds at all or on terms acceptable to us. Our inability to service these obligations and to continue to pay dividends on our common stock would significantly harm us and the value of our notes and our common stock.

Maintaining the integrity of our computer systems and protecting confidential information and personal identifying information has become increasingly costly, as cybersecurity incidents could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations.

Global cybersecurity threats and incidents can range from uncoordinated individual attempts that gain unauthorized access to information technology systems both internally and externally, to sophisticated and targeted measures known as advanced persistent threats, directed at us and our stakeholders. In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and intellectual property, and personally identifiable information of our tobacco customers. Additionally, we increasingly rely on third-party providers, including cloud storage solution providers. The secure processing, maintenance and transmission of this information are critical to our operations and with respect to information collected and stored by our third-party service providers, we are reliant upon their security procedures.

Our systems and the confidential information on them may also be compromised by employee misconduct or employee error. We and our third-party service providers have experienced, and expect to continue to experience, these types of internal and external threats and incidents, which can result, and have resulted, in the misappropriation and unavailability of critical data and confidential or proprietary information (our own and that of third parties, including personally identifiable information) and the disruption of business operations. For example, in April 2021, we determined that an unauthorized party gained access to the IT network of Douglas Elliman Property Management, a subsidiary of our former subsidiary, Douglas Elliman, and temporarily disrupted business operations and obtained certain files that contained personally identifiable information pertaining to owners and others in buildings managed by, and employees of, DEPM. The former subsidiary also took steps to secure its systems, contacted law enforcement, conducted an investigation and enhanced its security protocols to help prevent a similar incident from occurring in the future. Depending on their nature and scope, these incidents could potentially also result in the destruction or corruption of such data and information. Our business interruption insurance may be insufficient to compensate us for losses that may occur. The potential consequences of a material cybersecurity incident include reputational damage, litigation with third parties, diminution in the value of the services we provide to our customers, and increased cybersecurity protection and remediation costs, which in turn could adversely affect our competitiveness and results of operations. Developments in the laws and regulations governing the handling and transmission of personal identifying information in the United States may require us to devote more resources to protecting such information, which could in turn adversely affect our results of operations and financial condition.

We depend on our key personnel.

We depend on the efforts of our executive officers and other key personnel as our named executive officers have been employed by us for an average of 27 years at December 31, 2021. While we believe that we could find replacements for these key personnel, the loss of their services could have a significant adverse effect on our operations. Please see the Risk Factor, “*After the spin-off, our management team does not devote its full time to Vector Group’s Affairs.*”

Failure to maintain effective internal control over financial reporting could adversely affect us.

The accuracy of our financial reporting depends on the effectiveness of our internal control over financial reporting, the implementation of which requires significant management attention. Internal control over financial reporting can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements and may not prevent or detect misstatements because of its inherent limitations. These limitations include, among others, the possibility of human error, inadequacy or circumvention of controls and fraud. If we do not maintain effective internal control over financial reporting or design and implement controls sufficient to provide reasonable assurance with respect to the preparation and fair presentation of our financial statements, including in connection with controls executed for us by third parties, we might fail to timely detect any misappropriation of corporate assets or inappropriate allocation or use of funds and could be unable to file accurate financial reports on a timely basis. As a result, our reputation, results of operations and stock price could be materially adversely affected.

Risks Relating to our Common Stock

The price of our common stock may fluctuate significantly.

The trading price of our common stock has ranged between \$8.76 and \$12.43 per share over the past 52 weeks.

The market price of our common stock may fluctuate in response to numerous factors, many of which are beyond our control. These factors include the following:

- actual or anticipated fluctuations in our operating results;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- the operating and stock performance of our competitors;
- our dividend payment ratio and level;
- announcements by us or our competitors of new products or services or significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- the initiation or outcome of litigation;
- the failure or significant disruption of our operations from various causes related to our critical information technologies and systems including cybersecurity threats to our data and customer data as well as reputational or financial risks associated with a loss of any such data;

- changes in interest rates;
- general economic, market and political conditions;
- additions or departures of key personnel; and
- future sales of our equity or convertible securities.

We cannot predict the extent, if any, to which future sales of shares of common stock or the availability of shares of common stock for future sale, may depress the trading price of our common stock.

In addition, the stock market in recent years has experienced extreme price and trading volume fluctuations that often have been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations may adversely affect the price of our common stock, regardless of our operating performance. Furthermore, stockholders may initiate securities class action lawsuits if the market price of our stock drops significantly, which may cause us to incur substantial costs and could divert the time and attention of our management. These factors, among others, could significantly depress the price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in Miami, Florida. We lease 12,390 square feet of office space in an office building in Miami. The lease expires in April 2023, subject to another five-year renewal option.

We lease approximately 9,000 square feet of office space in New York, New York under a lease that expires in 2025. New Valley's operating properties are discussed above under the description of New Valley's business and in Note 10 to our consolidated financial statements.

Liggett and LVB

Liggett's tobacco manufacturing facilities, and several of its distribution and storage facilities, are currently located in or near Mebane, North Carolina. Some of these facilities are owned and others are leased. Liggett's office, manufacturing complex and warehouse are pledged as collateral under its Revolving Credit Facility. As of December 31, 2021, the principal properties owned or leased by Liggett are as follows:

Type	Location	Owned or Leased	Approximate Total Square Footage
Storage Facilities	Danville, VA	Owned	578,000
Office and Manufacturing Complex	Mebane, NC	Owned	240,000
Warehouse	Mebane, NC	Owned	60,000
Warehouse	Mebane, NC	Leased	125,000
Warehouse	Mebane, NC	Leased	22,000

LVB leases approximately 22,000 square feet of office space in Morrisville, North Carolina. The lease expires in June 2026.

Liggett's management believes that its property, plant and equipment are well maintained and in good condition and that its existing facilities are sufficient to accommodate a substantial increase in production.

ITEM 3. LEGAL PROCEEDINGS

Liggett and other United States cigarette manufacturers have been named as defendants in various types of cases predicated on the theory, among other things, that they should be liable for damages from adverse health effects alleged to have been caused by cigarette smoking or by exposure to secondary smoke from cigarettes.

Reference is made to Note 15 to our consolidated financial statements included elsewhere in this report which is incorporated by reference and contains a general description of certain legal proceedings to which we, or our subsidiaries are a party and certain related matters. Reference is also made to Exhibit 99.1 for additional information regarding the pending smoking-related legal proceedings to which Liggett we are 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 4. MINE SAFETY DISCLOSURES

Not applicable.

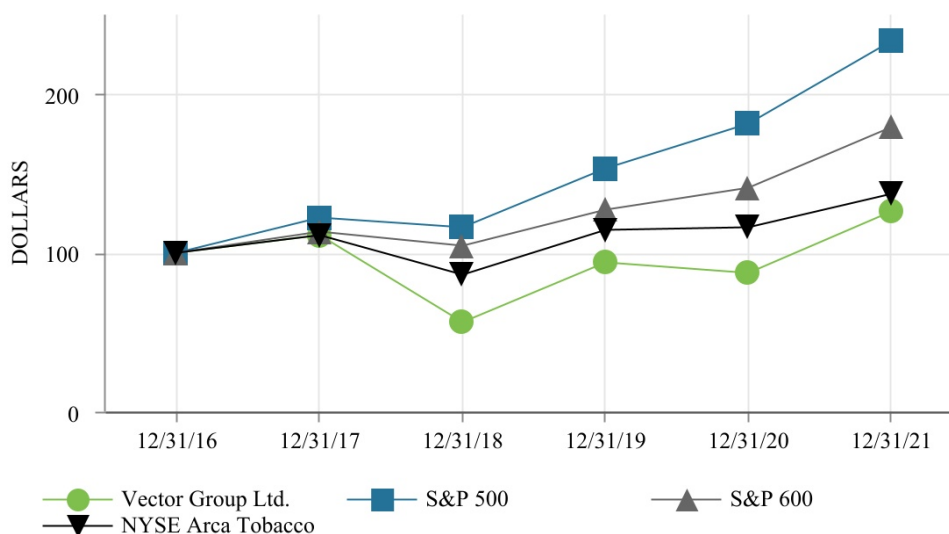
PART II

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND
ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is listed and traded on the New York Stock Exchange under the symbol "VGR." At February 24, 2022, there were approximately 1,537 holders of record of our common stock.

Performance Graph

The following graph compares the cumulative total annual return of our Common Stock, the S&P 500 Index, the S&P Small Cap 600 Index, and the NYSE Arca Tobacco Index for the five years ended December 31, 2021. The graph assumes that \$100 was invested on December 31, 2016 in the Common Stock and each of the indices, and that all cash dividends and distributions were reinvested. The historical stock prices of Vector presented in the chart have been adjusted to reflect the impact of the spin-off. The chart does not reflect the Company’s forecast of future financial performance.



	12/16	12/17	12/18	12/19	12/20	12/21
Vector Group Ltd.	100	111	56	94	87	126
S&P 500	100	122	116	153	181	233
S&P 600	100	113	104	127	141	179
NYSE Arca Tobacco	100	111	86	114	116	137

Unregistered Sales of Equity Securities and Use of Proceeds

No securities of ours which were not registered under the Securities Act of 1933 were issued or sold by us during the three months ended December 31, 2021.

EXECUTIVE OFFICERS OF THE REGISTRANT

The table below, together with the accompanying text, presents certain information regarding all our current executive officers as of March 2, 2022. Each of the executive officers serves until the election and qualification of such individual's successor or until such individual's death, resignation or removal by the Board of Directors.

Name	Age	Position	Year Individual Became an Executive Officer
Howard M. Lorber	73	President and Chief Executive Officer	2001
Richard J. Lampen	68	Executive Vice President and Chief Operating Officer	1996
J. Bryant Kirkland III	56	Senior Vice President, Chief Financial Officer and Treasurer	2006
Marc N. Bell	61	Senior Vice President, General Counsel and Secretary	1998
J. David Ballard	54	Senior Vice President, Enterprise Efficiency and Chief Technology Officer	2020
Nicholas P. Anson	50	President and Chief Operating Officer of Liggett	2020

Howard M. Lorber has been our President and Chief Executive Officer since January 2006. He served as our President and Chief Operating Officer from January 2001 to December 2005 and has served as a director of ours since January 2001. From November 1994 to December 2005, Mr. Lorber served as the President and as a member of the Board of Directors of New Valley Corporation, the predecessor to our wholly owned subsidiary, New Valley LLC. Mr. Lorber also serves as Chairman of the Board of Directors, President and Chief Executive Officer of Douglas Elliman (NYSE:DOUG), the sixth largest residential real estate brokerage company in the United States, and as Executive Chairman of its subsidiary, Douglas Elliman Realty, LLC. Mr. Lorber was Chairman of the Board of Hallman & Lorber Assoc., Inc., consultants and actuaries of qualified pension and profit sharing plans, and various of its affiliates from 1975 to December 2004 and has been a consultant to these entities since January 2005; Chairman of the Board of Directors since 1987 and Chief Executive Officer from November 1993 to December 2006 of Nathan's Famous, Inc., a chain of fast food restaurants; and a Director of Clipper Realty, Inc., a real estate investment trust, since July 2015. Mr. Lorber was a member of the Board of Directors of Morgans Hotel Group Co. from March 2015 until November 2016, and Chairman from May 2015 to November 2016 and was Chairman of the Board of Ladenburg Thalmann Financial Services from May 2001 to July 2006 and Vice Chairman from July 2006 to February 2020. He is also a trustee of Long Island University.

Richard J. Lampen was appointed our Chief Operating Officer on January 14, 2021 and has served as our Executive Vice President since 1995. From October 1995 to December 2005, Mr. Lampen served as the Executive Vice President and General Counsel of New Valley Corporation, where he also served as a director. Mr. Lampen also serves as Executive Vice President and Chief Operating Officer and as a member of the Board of Directors of Douglas Elliman (NYSE:DOUG), the sixth largest residential real estate brokerage company in the United States, and as a member of the Board of Managers of its subsidiary, Douglas Elliman Realty, LLC. From September 2006 to February 2020, he has served as President and Chief Executive Officer as well as a director of Ladenburg Thalmann Financial Services. Mr. Lampen also served as Chairman of Ladenburg Thalmann Financial Services from September 2018 to February 2020. From October 2008 to October 2019, Mr. Lampen served as President and Chief Executive Officer as well as a director of Castle Brands Inc.

J. Bryant Kirkland III has been our Chief Financial Officer and Treasurer since April 2006 and our Senior Vice President since May 2016. Mr. Kirkland served as a Vice President of ours from January 2001 to April 2016 and served as New Valley Corporation's Vice President and Chief Financial Officer from January 1998 to December 2005. He has served since July 1992 in various financial capacities with us, Liggett and New Valley. Mr. Kirkland also serves as Senior Vice President, Treasurer and Chief Financial Officer of Douglas Elliman (NYSE:DOUG), the sixth largest residential real estate brokerage company in the United States. Mr. Kirkland has served as Chairman of the Board of Directors, President and Chief Executive Officer of Multi Soft II, Inc. and Multi Solutions II, Inc. since July 2012.

Marc N. Bell has been our General Counsel and Secretary since May 1994 and our Senior Vice President since May 2016 and the Senior Vice President and General Counsel of Vector Tobacco since April 2002. Mr. Bell served as a Vice President of ours from January 1998 to April 2016. From November 1994 to December 2005, Mr. Bell served as Associate General Counsel and Secretary of New Valley Corporation and from February 1998 to December 2005, as a Vice President of New Valley. Mr. Bell previously served as Liggett's General Counsel and currently serves as an officer, director or manager for many of Vector's or New Valley's subsidiaries. In addition, Mr. Bell serves as Senior Vice President, Secretary and General Counsel of Douglas Elliman (NYSE:DOUG), the sixth largest residential real estate brokerage company in the United States.

J. David Ballard has been our Senior Vice President, Enterprise Efficiency and Chief Technology Officer since July 2020 and, from February 2020 to July 2020, served as a consultant to us. Mr. Ballard also serves as Senior Vice President, Enterprise Efficiency and Chief Technology Officer of Douglas Elliman (NYSE:DOUG), the sixth largest residential real estate brokerage company in the United States. Prior to joining Vector Group, Mr. Ballard served as Senior Vice President, Enterprise Services of Ladenburg Thalmann Financial Services Inc. from April 2019 to February 2020. Prior to joining Ladenburg, he served as President and Chief Operating Officer for Docupace Technologies, a leading digital operations technology provider in the wealth management space from March 2018 to April 2019. Mr. Ballard was Executive Vice President and Chief Operating Officer at Cetera Financial Group from April 2015 to March 2018. Prior to his role at Cetera, Mr. Ballard spent more than two decades working in executive and management positions at several firms in the independent financial advisory and asset management industries, including AIG Advisor Group, SunAmerica Mutual Funds and AIG Retirement Services.

Nicholas P. Anson was promoted to President and Chief Operating Officer of Liggett and Liggett Vector Brands in April 2020. Mr. Anson joined Liggett in 2001 and has served in numerous senior roles over his 20 years with Liggett. Previously, Mr. Anson served as Executive Vice President of Finance & Administration and Chief Financial Officer for Liggett Vector Brands from 2013 to 2020. Mr. Anson was responsible for Liggett Vector Brands' finance and human resources organizations. His duties included coordination with and certain indirect responsibilities for finance and human resources matters at Liggett and Vector Tobacco, which are affiliated companies of Liggett Vector Brands.

ITEM 6. RESERVED

Reserved.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in Thousands, Except Per Share Amounts)

Overview

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

- Tobacco: the manufacture and sale of cigarettes in the United States 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 (i) has interests in numerous real estate projects across the United States and (ii) is seeking to acquire or invest in additional real estate properties or projects.

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

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

The discount segment is a challenging marketplace, with consumers having less brand loyalty and placing greater emphasis on price. Liggett's competition is divided into two segments. The first segment consists of the three largest manufacturers of cigarettes in the United States: 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.

See Item 1. "Business" for detailed overview and description of our principal operations.

The financial results of Douglas Elliman through the distribution date are presented as income (loss) from discontinued operations, net of income taxes on our consolidated statements of operations and are not included in our results from continuing operations discussed below. See Note 6.

COVID-19 Pandemic and Current Business and Industry Trends

The COVID-19 pandemic continues to evolve and disrupt normal activities in many segments of the U.S. economy even as COVID-19 vaccines have been and continue to be administered. Many uncertainties continue to surround the pandemic, including risks associated with the timing and extent of vaccine administration and the impact of COVID-19 variants, the duration of the pandemic and the length of immunity. The following provides a summary of our actions in our two segments - Tobacco and Real Estate - since COVID-19 was declared a pandemic in March 2020.

Impact of COVID-19 on Tobacco Segment. We believe many tobacco consumers have had incremental discretionary spending availability during the COVID-19 pandemic as a result of a variety of factors, including federal government stimulus payments and enhanced unemployment benefit payments enacted in response to the COVID-19 pandemic, and lower non-tobacco discretionary spending due to stay-at-home practices.

Although our Tobacco segment has not experienced a material adverse impact to date from the COVID-19 pandemic, there is continued uncertainty as to how the COVID-19 pandemic (including vaccine administration and the impact of variants as well as changes in COVID-19-related restrictions and guidelines) may impact tobacco consumers in the future. The majority

of retail stores in which our tobacco products are sold, including convenience stores, have been deemed to be essential businesses by authorities and have remained open.

Our management also continues to monitor the macroeconomic risks of the COVID-19 pandemic and its effect on tobacco consumer purchasing behaviors, including the mix of between premium and discount brand purchases. Our Montego brand is priced in the deep discount category and our other brands are primarily priced in the traditional discount category.

To date, we have not experienced any material disruptions to our supply or distribution chains and have not experienced any material adverse effects associated with governmental actions to restrict consumer movement or business operations. However, our suppliers and members of our distribution chain may be subject to government action requiring facility closures, vaccine mandates, remote working protocols and labor shortages. We continue to monitor the risk that a supplier, a distributor or any other entity within our supply and distribution chain closes temporarily or permanently.

Impact of COVID-19 on Real Estate Segment. New Valley has investments in multiple real estate ventures and properties in the New York metropolitan area, which had a carrying value of \$24,289 at December 31, 2021. Published reports and data indicate that the New York metropolitan area was initially impacted more than any other area in the United States. Consequently, various governmental agencies in the New York metropolitan area and in other markets where New Valley invests, instituted quarantines, “pause” orders, “shelter-in-place” rules, restrictions on travel and restrictions on the types of businesses that could operate. These restrictions adversely impacted New Valley’s investment’s ability to conduct business during the year ended December 31, 2020 and, in particular from March 2020 to October 2020.

There remain significant uncertainties related to the COVID-19 pandemic, including the impact of COVID-19 variants, the duration of the pandemic and the length of immunity. See “Risk Factors.”

Recent Developments

Spin-off of Douglas Elliman Inc. On December 29, 2021, at 11:59 p.m., New York City time, we completed the distribution to our stockholders (including Vector common stock underlying outstanding stock option awards and restricted stock awards) of the common stock of Douglas Elliman. Each holder of Vector common stock received one share of Douglas Elliman’s common stock for every two shares of Vector common stock (including Vector common stock underlying outstanding stock option awards and restricted stock awards) held of record as of the close of business, New York City time, on December 20, 2021 (the “Spin-off”). In the Spin-off, an aggregate of 77,720,159 shares of Douglas Elliman’s common stock were issued, with fractional shares converted to cash and paid to applicable Vector stockholders.

We incurred significant costs in connection with the Spin-off. These costs include fees for third-party advisory, consulting, legal and professional services, as well as other items that are incremental and one-time in nature. We expensed \$10,468 for the year ended December 31, 2021. We also recorded expenses of \$4,317 associated with the acceleration of stock compensation in connection with the Spin-off. The expenses are reflected in operating, selling, administrative and general expenses.

For the three years ended December 31, 2021, the financial results of Douglas Elliman through the date of the Distribution are presented as income (loss) from discontinued operations, net of income taxes on our consolidated statements of operations and are not included in our results from continuing operations discussed below. See Note 6.

Issuance of Senior Secured Notes due 2029. In January 2021, we issued \$875,000 in aggregate principal of our 5.75% Senior Secured Notes due 2029 (“5.75% Senior Secured Notes”) in a private offering that is exempt from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”), to qualified institutional buyers in accordance with Rule 144A under the Securities Act and to persons outside the United States in compliance with Regulation S under the Securities Act. The 5.75% Senior Secured Notes pay interest on a semi-annual basis at a rate of 5.75% per year and mature on February 1, 2029. Prior to February 1, 2024, we may redeem some or all of the 5.75% Senior Secured Notes at any time at a make-whole redemption price and, thereafter, we may redeem some or all of the 5.75% Senior Secured Notes at a premium that will decrease over time, plus accrued and unpaid interest, if any, to the redemption date. The aggregate net proceeds from the issuance of the 5.75% Senior Secured Notes were approximately \$855,500 after deducting offering expenses. We used the net proceeds of the issuance, together with cash on hand, to redeem all of our outstanding 6.125% Senior Secured Notes due 2025, including accrued interest and any premium thereon, and to pay fees and expenses in connection with the offering of the 5.75% Senior Secured Notes.

Liggett Credit Facility. On March 22, 2021, Liggett, 100 Maple LLC (“Maple”), a subsidiary of Liggett, and Vector Tobacco entered into Amendment No. 4 and Joinder to the Third Amended and Restated Credit Agreement (the “Credit Agreement”) with Wells Fargo Bank, National Association, as agent and lender.

The existing credit agreement was amended to, among other things, (i) add Vector Tobacco as a borrower under the Restated Credit Agreement, (ii) extend the maturity of the Credit Agreement to March 22, 2026, and (iii) increase the amount of

the maximum credit line thereunder from \$60,000 to \$90,000. As of December 31, 2021, approximately \$81,000 was available for borrowing with an outstanding balance of \$24 under the Credit Agreement.

Montego. Since August 2020, Liggett has expanded the distribution of its *Montego* deep discount brand into a total 35 states. *Montego* was Liggett's third-largest brand for the year ended December 31, 2021. Prior to August 2020, *Montego* was sold in select targeted markets in four states. *Montego*'s volume represented approximately 16% of Liggett's unit volume for the year ended December 31, 2021 compared to approximately 6% for the year ended December 31, 2020.

Recent Developments in Tobacco-Related Litigation

The cigarette industry continues to be challenged on numerous fronts. 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. 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. 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. Liggett could face difficulties in obtaining a bond to stay execution of a judgment pending appeal.

Mississippi Dispute. 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 (the "1996 Agreement") alleging that Liggett owes Mississippi at least \$27,000 in compensatory damages and interest. In April 2017, the Chancery Court ruled, over Liggett's objections, that the 1996 Agreement should be enforced as Mississippi claims and referred the matter first to arbitration and then to a Special Master for further proceedings to determine the amount of damages, if any, to be awarded. In April 2021, following confirmation of the final arbitration award, the parties stipulated that the unpaid principal (exclusive of interest) purportedly due from Liggett to Mississippi pursuant to the 1996 Agreement was approximately \$16,700, subject to Liggett's right to litigate and/or appeal the enforceability of the 1996 Agreement (and all issues other than the calculation of the principal amount allegedly due).

In September 2019, the Special Master held a hearing regarding Mississippi's claim for pre- and post-judgment interest. In August 2021, the Special Master issued a final report with proposed findings and recommendations that pre-judgment interest, in the amount of approximately \$18,800, is due from Liggett from April 2005 - August 3, 2021. Liggett filed formal objections to the final report in Mississippi Chancery Court. A ruling is pending. If the Mississippi Chancery Court rejects Liggett's objections and enters final judgment adopting the Special Master's findings and recommendations, additional interest amounts will accrue if the judgment is not overturned on appeal. Liggett continues to assert that the April 2017 Chancery Court order is in error because the most favored nations provision in the 1996 Agreement eliminated all of Liggett's payment obligations to Mississippi, and has reserved all rights to appeal this and other issues at the conclusion of the case. In the event Liggett appeals an adverse judgment, the posting of a bond will likely be required.

Liggett may be required to make additional payments to Mississippi which could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

See "*Legislation and Regulation*" in Item 7 of the MD&A for further information on litigation.

Critical Accounting Policies

General. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Significant estimates subject to material changes in the near term include impairment charges, valuation of intangible assets, promotional accruals, actuarial assumptions of pension plans, deferred tax liabilities, settlement accruals, valuation of investments, including other-than-temporary impairments to such investments, and litigation and defense costs. Actual results could differ from those estimates.

Revenue Recognition. Revenue is measured based on a consideration specified in a contract with a customer and excludes any sales incentives. Revenue is recognized when (a) an enforceable contract with a customer exists, that has commercial substance, and collection of substantially all consideration for services is probable; and (b) the performance obligations to the customer are satisfied either over time or at a point in time.

Revenue from cigarette sales, which include federal excise taxes billed to customers, are recognized upon shipment of cigarettes when control has passed to the customer. Average collection terms for Tobacco sales range between three and twelve

days from the time cigarettes are shipped to the customer. We record a liability for goods estimated to be returned in other current liabilities and the associated receivable for anticipated federal excise tax refunds in other current assets on the consolidated balance sheets. The allowance for returned goods is based principally on sales volumes and historical return rates. The estimated costs of sales incentives, including customer incentives and trade promotion activities, are based principally on historical experience and are accounted for as reductions in Tobacco revenue. Expected payments for sales incentives are included in other current liabilities on our consolidated balance sheets. We account for shipping and handling costs as fulfillment costs as part of cost of sales.

Revenue from facilities primarily relates to Escena and consists of revenues from food and beverage sales, fees charged for gameplay and the sale of golf related equipment and apparel. Revenue is recognized at the time of sale.

Revenue from investments in real estate is recognized from land and building sales at the time of the closing of a sale, which is typically when cash is due, the performance obligation is satisfied as the title to and possession of the real estate asset are transferred to the buyer and we have no further obligations or involvement in the real estate asset.

Leases. Under Accounting Standards Committee (“ASC”) 842, we determine if an arrangement is a lease at contract inception. At lease commencement, we record and recognize right-of-use (“ROU”) assets for the lease liability amount and initial direct costs incurred, offset by lease incentives received. We record lease liabilities for the net present value of future lease payments over the lease term. The discount rate we use is generally our estimated incremental borrowing rate unless the lessor’s implicit rate is readily determinable. We calculate discount rates periodically to estimate the rate we would pay to borrow the funds necessary to obtain an asset of similar value, over a similar term, with a similar security. The lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. We recognize operating lease expense on a straight-line basis over the lease term. We recognize finance lease cost on a straight-line basis over the shorter of the useful life of the asset and the lease term. Operating leases are included in operating lease ROU assets and lease liabilities on the consolidated balance sheets. Finance leases are included in investments in real estate, net, property, plant and equipment and current and long-term portions of notes payable and long-term debt on the consolidated balance sheets.

Contingencies. We record Liggett’s product liability legal expenses and other litigation costs as operating, selling, administrative and general expenses as those costs are incurred. As discussed in Note 15 to our consolidated financial statements, legal proceedings regarding Liggett’s tobacco products are pending or threatened in various jurisdictions against Liggett and us.

We record provisions in our consolidated financial statements for pending litigation when we 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 Note 15 to our consolidated financial statements and discussed below related to the 16 cases where an adverse verdict was entered against Liggett: (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 consolidated financial statements for unfavorable outcomes, if any. Legal defense costs are expensed as incurred.

Although Liggett has generally been successful in managing litigation in the past, litigation is subject to uncertainty and significant challenges remain, particularly with respect to the Engle progeny cases.

A reader of this Form 10-K should not infer from the absence of any reserve in our consolidated financial statements that we will not be subject to significant tobacco-related liabilities in the future. Litigation is subject to many uncertainties, and it is possible that our consolidated financial position, results of operations or cash flows could be materially adversely affected by an unfavorable outcome in any such tobacco-related litigation.

There may be several other proceedings, lawsuits and claims pending against us and certain of our consolidated subsidiaries unrelated to tobacco or tobacco product liability. We are of the opinion that the liabilities, if any, ultimately resulting from such other proceedings, lawsuits and claims should not materially affect our financial position, results of operations or cash flows.

Master Settlement Agreement. As discussed in Note 15 to our consolidated financial statements, Liggett and Vector Tobacco are participants in the Master Settlement Agreement (“MSA”). Liggett and Vector Tobacco have no payment obligations under the MSA except to the extent their market shares exceed approximately 1.65% and 0.28%, respectively, of total cigarettes sold in the United States. Their obligations, and the related expense charges under the MSA, are subject to adjustments based upon, among other things, the volume of cigarettes sold by Liggett and Vector Tobacco, their relative market shares and inflation. Since relative market shares are based on cigarette shipments, the best estimate of the allocation of charges under the MSA is recorded in cost of goods sold as the products are shipped. Settlement expenses under the MSA recorded in the accompanying consolidated statements of operations were \$171,058 for 2021, \$175,837 for 2020 and \$165,471 for 2019.

Adjustments to these estimates are recorded in the period that the change becomes probable and the amount can be reasonably estimated.

Stock-Based Compensation. Our stock-based compensation uses a fair-value-based method to recognize non-cash compensation expense for share-based transactions. Under the fair value recognition provisions, we recognize stock-based compensation net of an estimated forfeiture rate and only recognize compensation cost for those shares expected to vest on a straight-line basis over the requisite service period of the award. We recognized stock-based compensation expense of \$849, \$1,428 and \$1,923 in 2021, 2020 and 2019, respectively, related to the amortization of stock option awards and \$13,949, \$7,546 and \$7,705, respectively, related to the amortization of restricted stock grants. As of December 31, 2021 and 2020, there was \$381 and \$1,229, respectively, of total unrecognized cost related to employee stock options and \$10,627 and \$12,081, respectively, of total unrecognized cost related to restricted stock grants. See Note 14 to our consolidated financial statements.

Employee Benefit Plans. The determination of our net pension and other postretirement benefit income or expense is dependent on our selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, the discount rate, expected long-term rate of return on plan assets and rates of increase in compensation and healthcare costs. We determine discount rates by using a quantitative analysis that considers the prevailing prices of investment grade bonds and the anticipated cash flow from our two qualified defined benefit plans and our postretirement medical and life insurance plans. These analyses construct a hypothetical bond portfolio whose cash flow from coupons and maturities match the annual projected cash flows from our pension and retiree health plans. As of December 31, 2021, our benefit obligations were computed assuming a discount rate between 1.80% - 2.85%. As of December 31, 2021, our service cost was computed assuming a discount rate of 1.40% - 2.55%. In determining our expected rate of return on plan assets, we consider input from our external advisors and historical returns based on the expected long-term rate of return which is the weighted average of the target asset allocation of each individual asset class. Our actual 10-year annual rate of return on our pension plan assets was 7.74%, 6.91% and 7.59% for the years ended December 31, 2021, 2020 and 2019, respectively, and our actual five-year annual rate of return on our pension plan assets was 7.86%, 7.51% and 5.41% for the years ended December 31, 2021, 2020 and 2019, respectively. In computing expense for the year ended December 31, 2022, we will use an assumption of a 3.5% annual rate of return on our pension plan assets. In accordance with GAAP, actual results that differ from our assumptions are accumulated and amortized over future periods and therefore, generally affect our recognized income or expense in such future periods. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our future net pension and other postretirement benefit income or expense.

Net pension expense for defined benefit pension plans and other postretirement expense was \$1,390, \$4,210 and \$2,834 for the years ended December 31, 2021, 2020 and 2019, respectively, and we currently anticipate benefit expense will be approximately \$1,358 for 2022. In contrast, our funding obligations under the pension plans are governed by the Employee Retirement Income Security Act ("ERISA"). To comply with ERISA's minimum funding requirements, we do not currently anticipate that we will be required to make any funding to the tax qualified pension plans for the pension plan year beginning on January 1, 2022 and ending on December 31, 2022.

Long-Term Investments and Impairments. At December 31, 2021, our long-term investments were comprised of \$32,089 of equity securities at fair value that qualify for the net asset value ("NAV") practical expedient and \$20,984 of long-term investments that were accounted for under the equity method. Our investments in equity securities at fair value that qualify for the NAV practical expedient consisted primarily of investment partnerships investing in investment securities. The investments in these investment partnerships are illiquid and the ultimate realization of these investments is subject to the performance of the underlying partnership and its management by the general partners. The estimated fair value of these investments was provided by the partnerships based on the indicated market values of the underlying assets or investment portfolio. Our investments accounted for under the equity method included interests in partnerships in which we have the ability to exercise significant influence over their operating and financial policies. The estimated fair value of the investments is either provided by the partnerships based on the indicated market values of the underlying assets or is calculated internally based on the number of shares owned and the equity in earnings or losses and interest income we recognize on the investment. Gains are recognized when realized in our consolidated statement of operations. Losses are recognized as realized or upon the determination of the occurrence of an other-than-temporary decline in fair value. Pursuant to the amendments provided by ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"), our long-term investments that qualify for the NAV practical expedient are measured at fair value with changes in fair value recognized in net income. Therefore, impairment analyses for these investments are no longer warranted.

At December 31, 2021, we also had \$5,200 of investments in various limited liability companies that were classified as equity securities without readily determinable fair values that do not qualify for the NAV practical expedient. The investments are included in "Other assets" on the consolidated balance sheets and are valued at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment. On a quarterly basis, we evaluate our investments to determine if there are indicators of impairment. If so, we also make a determination of whether there is an impairment and if it 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.

Current Expected Credit Losses. On January 1, 2020, we adopted ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, therefore, our measurement of credit losses for most financial assets and certain other instruments has been modified as discussed in Note 3 to our consolidated financial statements.

- *Tobacco receivables:* Average collection terms for Tobacco sales range between three and twelve days from the time that the cigarettes are shipped to the customer. Based on Tobacco historical and ongoing cash collections from customers, an estimated credit loss in accordance with ASU 2016-13 was not recorded for these trade receivables as of January 1, 2021 and December 31, 2021.
- *Term loan receivables:* New Valley provides term loans to real estate developers, which are included in Other assets on the consolidated balance sheets. The loans are secured by guarantees and are evaluated individually. Because New Valley does not have internal historical loss information by which to evaluate the risk of credit losses, external market data measuring default risks on high yield loans as of each measurement date was utilized to estimate reserves for credit losses on these loans. New Valley's expected credit loss estimate was \$3,100 as of adoption (January 1, 2020). New Valley's expected credit loss estimate was \$15,928 as of December 31, 2021.

Intangible Assets. Intangible assets with indefinite lives are not amortized, but instead are tested for impairment on an annual basis, or whenever events or changes in business circumstances indicate the carrying value of the assets may not be recoverable.

Our intangible asset associated with the benefit under the MSA is related to Vector Tobacco. The fair value of the intangible asset associated with the benefit under the MSA is determined using discounted cash flows. This approach involves two steps: (i) estimating future cash savings due to the payment exemption under the MSA and (ii) discounting the resulting cash flow savings to determine fair value. This fair value is then compared with the carrying value of the intangible asset associated with the benefit under the MSA. To the extent that the carrying amount exceeds the implied fair value of the intangible asset, an impairment loss is recognized. We performed its impairment test for the year ended December 31, 2021 and no impairment was noted.

Income Taxes. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time and, as a result, changes in our subjective assumptions and judgments may materially affect amounts recognized in our consolidated financial statements.

See Note 13 to our consolidated financial statements for additional information regarding our accounting for income taxes and uncertain tax positions.

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 consolidated financial statements and related notes included elsewhere in this report. The consolidated financial statements include the accounts of Liggett, Vector Tobacco, Liggett Vector Brands, New Valley, and other less significant subsidiaries.

Our business segments were Tobacco and Real Estate for the three years ended December 31, 2021, 2020 and 2019. The Tobacco segment consists of the manufacture and sale of cigarettes. The Real Estate segment includes our investment in New Valley, which includes Escena and investments in real estate ventures.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies and can be found in Note 1 to our consolidated financial statements.

	Year Ended December 31,		
	2021	2020	2019
(Dollars in thousands)			
Revenues:			
Tobacco	\$ 1,202,497	\$ 1,204,501	\$ 1,114,840
Real Estate	18,203	24,181	4,763
Total revenues	<u>\$ 1,220,700</u>	<u>\$ 1,228,682</u>	<u>\$ 1,119,603</u>
Operating income (loss):			
Tobacco	\$ 360,317 ⁽¹⁾	\$ 319,536 ⁽²⁾	\$ 261,630 ⁽³⁾
Real Estate	4,066	(610)	550
Corporate and Other	(43,944) ⁽⁴⁾	(24,498) ⁽⁵⁾	(27,565)
Total operating income	<u>\$ 320,439</u>	<u>\$ 294,428</u>	<u>\$ 234,615</u>

⁽¹⁾ Operating income includes \$211 of litigation settlement and judgment expense and \$2,722 received from a litigation settlement associated with the MSA (which reduced cost of sales).

⁽²⁾ Operating income includes \$337 of litigation settlement and judgment expense and \$299 of expense from MSA Settlement.

⁽³⁾ Operating income includes \$990 of litigation settlement and judgment expense.

⁽⁴⁾ Operating loss includes transaction charges of \$10,468 and accelerated stock compensation of \$4,317 related to the spin-off of Douglas Elliman; and \$910 of gain on sale of assets.

⁽⁵⁾ Operating loss includes \$2,283 of gain on sale of assets.

2021 Compared to 2020

Revenues. Total revenues were \$1,220,700 for the year ended December 31, 2021 compared to \$1,228,682 for the year ended December 31, 2020. The \$7,982 (0.6%) decline in revenues was due to a \$2,004 decline in Tobacco revenues related to lower unit volume, partially offset by increases in net pricing and a \$5,978 decline in Real Estate revenues, primarily related to the absence of the \$20,500 sale of an investment in real estate located in Sagaponack, NY, offset by the \$12,850 sale of investments in real estate in the current period.

Cost of sales. Total cost of sales was \$769,542 for the year ended December 31, 2021 compared to \$819,602 for the year ended December 31, 2020. The \$50,060 (6.1%) decline in cost of sales was due to a \$37,889 decline in Tobacco cost of sales related to decreased sales volume and a \$12,171 decline in Real Estate cost of sales.

Expenses. Operating expenses were \$130,719 for the year ended December 31, 2021 compared to \$114,652 for the year ended December 31, 2020. The \$16,067 (14.0%) increase was due to a \$19,446 increase in Corporate and Other expense and a \$1,517 increase in Real Estate expenses. This was offset by a \$4,896 decline in Tobacco expenses for the year ended December 31, 2021. The increase in Corporate and Other expense included transaction charges of \$10,468 related to the spin-off of Douglas Elliman.

Operating income. Operating income was \$320,439 for the year ended December 31, 2021 compared to \$294,428 for the year ended December 31, 2020, an increase of \$26,011 (8.8%). Tobacco operating income increased by \$40,781 and Real Estate operating income increased by \$4,676. This was offset by an increased Corporate and Other operating loss of \$19,446.

Other expenses. Other expenses were \$110,478 and \$113,385 for the years ended December 31, 2021 and 2020, respectively. For the year ended December 31, 2021, other expenses primarily consisted of interest expense of \$112,728 and loss on extinguishment of debt of \$21,362. This was offset by equity in earnings from real estate ventures of \$10,250, other income of \$10,687, and equity in earnings from investments of \$2,675. For the year ended December 31, 2020, other expenses primarily consisted of interest expense of \$121,278, equity in losses from real estate ventures of \$44,728, and other expenses of \$8,646. This was offset by income of equity in earnings from investments of \$56,268 and \$4,999 from changes in fair value of derivatives embedded within convertible debt.

Income before provision for income taxes. Income before income taxes was \$209,961 and \$181,043 for the years ended December 31, 2021, and 2020, respectively.

Income tax expense. Income tax expense was \$62,807 for the year ended December 31, 2021 compared to income tax expense of \$54,121 for the year ended December 31, 2020. Our income tax rates for the years ended December 31, 2021 and 2020 do not bear a customary relationship to statutory income tax rates as a result of the impact of nondeductible expenses, state income taxes, changes in valuation allowances, and excess tax benefits on stock-based compensation.

Tobacco.

Tobacco revenues. Liggett increased the list price of *Eagle 20's*, *Pyramid*, *Liggett Select*, *Eve* and *Grand Prix* by \$0.15 per pack in January 2022, \$0.15 per pack in September 2021, \$0.14 per pack in June 2021, \$0.14 per pack in January 2021, \$0.13 per pack in November 2020, \$0.11 per pack in June 2020, and \$0.08 per pack in February 2020. Liggett increased the list price of *Montego* by \$0.10 per pack in January 2022.

All of our Tobacco sales were in the discount category in 2021 and 2020. For the year ended December 31, 2021, Tobacco revenues were \$1,202,497 compared to \$1,204,501 for the year ended December 31, 2020. Revenues declined by \$2,004 (0.2%) due to declines in unit sales volume offset by a favorable price variance for the year ended December 31, 2021. The decline in sales volume (535.5 million units) resulted in an unfavorable variance of \$70,378, while the higher selling prices resulted in a favorable price variance of \$68,374.

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

	Year Ended December 31,	
	2021	2020
Manufacturing overhead, raw materials and labor	\$ 121,424	\$ 128,091
Federal excise taxes	434,695	461,532
FDA expense	23,832	24,842
MSA expense, net of market share exemption	171,058 ⁽¹⁾	175,837
Customer shipping and handling	7,006	5,602
Total cost of sales	<u>\$ 758,015</u>	<u>\$ 795,904</u>

⁽¹⁾ Includes \$2,722 received from a litigation settlement associated with the MSA expense (which reduced cost of sales).

The Tobacco segment's MSA expense is included in cost of sales. Under the terms of the MSA, we have no payment obligations except to the extent that our tobacco subsidiaries' market share of the U.S. cigarette market exceeds 1.92%. The calculation of this benefit from the MSA is an estimate based on taxable unit shipments of cigarettes in the U.S. As of December 31, 2021, we estimate taxable shipments in the U.S. decreased by approximately 7.3% in 2021. Our annual MSA liability changes by approximately \$1,800 for each percentage change in the estimated shipment volumes in the U.S. market. For the year ended December 31, 2021, the estimated decrease in taxable shipments in conjunction with the annual MSA inflation adjustment decreased the value of Liggett's market share exemption compared to the prior year end and, thus, increased cost of sales by \$495.

Tobacco gross profit was \$444,482 for the year ended December 31, 2021 compared to \$408,597 for the year ended December 31, 2020, an increase of \$35,885 (8.8%). The increase in gross profit for the year ended December 31, 2021 was primarily attributable to increased pricing on the *Eagle 20's* and *Pyramid* brands offset by declines in volume and increased cost of sales per unit. For the year ended December 31, 2021, *Eagle 20's* remains Liggett's primary low cost cigarette brand and its percentage of Liggett's total unit volume sales has declined from approximately 62% for the year ended December 31, 2020 to approximately 57% for the year ended December 31, 2021. *Pyramid*, Liggett's second largest brand, declined from approximately 23% of total unit volume sales for the year ended December 31, 2020 to approximately 20% for the year ended December 31, 2021. *Montego*, Liggett's third largest brand, increased from approximately 6% of total unit volume sales for the year ended December 31, 2020 to approximately 16% for the year ended December 31, 2021. As a percentage of revenue (excluding Federal Excise Taxes), Tobacco gross profit increased from 55.0% in the 2020 period to 57.9% in the 2021 period primarily as a result of price increases partially offset by a continued shift in sales volume to the lower-priced *Montego* brand.

Tobacco expenses. Tobacco operating, selling, general and administrative expenses, excluding settlements and judgments, were \$83,954 for the year ended December 31, 2021 compared to \$88,724 for the year ended December 31, 2020. The \$4,770 (5.4%) decline is primarily due to declines in professional fees and expenses associated with Colorado's minimum price legislation partially offset by higher sales and marketing expenses related to the return to pre-pandemic business activities. Tobacco product liability legal expenses, including settlements and judgments, were \$6,436 and \$6,476 for the years ended December 31, 2021 and 2020, respectively.

Tobacco operating income. Tobacco operating income was \$360,317 for the year ended December 31, 2021 compared to \$319,536 for the year ended December 31, 2020. The increase of \$40,781 (12.8%) was primarily attributable to higher gross profit margins, as discussed above, and declines in operating, selling, general and administrative expenses.

Real Estate.

Real Estate revenues. Real Estate revenues were \$18,203 and \$24,181 for the years ended December 31, 2021 and 2020, respectively. Real Estate revenues declined by \$5,978 (24.7%), which was primarily related to the absence of the \$20,500 sale of an investment in real estate located in Sagaponack, NY in the prior period, offset by the \$12,850 sale of investments in real estate in the current period.

Real Estate revenues and cost of sales were as follows:

	Year Ended December 31,	
	2021	2020
<u>Real Estate Revenues:</u>		
Revenues from investments in real estate	12,850	20,500
Sales on facilities primarily from Escena	5,353	3,681
Total real estate revenues	<u>\$ 18,203</u>	<u>\$ 24,181</u>
<u>Real Estate Cost of Sales:</u>		
Cost of sales from investments in real estate	7,508	20,488
Cost of sales on facilities primarily from Escena	4,019	3,210
Total real estate cost of sales	<u>\$ 11,527</u>	<u>\$ 23,698</u>

Real Estate cost of sales. Real Estate cost of sales were \$11,527 and \$23,698 for the years ended December 31, 2021 and 2020, respectively. Real Estate cost of sales declined by \$12,171, primarily related to the absence of the \$20,488 cost of sales of an investment in real estate located in Sagaponack, NY in the prior period, offset by the \$7,508 cost of sales of investments in real estate in the current period.

Real Estate expenses. Real Estate expenses were \$2,610 and \$1,093 for the years ended December 31, 2021 and 2020, respectively.

Real Estate operating income (loss). The Real Estate segment had operating income of \$4,066 for the year ended December 31, 2021 and operating loss of \$610 for the year ended December 31, 2020.

Corporate and other.

Corporate and other loss. The operating loss at the corporate segment was \$43,944 for the year ended December 31, 2021 compared to \$24,498 for the same period in 2020. The increase of \$19,446 was primarily due to transaction charges of \$10,468 and accelerated stock compensation of \$4,317 related to the Spin-off for the year ended December 31, 2021.

2020 Compared to 2019

Revenues. Total revenues were \$1,228,682 for the year ended December 31, 2020 compared to \$1,119,603 for the year ended December 31, 2019. The \$109,079 (9.7%) increase in revenues was due to a \$89,661 increase in Tobacco revenues related to an increase in both unit volume and net pricing and a \$19,418 increase in Real Estate revenues, primarily related to the \$20,500 sale of an investment in real estate located in Sagaponack, NY.

Cost of sales. Total cost of sales was \$819,602 for the year ended December 31, 2020 compared to \$774,885 for the year ended December 31, 2019. The \$44,717 (5.8%) increase in cost of sales was due to a \$24,774 increase in Tobacco cost of sales related to increased sales volume and higher MSA expense and a \$19,943 increase in Real Estate cost of sales, which was primarily an investment in real estate located in Sagaponack, NY.

Expenses. Operating expenses were \$114,652 for the year ended December 31, 2020 compared to \$110,103 for the year ended December 31, 2019. The \$4,549 (4.1%) increase was due to a \$6,981 increase in Tobacco expenses and a \$635 increase in Real Estate expenses for the year ended December 31, 2020. This was offset by a \$3,067 decline in Corporate and Other expense, including gain on sale of assets of \$2,283.

Operating income. Operating income was \$294,428 for the year ended December 31, 2020 compared to \$234,615 for the year ended December 31, 2019, an increase of \$59,813 (25.5%). Tobacco operating income increased by \$57,906 and Corporate and Other operating loss declined by \$3,067, while Real Estate operating income declined by \$1,160.

Other expenses. Other expenses were \$113,385 and \$109,600 for the years ended December 31, 2020 and 2019, respectively. For the year ended December 31, 2020, other expenses primarily consisted of interest expense of \$121,278, equity in losses from real estate ventures of \$44,728, and other expenses of \$8,646. This was offset by equity in earnings from investments of \$56,268 and income of \$4,999 from changes in the fair value of derivatives embedded within convertible debt. For the year ended December 31, 2019, other expenses primarily consisted of interest expense of \$137,543, loss on extinguishment of debt of \$4,301 and equity in losses from real estate ventures of \$27,760. This was offset by income of \$26,425 from changes in fair value of derivatives embedded within convertible debt, equity in earnings from investments of \$17,000 and other income of \$16,579.

Income before provision for income taxes. Income before income taxes was \$181,043 and \$125,015 for the years ended December 31, 2020, and 2019, respectively.

Income tax expense. Income tax expense was \$54,121 for the year ended December 31, 2020 compared to \$31,085 for the year ended December 31, 2019. Our income tax rates for the years ended December 31, 2020 and 2019 do not bear a customary relationship to statutory income tax rates as a result of the impact of nondeductible expenses, state income taxes, changes in valuation allowances, and excess tax benefits on stock-based compensation.

Tobacco.

Tobacco revenues. Liggett increased the list price of *Eagle 20's* by \$0.13 per pack in November 2020, \$0.11 per pack in June 2020, \$0.08 per pack in February 2020, \$0.08 per pack in October 2019, and \$0.11 per pack in February 2019. Liggett also increased the list price of *Pyramid, Liggett Select, Eve* and *Grand Prix* by \$0.13 per pack in November 2020, \$0.11 per pack in June 2020, \$0.08 per pack in February 2020, \$0.08 per pack in October 2019, \$0.06 per pack in June 2019, and \$0.11 per pack in February 2019.

All of our Tobacco sales were in the discount category in 2020 and 2019. For the year ended December 31, 2020, Tobacco revenues were \$1,204,501 compared to \$1,114,840 for the year ended December 31, 2019. Revenues increased by \$89,661 (8.0%) due to increases in unit sales volume and the average selling price of our brands for the year ended December 31, 2020. The higher selling prices resulted in a favorable price variance of \$65,348 and the increase in sales volume (195.6 million units) resulted in a favorable variance of \$24,313. We believe a competitor's announcement of a price increase in December 2020, as well as the prospect of increased restrictions and lockdowns associated with the COVID-19 pandemic, resulted in increased fourth quarter sales volumes and elevated wholesale inventories as of December 31, 2020.

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

	Year Ended December 31,	
	2020	2019
Manufacturing overhead, raw materials and labor	\$ 128,091	\$ 123,654
Federal excise taxes	461,532	451,256
FDA expense	24,842	24,947
MSA expense, net of market share exemption	175,837 ⁽¹⁾	165,471
Customer shipping and handling	5,602	5,802
Total cost of sales	\$ 795,904	\$ 771,130

⁽¹⁾ Includes \$299 increase in expense from MSA Settlement.

The Tobacco segment's MSA expense is included in cost of sales. Under the terms of the MSA, we have no payment obligations except to the extent that our tobacco subsidiaries' market share of the U.S. cigarette market exceeds 1.92%. The calculation of this benefit from the MSA is an estimate based on taxable unit shipments of cigarettes in the U.S. As of December 31, 2020, we estimated taxable shipments in the U.S. increased by approximately 1.0% in 2020. In 2020, our annual MSA liability changed by approximately \$1,700 for each percentage change in the estimated shipment volumes in the U.S. market. For the year ended December 31, 2020, the estimated increase in taxable shipments in conjunction with the annual MSA inflation adjustment increased the value of Liggett's market share exemption compared to the prior year end and, thus, decreased cost of sales by \$7,731. Similar to some other consumer product categories, cigarette industry volumes outperformed

recent historical trends and benefited from increased consumer demand related to changes in underlying cigarette purchasing and consumption patterns associated with the pandemic.

Tobacco gross profit was \$408,597 for the year ended December 31, 2020 compared to \$343,710 for the year ended December 31, 2019, an increase of \$64,887 (18.9%). The increase in gross profit for the year ended December 31, 2020 was primarily attributable to increased pricing on the *Eagle 20's* and *Pyramid* brands and increased *Eagle 20's* volume. For the year ended December 31, 2020, *Eagle 20's* remains Liggett's primary low-cost cigarette brand and its percentage of Liggett's total unit volume sales has increased from approximately 60% for the year ended December 31, 2019 to approximately 62% for the year ended December 31, 2020. *Pyramid*, Liggett's second largest brand, declined from approximately 27% of total unit volume sales for the year ended December 31, 2019 to approximately 23% for the year ended December 31, 2020. As a percentage of revenue (excluding Federal Excise Taxes), Tobacco gross profit increased from 51.8% in the 2019 period to 55.0% in the 2020 period primarily as a result of price increases partially offset by a continued shift in sales volume to the lower-priced *Eagle 20's* brand.

Tobacco expenses. Tobacco operating, selling, general and administrative expenses, excluding settlements and judgments, were \$88,724 for the year ended December 31, 2020 compared to \$81,090 for the year ended December 31, 2019. The \$7,634 (9.4%) increase is primarily due to increased professional fees and expenses associated with Colorado's minimum price legislation. Tobacco product liability legal expenses, including settlements and judgments, were \$6,476 and \$7,363 for the years ended December 31, 2020 and 2019, respectively.

Tobacco operating income. Tobacco operating income was \$319,536 for the year ended December 31, 2020 compared to \$261,630 for the year ended December 31, 2019. The increase of \$57,906 (22.1%) was primarily attributable to higher gross profit margins, as discussed above, and was partially offset by increased operating, selling, general and administrative expenses.

Real Estate.

Real Estate revenues. Real Estate revenues were \$24,181 and \$4,763 for the years ended December 31, 2020 and 2019, respectively. Real Estate revenues increased by \$19,418, which was primarily related to the \$20,500 sale of an investment in real estate located in Sagaponack, NY.

Real Estate revenues and cost of sales were as follows:

	Year Ended December 31,	
	2020	2019
Real Estate Revenues:		
Revenues from investments in real estate	\$ 20,500	\$ —
Sales on facilities primarily from Escena	3,681	4,763
Total real estate revenues	<u>\$ 24,181</u>	<u>\$ 4,763</u>
Real Estate Cost of Sales:		
Cost of sales from investments in real estate	\$ 20,488	\$ —
Cost of sales on facilities primarily from Escena	3,210	3,755
Total real estate cost of sales	<u>\$ 23,698</u>	<u>\$ 3,755</u>

Real Estate cost of sales. Real Estate cost of sales were \$23,698 and \$3,755 for the years ended December 31, 2020 and 2019, respectively. Real Estate cost of sales increased by \$19,943, primarily related to \$20,488 from the sale of an investment in real estate located in Sagaponack, NY.

Real Estate expenses. Real Estate expenses were \$1,093 and \$458 for the years ended December 31, 2020 and 2019, respectively.

Real Estate operating (loss) income. The Real Estate segment had operating loss of \$610 for the year ended December 31, 2020 and operating income of \$550 for the year ended December 31, 2019. The Real Estate segment's operating loss was primarily related to declines in operations at the Escena facility.

Corporate and other.

Corporate and other loss. The operating loss at the corporate segment was \$24,498 for the year ended December 31, 2020 compared to \$27,565 for the same period in 2019. The decline of \$3,067 was primarily due to the \$2,283 gain on the sale of assets and decreased administrative costs related to professional fees and travel expenses for the year ended December 31, 2020.

Summary of Real Estate Investments

We own and seek to acquire investment interests in various domestic and international real estate projects through debt and equity investments. Our real estate investments primarily include the following projects as of December 31, 2021:

(Dollars in Thousands. Area and Unit Information in Ones)												
	Location	Date of Initial Investment	Percentage Owned (1)	Net Cash Invested	Cumulative Earnings (Losses)	Carrying Value as of 12/31/2021	Future Capital Commitments from New Valley (2)	Projected Residential and/or Hotel Area	Projected Commercial Space	Projected Number of Residential Lots, Units and/or Hotel Rooms	Projected Construction Start Date	Projected Construction End Date
Eskena, net	Master planned community, golf course, and club house in Palm Springs, CA	March 2008	100%	\$ (1,826)	\$ 10,924	\$ 9,098	—	450 Acres	—	667 R Lots	N/A	N/A
Townhome A (11 Beach Street)	TriBeCa, Manhattan, NY	November 2020	100%	22	(22)	—	—	6,169 SF	—	1 R	N/A	Completed
Investments in real estate, net				\$ (1,804)	\$ 10,902	\$ 9,098	\$ —					
Investments in real estate ventures:												
111 Murray Street	TriBeCa, Manhattan, NY	May 2013	9.5%	6,819	(4,414)	2,405	—	330,000 SF	1,700 SF	157 R	September 2014	Completed
87 Park (8701 Collins Avenue)	Miami Beach, FL	December 2013	23.1%	(6,485)	6,485	—	—	160,000 SF	TBD	70 R	October 2015	Completed
125 Greenwich Street	Financial District, Manhattan, NY	August 2014	13.4%	7,992	(7,992)	—	—	306,000 SF	16,000 SF	273 R	March 2015	TBD
West Hollywood Edition (9040 Sunset Boulevard)	West Hollywood, CA	October 2014	48.5%	17,188	(17,188)	—	—	210,000 SF	—	20 R	May 2015	Completed
Monad Terrace (1300 West Ave)	Miami Beach, FL	May 2015	19.6%	7,635	(7,635)	—	—	160,000 SF	—	59 R	May 2016	Completed
Takanasee (805 Ocean Ave)	Long Branch, NJ	December 2015	22.8%	6,144	(5,588)	556	—	63,000 SF	—	13 R	June 2017	TBD
Brookland (15 East 19th St)	Brooklyn, NY	April 2017	9.8%	402	(11)	391	—	24,000 SF	—	33 R	August 2017	Completed
Dime (209 Havemeyer St)	Brooklyn, NY	November 2017	16.5%	9,145	(3,791)	5,354	—	100,000 SF	150,000 SF	177 R	May 2017	Completed
352 6th Avenue	Brooklyn, NY	February 2019	37.0%	(416)	416	—	—	5,200 SF	— 0	4 R	September 2019	Completed
Meatpacking Plaza (44 Ninth Ave)	Meatpacking District, Manhattan, NY	April 2019	16.9%	10,692	(2,808)	7,884	—	8,741 SF	76,919 SF	15 R	July 2021	May 2023
Five Park (500 Alton Road)	Miami Beach, FL	September 2019	38.9%	18,098	1,209	19,307	—	472,000 SF	15,000 SF	291 R	April 2020	February 2024
9 DeKalb Avenue	Brooklyn, NY	April 2019	4.2%	5,000	1,065	6,065	—	450,000 SF	120,000 SF	540 R	March 2019	February 2023
Natura	Miami, FL	December 2019	77.8%	7,354	5,036	12,390	—	460,000 SF	—	460 R	December 2019	November 2022
Townhome B (11 Beach Street)	TriBeCa, Manhattan, NY	November 2020	46.7%	(594)	594	—	—	4,752 SF	—	1 R	N/A	Completed
Ritz-Carlton Villas (4701 Meridian Avenue)	Miami Beach, FL	December 2020	50.0%	4,109	(125)	3,984	—	58,000 SF	—	15 R	October 2020	August 2022
2000 N. Atlantic Ave.	Daytona Beach, FL	November 2021	50.0%	1,882	37	1,919	—	TBD	—	—	TBD	TBD
Society Nashville (915 Division St)	Nashville, TN	November 2021	89.1%	19,500	384	19,884	—	320,000 SF	8,000 SF	472 R	May 2022	July 2024
Condominium and Mixed Use Development				\$ 114,465	\$ (34,326)	\$ 80,139	\$ —					
Maryland Portfolio												
Riverchase Landing	Primarily Baltimore County, MD	July 2012	7.6%	(17,583)	17,583	—	—	N/A	N/A	245 R	N/A	N/A
Apartment Buildings	Hoover, AL	October 2021	50.0%	11,900	—	11,900	—	746,000 SF	N/A	468 R	N/A	N/A
Park Lane Hotel (36 Central Park South)	Central Park South, Manhattan, NY	November 2013	1.0%	8,682	(7,626)	1,056	—	446,000 SF	—	628 H	N/A	N/A
215 Chrystie Street (4)	Lower East Side, Manhattan, NY	December 2012	12.3%	(1,533)	1,533	—	—	246,000 SF	—	367 H	June 2014	Completed
Coral Beach and Tennis Club	Coral Beach, Bermuda	December 2013	49.0%	6,048	(4,526)	1,522	—	52 Acres	—	101 H	N/A	N/A
Parker New York (119 W 56th St)	Midtown, Manhattan, NY	July 2019	0.4%	1,000	(421)	579	—	470,000 SF	—	587 R	May 2020	December 2022
Hotels				\$ 14,197	\$ (11,040)	\$ 3,157	\$ —					
The Plaza at Harmon Meadow	Secaucus, NJ	March 2015	49.0%	4,200	(4,200)	—	—	—	219,000 SF	—	N/A	N/A
Wynn Las Vegas Retail	Las Vegas, NV	December 2016	1.6%	4,163	3,127	7,290	—	—	160,000 SF	—	N/A	N/A
Commercial				\$ 8,363	\$ (1,073)	\$ 7,290	\$ —					
Witkoff GP Partners (5)	Multiple	March 2017	15.0%	11,154	(9,620)	1,534	—	N/A	N/A	N/A	N/A	N/A
1 QPS Tower (23-10 Queens Plaza South)	Long Island City, NY	December 2012	45.4%	(14,406)	14,406	—	—	N/A	N/A	N/A	March 2014	Completed
Witkoff EB-5 Capital Partners	Multiple	September 2018	49.0%	516	526	1,042	—	N/A	N/A	N/A	N/A	N/A
Diverse Real Estate Portfolio				\$ (2,736)	\$ 5,312	\$ 2,576	\$ —					
Investment in real estate ventures				\$ 128,606	\$ (23,544)	\$ 105,062	\$ —					
Total Carrying Value				\$ 126,802	\$ (12,642)	\$ 114,160	\$ —					

(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 as a result of a number of factors including potential dilution, financing or admission of additional partners.

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(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) The Witkoff GP Partners venture includes a \$1,534 investment in 500 Broadway, a Condominium and Mixed Use Development in Santa Monica, CA.

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 December 31, 2021 were \$8,658. This amount is included in the "Cumulative Earnings (Losses)" column in the table above. During the year ended December 31, 2021, New Valley capitalized \$2,669 of interest costs and utilized (reversed) \$1,489 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 and cash equivalents from continuing and discontinued operations declined by \$170,828, \$13,799 and \$212,253 in 2021, 2020 and 2019, respectively.

Cash provided by continuing and discontinued operations was \$255,219, \$267,547 and \$124,071 in 2021, 2020 and 2019, respectively. The decline of cash provided by continuing and discontinued operations in 2021 compared to 2020 related primarily to increased MSA payments in 2021 in connection with tax planning strategies, increased income tax payments in 2021, the payment of a redemption premium in 2021 to retire our 6.125% Senior Secured Notes due 2025 and the absence of distributions from long-term investments, which were associated with the sale of LTS in 2020. These items were partially offset by an increase in operating income in 2021 from 2020. The increase in 2020 compared to 2019 related primarily to an increase in operating income, increased distributions from long-term investments, which were associated with the sale of LTS, and the proceeds from the sale of an investment in real estate located in Sagaponack, NY and, in connection with tax planning strategies, a deferral of a portion our MSA payments from 2020 to 2021.

Cash used in investing activities from continuing and discontinued operations was \$61,970 and \$23,099 in 2021 and 2019, respectively, and cash provided by investing activities from continuing and discontinued operations was \$7,341 in 2020. Our investment philosophy is to maximize return on investments using a reasonable expectation for return. For example, we expect our investment returns to exceed the comparable return on cash or short-term U.S. Treasury Bills when investing in equity and debt securities and to exceed our weighted-average cost of capital when investing in non-consolidated real estate businesses and making capital expenditures. In 2021, cash used in investing activities from continuing operations comprised the purchase of investment securities of \$124,080, investments in real estate ventures of \$49,463, capital expenditures of \$13,506, the purchase of long-term investments of \$14,316, an increase in the cash surrender value of corporate-owned life insurance policies of \$1,219, the purchase of subsidiaries of \$500, and an increase in restricted assets of \$5. These items were offset by maturities of investment securities of \$71,505, sale of investment securities of \$45,627, distributions from investments in real estate ventures of \$11,936, proceeds from the sale or liquidation of long-term investments of \$11,509, pay downs of investment securities of \$525, and proceeds from the sale of fixed assets of \$17. In 2020, cash provided by investing activities from continuing operations comprised the maturities of investment securities of \$61,230, proceeds from the sale or liquidation of long-term investments of \$32,572, the sale of investment securities of \$30,458, distributions from investments in real estate ventures of \$18,818, the proceeds from the sale of fixed assets of \$5,162, cash acquired in purchase of subsidiary of \$2,760, pay downs of investment securities of \$812, and the decrease in restricted assets of \$436. These items were offset by the purchase of investment securities of \$99,871, capital expenditures of \$19,063, investments in real estate ventures of \$14,922, the purchase of long-term investments of \$9,687, purchase of subsidiaries of \$722, and an increase in the cash surrender value of corporate-owned life insurance policies of \$642. In 2019, cash used in investing activities from continuing operations comprised the purchase of investment securities of \$87,766, investments in real estate ventures of \$52,529, capital expenditures of \$12,575, the purchase of long-term investments of \$9,223, investments in real estate, net of \$2,295, an increase in the cash surrender value of corporate-owned life insurance policies of \$719, and the purchase of subsidiaries of \$380. These items were offset by maturities of investment securities of \$68,859, distributions from investments in real estate ventures of \$41,300, the sale of investment securities of \$21,879, proceeds from the sale or liquidation of long-term investments of \$8,256, pay downs of investment securities of \$1,083, a decrease in restricted assets of \$994, and the proceeds from the sale of fixed assets of \$17.

Cash used in financing activities from continuing and discontinued operations was \$364,077, \$288,687 and \$313,225 in 2021, 2020, and 2019, respectively. In 2021, cash used in financing activities from continuing and discontinued operations comprised repayments of debt of \$862,973, dividends and distributions on common stock of \$131,798, tax withholdings related to net share settlements of stock option exercise of \$13,145, payment of deferred financing costs of \$20,109, cash distributed in the Spin-off of \$212,571, and other of \$130. These items were offset by proceeds from debt issuance of \$875,000, contributions from non-controlling interest of \$1,625, and net borrowings of debt under the Liggett Credit Agreement described below of \$24. In 2020, cash used in financing activities from continuing operations comprised repayments of debt of \$174,989, dividends and distributions on common stock of \$128,231, net repayments of debt under the Liggett Credit Agreement of \$34,952, tax withholdings related to net share settlements of stock option exercise of \$2,630, and distributions to non-controlling interest of \$448. These items were offset by proceeds from the issuance of common stock of \$52,563. In 2019, cash used in financing activities from continuing operations comprised repayments of debt of \$293,419, dividends and distributions on common stock of \$238,249, payment of deferred financing costs of \$9,802, tax withholdings related to net share settlements of stock option exercise of \$5,415, distributions to non-controlling interest of \$286 and other of \$216. These factors were offset by proceeds of debt issuance of \$230,000 associated with the issuance of an additional amount of our 10.5% Senior Notes due 2026 in November 2019, and net borrowings of debt under the Liggett Credit Agreement described below of \$4,162.

We have significant liquidity commitments in 2022 at the corporate level (not including our tobacco and real estate operations) that require the use of existing cash resources. These include cash interest expense of approximately \$108,600, 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 taxes.

In order to meet these liquidity requirements as well as other liquidity needs in the normal course of business, we have in the past used cash flows from operations as well as existing cash and cash equivalents, which have, in the past, been generated from operations, monetization of investments and proceeds from debt issuances. Should these resources be insufficient to meet upcoming liquidity needs, we may also liquidate investment securities and other long-term investments, or, if available, draw on Liggett's credit facility. While there are actions we can take to reduce our liquidity needs, there can be no assurance that such measures will be successful. As of December 31, 2021, we had cash and cash equivalents of \$193,411 (including \$14,899 of cash at Liggett), and investment securities, carried at \$178,776 (see Note 7 to our consolidated financial statements). As of December 31, 2021, our investments in real estate ventures were carried at \$105,062 and our investments in real estate, net were carried at \$9,098.

Limitation of interest expense deductible for income taxes. Since 2018, the amount of interest expense that is deductible in the computation of income tax liability has been limited to a percentage of adjusted taxable income, as defined by applicable law. In 2019 and 2020, the amount of deductible interest expense was limited to 50% of taxable income before interest, depreciation and amortization and, in 2021, the amount will be limited to 30% of taxable income before interest, depreciation and amortization. Beginning in 2022, the amount 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. As a result of interest expense that is allocated to our real estate businesses (from the holding company) not being subject to the limitation, all of our interest expense to date has been tax deductible; however, after the Spin-off, the allocation of interest expense to our real estate business will decline. Without the benefit of such an excepted trade or business, 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.

Tobacco Litigation. As of December 31, 2021, 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 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, approximately 28 plaintiffs' claims 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.

In addition, Liggett may be required to make additional payments to Mississippi which could have a material adverse effect on our consolidated financial position, results of operations and cash flows. See *Recent Developments in Litigation*.

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 could be materially adversely affected by an unfavorable outcome in any such tobacco-related litigation.

Vector.

6.125% Senior Secured Notes. On February 1, 2021, the 6.125% Senior Secured Notes due 2025 were redeemed in full and we recorded a loss on the extinguishment of debt of \$21,362 for the year ended December 31, 2021, including \$13,014 of premium and \$8,348 of other costs and non-cash interest expense related to the recognition of previously unamortized deferred finance costs.

5.75% Senior Secured Notes due 2029. On January 28, 2021, we completed the sale of \$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 (the "Securities Act") contained in Rule 144A and Regulation S thereunder. The aggregate net cash proceeds from the sale of the 5.75% Senior Secured Notes were approximately \$855,500 after deducting the initial purchaser's discount and estimated expenses and fees in connection with the offering. We used the net cash proceeds from the 5.75% Senior Secured Notes offering, together with cash on hand, to redeem all of our outstanding 6.125% Senior Secured Notes due 2025, including accrued interest and premium thereon, on January 28, 2021.

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. Prior to February 1, 2024, we may redeem some or all of the 5.75% Senior Secured Notes at any time at a make-whole redemption price. On or after February 1, 2024, we may redeem some or all of the 5.75% Senior Secured Notes at a premium that will decrease over time, plus accrued and unpaid interest, if any, to the redemption date. In addition, any time prior to February 1, 2024, we may redeem up to 40% of the aggregate outstanding amount of the 5.75% Senior Secured Notes with the net proceeds

of certain equity offerings at 105.75% of the aggregate principal amount of the 5.75% Senior Secured Notes, plus accrued and unpaid interest, if any, to the redemption date, if at least 60% of the aggregate principal amount of the 5.75% Senior Secured Notes originally issued remains outstanding after such redemption, and the redemption occurs within 90 days of the closing of such equity offering. 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 of its 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 of our 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 test and the extent to which we would have satisfied these requirements had the 2029 Indenture been in effect as of December 31, 2021.

Covenant	Indenture Requirement	December 31, 2021
Consolidated EBITDA, as defined	\$ 75,000	\$ 407,165
Leverage ratio, as defined	<3.0 to 1	2.50 to 1
Secured leverage ratio, as defined	<1.5 to 1	1.17 to 1

As of December 31, 2021, we were in compliance with all debt covenants related to the 2029 Indenture.

10.5% Senior Notes due 2026. On November 2, 2018 and November 18, 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 aggregate net proceeds from the 2018 sale of the 10.5% Senior Notes and the 2019 sale of the 10.5% Senior Notes were approximately \$315,000 and \$220,400, respectively, after deducting underwriting discounts, commissions, fees and offering expenses. We used the net cash proceeds from the 2018 issuance of our 10.5% Senior Notes to retire the principal amount of, plus accrued and unpaid interest on, our 7.5% Variable Interest Senior Convertible Notes due 2019, and for general corporate purposes. We used the net cash proceeds from the 2019 issuance of our 10.5% Senior Notes to retire the principal amount of, plus accrued and unpaid interest on, our 5.5% Variable Interest Senior Convertible Notes due 2020.

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. Prior to November 1, 2021, we may redeem some or all of the 10.5% Senior Notes at any time at a make-whole redemption price. On or after November 1, 2021, we may redeem some or all of the 10.5% Senior Notes at a premium that will decrease over time, plus accrued and unpaid interest, if any, to the redemption date. In addition, any time prior to November 1, 2021, we may redeem up to 40% of the aggregate outstanding amount of the 10.5% Senior Notes with the net proceeds of certain equity offerings at 110.5% of the aggregate principal amount of the 10.5% Senior Notes, plus accrued and unpaid interest, if any, to the redemption date, if at least 60% of the aggregate principal amount of the 10.5% Senior Notes originally issued remains outstanding after such redemption, and the redemption occurs within 90 days of the closing of such equity offering. 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 of our 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 sells certain assets and does 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 10.5% Senior Notes were fully and unconditionally guaranteed subject to certain customary automatic release provisions on a joint and several basis by all of our wholly-owned domestic subsidiaries that are engaged in the conduct of our cigarette businesses, and, prior to the Spin-off, by DER Holdings LLC, through which we indirectly owned a 100% interest in Douglas Elliman as of December 31, 2021. In connection with the Spin-off, the guarantee by DER Holdings LLC was released. DER Holdings LLC did not guarantee our 5.75% Senior Secured Notes.

The 2026 Indenture 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 the 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 test and the extent to which we satisfied these requirements as of December 31, 2021.

Covenant	Indenture Requirement	December 31, 2021
Fixed charge coverage ratio, as defined	>2.0 to 1	3.18 to 1
Net leverage ratio, as defined	<4.0 to 1	2.59 to 1
Secured leverage ratio, as defined	<3.75 to 1	2.46 to 1

As of December 31, 2021, we were in compliance with all of the debt covenants related to the 2026 Indenture.

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 Sheets as of December 31, 2021 and the related Condensed Consolidating Statements of Operations for the year ended December 31, 2021 of the Issuer, Subsidiary Guarantors and the Nonguarantor Subsidiaries are set forth in Exhibit 99.2.

Presented herein are the Summarized Combined Balance Sheets as of December 31, 2021 and December 31, 2020 and the related Summarized Combined Statements of Operations for the year ended December 31, 2021 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:

	December 31, 2021	December 31, 2020
Assets:		
Current assets	\$ 487,797	\$ 515,082
Current assets of discontinued operations	—	—
Noncurrent assets	274,292	264,041
Noncurrent assets of discontinued operations	—	—
Intercompany receivables from Nonguarantor Subsidiaries	1,832	2,040
Liabilities:		
Current liabilities	194,097	180,406
Current liabilities of discontinued operations	—	12,719
Noncurrent liabilities	1,536,792	1,508,793
Noncurrent liabilities of discontinued operations	—	12,500

Summarized Combined Statements of Operations:

	Year Ended December 31, 2021
Revenues	\$ 1,202,557
Cost of sales	758,015
Operating income	316,615
Net income from continuing operations	137,891

Liggett Financing. Liggett did not enter into any equipment financing arrangements in 2021, 2020 and 2019.

Liggett Credit Facility. In January 2015, Liggett and Maple, entered into the Credit Agreement with Wells Fargo, as agent and lender.

On October 31, 2019, Liggett and Maple amended the Credit Agreement to, among other things, update the borrowing base to adjust the advance rates in respect of eligible inventory and add certain eligible real property. On March 22, 2021, Liggett, Maple and Vector Tobacco entered into Amendment No. 4 and Joinder to the Credit Agreement with Wells Fargo. The Credit Agreement was amended to, among other things, (i) add Vector Tobacco as a borrower under the Credit Agreement, (ii) extend the maturity of the Credit Agreement to March 22, 2026, and (iii) increase the amount of the maximum credit line thereunder from \$60,000 to \$90,000.

Since October 31, 2019, all borrowings under the Credit Agreement have been limited to a borrowing base equal to the sum of (I) the lesser of 85% of eligible trade receivables less certain reserves and \$15,000; plus (II) 80% of the value of eligible inventory consisting of packaged cigarettes; plus (III) the designated percentage of the value of eligible inventory consisting of leaf tobacco (i.e., 65% of Liggett's eligible cost of inventory consisting of leaf tobacco less certain reserves or 85% of the net orderly liquidation value of eligible inventory); plus (IV) the lesser of (a) the real property subline amount or (b) 60% of the fair market value of eligible real property. The obligations under the Credit Agreement are collateralized on a first priority basis by all inventories, receivables and certain other personal property of Liggett and Maple, a mortgage on Liggett's manufacturing facility and certain real property of Maple, subject to certain permitted liens.

The term of the Credit Agreement expires on March 22, 2026. Loans under the Credit Agreement bear interest at a rate equal to LIBOR plus 2.25%. The interest rate applicable to this Credit Agreement at December 31, 2021 was 2.35%. The Credit Agreement, as amended, permitted the guaranty of the 6.125% Senior Secured Notes due 2025, and permits the guaranty of the 5.75% Senior Secured Notes and the 10.5% Senior Notes, by each of Liggett, Maple and Vector Tobacco. Wells Fargo, Liggett, Maple, Vector Tobacco and the collateral agent for the holders of the 5.75% Senior Secured Notes have entered into an intercreditor agreement, pursuant to which the liens of such collateral agent on the assets that are subject to the Credit Agreement are subordinated to the liens of Wells Fargo on such assets.

The Credit Agreement contains customary affirmative and negative covenants, including covenants that limit Liggett's, Maple's, Vector Tobacco's and their subsidiaries' ability to incur, create or assume certain indebtedness, to incur or assume certain liens, to purchase, hold or acquire certain investments, to declare or make certain dividends and distributions and to engage in certain mergers, consolidations and asset sales. The Credit Agreement also requires the Company to comply with specified financial covenants, including that Liggett's earnings before interest, taxes, depreciation and amortization, as defined under the Credit Agreement, on a trailing twelve month basis, shall not be less than \$150,000 if Liggett's excess availability, as defined under the Credit Agreement, is less than \$30,000. The covenants also require that annual capital expenditures, as defined under the Credit Agreement (before a maximum carryover amount of \$10,000), shall not exceed \$20,000 during any fiscal year. The Credit Agreement also contains customary events of default. Liggett was in compliance with these covenants as of December 31, 2021.

As of December 31, 2021, there was \$24 in outstanding balance under the Credit Agreement. Availability, as determined under the Credit Agreement, was \$80,771 based on eligible collateral at December 31, 2021.

Anticipated Liquidity Obligations. We and our subsidiaries have significant indebtedness and debt service obligations. As of December 31, 2021, we and our subsidiaries had total outstanding indebtedness of \$1,430,120. Of this amount \$875,000 comprised of the outstanding amount under our 5.75% Senior Secured Notes due 2029, and \$555,000 comprised of 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.

In order to meet the above liquidity requirements as well as other anticipated liquidity needs in the normal course of business, we had cash and cash equivalents of approximately \$193,400, investment securities at fair value of approximately \$178,800 and availability under Liggett's credit facility of approximately \$81,000 as of December 31, 2021. Management currently anticipates 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. Depending on market conditions, we may utilize our cash, investment securities and long-term investments to repurchase our 10.5% Senior Notes due 2026 in open-market purchases or privately negotiated transactions.

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, in the event we pursue any capital markets activities, our ability to complete any debt or equity offering would be subject to market conditions.

Furthermore, we may access the capital markets to refinance our 10.5% Senior Notes due 2026. We can presently redeem such bonds at price of 105.25% and the redemption price declines to 102.625% on November 1, 2022 and 100% on November 1, 2023. 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, in the event 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.

The total amount of unrecognized tax benefits was \$1,653 as of January 1, 2021 and increased \$556 during the year ended December 31, 2021, primarily due to accruals for state tax audits offset by the expiration of various state statutes of limitations and settlements. The total amount of unrecognized tax benefits was \$1,647 as of January 1, 2020 and increased \$6 during the year ended December 31, 2020, primarily due to accruals for state tax audits offset by the expiration of various state statutes of limitations.

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. In addition, in connection with the Spin-off, we agreed to indemnify Douglas Elliman for losses arising out of Vector's business or incurred in our provision of services to Douglas Elliman under the Transition Services Agreement. Payment by us under such indemnification clauses is generally conditioned on the other party making a claim that is subject to challenge by us and dispute resolution procedures specified in the particular contract. 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 amount 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 December 31, 2021, 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.

As of December 31, 2021, we had an outstanding \$1,438 letter of credit, which has been issued as security deposit for a lease of office space.

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 in excess of anticipated requirements and are at prices, including carrying costs, established at the commitment date. At December 31, 2021, Liggett had tobacco purchase commitments of approximately \$13,289. We have a single source supply agreement for reduced ignition propensity cigarette paper through 2022.

Future machinery and equipment purchase commitments at Liggett were \$890 at December 31, 2021.

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 December 31, 2021, there was an outstanding balance of \$24 on the Liggett Credit Facility which also has variable interest rates. As of December 31, 2021, we had no interest rate caps or swaps. Based on a hypothetical 100 basis point increase or decrease in interest rates (1%), our annual interest expense could increase or decrease by approximately \$0.

We held debt securities available for sale totaling \$103,906 as of December 31, 2021. See Note 7 to our consolidated financial statements. Adverse market conditions could have a significant impact on the value of these investments.

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 make a determination 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 December 31, 2021, we held various investments in equity securities with a total fair value of \$74,870, of which \$42,781 represents equity securities at fair value and \$32,089 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 7 to our consolidated financial statements for more details on equity securities at fair value and long-term investment securities at fair value. The impact to our consolidated statement 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 December 31, 2021, 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 \$7,487.

New Accounting Pronouncements

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

Legislation, Regulation, Taxation and Litigation

In the United States, tobacco products are subject to substantial and increasing legislation, regulation, taxation, and litigation, which have a negative effect on revenue and profitability.

The cigarette industry continues to be challenged on numerous fronts. The industry faces increased pressure from anti-smoking groups and continued smoking and health litigation, the effects of which, at this time, we are unable to quantify. Product liability litigation, particularly in Florida in the *Engle* progeny cases, continues to adversely affect the cigarette industry. See Item 1. “*Business - Legislation and Regulation*”, Item 1A. “*Risk Factors*”, Item 3. “*Legal Proceedings*” and Note 15 to our consolidated financial statements, which contain a description of litigation.

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,” “estimate,” “expect,” “intend,” “may be,” “objective,” “plan,” “seek,” “predict,” “project” and “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,
- governmental regulations and policies,
- adverse changes in global, national, regional and local economic and market conditions, including those related to pandemics and health crises, such as the outbreak of COVID-19,
- significant changes in the price, availability or quality of tobacco, other raw materials or component parts, including as a result of the COVID-19 pandemic,
- potential dilution to our holders of or common stock as a result of issuances of additional shares of common stock to fund our financial obligations and other financing activities,
- the impacts of the Tax Cuts and Jobs Act of 2017, including the deductibility of interest expense and the impact of the markets on our Real Estate segment,
- effects of industry competition,
- impact of business combinations, including acquisitions and divestitures, both internally for us and externally in the tobacco industry,
- 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,
- 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; and,
- potential additional payment obligations for us under the MSA and other settlement agreements with the states.

Further information on the risks and uncertainties to our business include the risk factors discussed above under Item 1A. “*Risk Factors*” and in “*Management’s Discussion and Analysis of Financial Condition and Results of Operations.*”

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.

ITEM 7A. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Consolidated Financial Statements and Notes thereto, together with the report thereon of Deloitte & Touche LLP dated March 2, 2022, are set forth beginning on page F-1 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed, in the reports the Company files or submits under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Form 10-K, the Company carried out an evaluation under the supervision of and with the participation of the Company’s management, including the Chief Executive Officer and Chief Financial Officer, as of December 31, 2021, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2021, the Company’s disclosure controls and procedures were effective as of December 31, 2021.

Management’s Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed 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 and includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Chief Executive Officer and Chief Financial Officer, has conducted an assessment of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2021, based on the criteria in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

Based on this assessment, management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2021 based on the criteria in *Internal Control - Integrated Framework (2013)* issued by COSO.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2021 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its report which appears herein.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the year ended December 31, 2021 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Vector Group Ltd.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Vector Group Ltd. and subsidiaries (the “Company”) as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated March 2, 2022, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Miami, Florida

March 2, 2022

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information contained under the following headings in our definitive Proxy Statement for our 2022 Annual Meeting of Stockholders (the “2022 Proxy Statement”), to be filed with the SEC not later than 120 days after the end of our fiscal year covered by this report pursuant to Regulation 14A under the Securities Exchange Act of 1934, is incorporated herein by reference: “Board Proposal 1 — Nomination and Election of Directors” and “Delinquent Section 16(a) Reports.” See Item 5 of this report for information regarding our executive officers. We have adopted a policy statement entitled Code of Business Conduct and Ethics that applies to all of our directors, officers and employees. In the event that an amendment to, or a waiver from, a provision of the Code of Business Conduct and Ethics is made or granted, we intend to post such information on our web site, which is www.vectorgrouppltd.com.

ITEM 11. EXECUTIVE COMPENSATION

The information contained under the headings “Executive Compensation” and “Compensation Committee Interlocks and Insider Participation” in our 2022 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information contained under the headings “Equity Compensation Plan Information” and “Security Ownership of Certain Beneficial Owners and Management” in our 2022 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information contained under the headings “Certain Relationships and Related Party Transactions” and “Board of Directors and Committees” in our 2022 Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information contained under the headings “Audit and Non-Audit Fees” and “Pre-Approval Policies and Procedures” in our 2022 Proxy Statement is incorporated herein by reference.

PART IV**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES****(a)(1) INDEX TO 2021 CONSOLIDATED FINANCIAL STATEMENTS:**

Our consolidated financial statements and the notes thereto, together with the report thereon of Deloitte & Touche LLP for the three years ended December 31, 2021, dated March 2, 2022 appear beginning on page F-1 of this report.

(a)(2) FINANCIAL STATEMENT SCHEDULES:

Schedule II — Valuation and Qualifying Accounts Page

[F-70](#)**(a)(3) EXHIBITS:**

(a) The following is a list of exhibits filed herewith as part of this Annual Report on Form 10-K:

INDEX OF EXHIBITS

EXHIBIT NO.	DESCRIPTION
* 2.1	Distribution Agreement, originally dated as of December 21, 2021 and amended and restated as of December 28, 2021, between Vector Group Ltd. and Douglas Elliman Inc. (incorporated by reference to Exhibit 2.1 in Vector's Form 8-K dated January 4, 2022).
* 2.2	Employee Matters Agreement, dated as of December 21, 2021 between Vector Group Ltd. and Douglas Elliman Inc. (incorporated by reference to Exhibit 2.2 in Vector's Form 8-K dated December 21, 2021).
* 3.1	Amended and Restated Certificate of Incorporation of Vector Group Ltd. (formerly known as Brooke Group Ltd.) ("Vector Group") (incorporated by reference to Exhibit 3.1 in Vector's Form 10-Q for the quarter ended September 30, 1999).
* 3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Vector (incorporated by reference to Exhibit 3.1 in Vector's Form 8-K dated May 24, 2000).
* 3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Vector Group Ltd. (incorporated by reference to Exhibit 3.1 in Vector's Form 10-Q for the quarter ended June 30, 2007).
* 3.4	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Vector Group Ltd. (incorporated by reference to Exhibit 3.1 in Vector's Form 10-Q for the quarter ended June 30, 2014).
* 3.5	Amended and Restated By-Laws of Vector Group Ltd. (incorporated by reference to Exhibit 3.1 in Vector's Form 8-K dated March 5, 2020).
* 4.1	Indenture, dated as of January 28, 2021, among Vector Group Ltd., the guarantors named therein and U.S. Bank National Association, as trustee and collateral agent (incorporated by reference to Exhibit 4.1 of Vector's Form 8-K dated January 28, 2021).
* 4.2	Pledge Agreement, dated as of January 28, 2021, between VGR Holding LLC and U.S. Bank National Association, as collateral agent (incorporated by reference to Exhibit 4.2 of Vector's Form 8-K dated January 28, 2021).
* 4.3	Security Agreement, dated as of January 28, 2021, between Vector Tobacco and U.S. Bank National Association, as collateral agent (incorporated by reference to Exhibit 4.3 of Vector's Form 8-K dated January 28, 2021).

EXHIBIT NO.	DESCRIPTION
* 4.4	Security Agreement, dated as of January 28, 2021, among Liggett Group LLC, 100 Maple LLC and U.S. Bank National Association, as collateral agent (incorporated by reference to Exhibit 4.4 of Vector's Form 8-K dated January 28, 2021).
* 4.5	Second Amended and Restated Intercreditor and Lien Subordination Agreement, dated as of January 28, 2021, among Liggett Group LLC, 100 Maple LLC, U.S. Bank National Association and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.5 of Vector's Form 8-K dated January 28, 2021).
* 4.6	Indenture, dated as of November 2, 2018, among Vector Group Ltd., the guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to Vector's Form 8-K dated November 2, 2018).
* 4.7	First Supplemental Indenture, dated as of November 18, 2019, among Vector Group Ltd., the guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 in Vector's Form 8-K dated November 18, 2019).
* 4.8	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.12 in Vector's Form 10-K for the year ended December 31, 2019).
* 10.1	Settlement Agreement, dated March 15, 1996, by and among the State of West Virginia, State of Florida, State of Mississippi, Commonwealth of Massachusetts, and State of Louisiana, Brooke Group Holding and Liggett (incorporated by reference to Exhibit 15 in the Schedule 13D filed by Vector on March 11, 1996, as amended, with respect to the common stock of RJR Nabisco Holdings Corp.).
* 10.2	Addendum to Initial States Settlement Agreement (incorporated by reference to Exhibit 10.43 in Vector's Form 10-Q for the quarter ended March 31, 1997).
* 10.3	Settlement Agreement, dated March 12, 1998, by and among the States listed in Appendix A thereto, Brooke Group Holding and Liggett (incorporated by reference to Exhibit 10.35 in Vector's Form 10-K for the year ended December 31, 1997).
* 10.4	Master Settlement Agreement made by the Settling States and Participating Manufacturers signatories thereto (incorporated by reference to Exhibit 10.1 in Philip Morris Companies Inc.'s Form 8-K dated November 25, 1998, Commission File No. 1-8940).
* 10.5	General Liggett Replacement Agreement, dated as of November 23, 1998, entered into by each of the Settling States under the Master Settlement Agreement, and Brooke Group Holding and Liggett (incorporated by reference to Exhibit 10.34 in Vector's Form 10-K for the year ended December 31, 1998).
* 10.6	Stipulation and Agreed Order regarding Stay of Execution Pending Review and Related Matters, dated May 7, 2001, entered into by Philip Morris Incorporated, Lorillard Tobacco Co., Liggett and Brooke Group Holding Inc. and the class counsel in Engel, et al., v. R.J. Reynolds Tobacco Co., et. al. (incorporated by reference to Exhibit 99.2 in Philip Morris Companies Inc.'s Form 8-K dated May 7, 2001).
* 10.7	Term Sheet agreed to by Liggett, certain other Participating Manufacturers, 18 states, the District of Columbia and Puerto Rico (incorporated by reference to Exhibit 10.1 to Reynolds American Inc.'s (Commission File Number 1-32258) Form 8-K, dated March 12, 2013).

EXHIBIT NO.	DESCRIPTION
* 10.8	Settlement Agreement as of October 22, 2013, by, between and among: (a) Liggett and Vector and (b) Plaintiffs' Coordinating Counsel, Participating Plaintiffs' Counsel, and their respective clients who are plaintiffs in certain <i>Engle</i> Progeny Actions (incorporated by reference to Exhibit 10.18 to Vector's Form 10-K for the year ended December 31, 2013).
* 10.9	Settlement Agreement as of October 22, 2013, by, between and among: (a) Liggett Group LLC and Vector, and (b) Plaintiffs' Coordinating Counsel, The Wilner Firm, and The Wilner Firm's clients who are plaintiffs in certain federal and state <i>Engle</i> Progeny Actions (incorporated by reference to Exhibit 10.19 to Vector's Form 10-K for the year ended December 31, 2013).
* 10.10	Amended and Restated Employment Agreement dated as of January 27, 2006, between Vector and Howard M. Lorber (incorporated by reference to Exhibit 10.1 in Vector's Form 8-K dated January 27, 2006).
* 10.11	Executive Letter Agreement, dated as of December 21, 2021 between Vector Group Ltd. and Howard M. Lorber (incorporated by reference to Exhibit 10.3 in Vector's Form 8-K dated December 21, 2021).
* 10.12	Employment Agreement, dated as of January 27, 2006, between Vector and Richard J. Lampen (incorporated by reference to Exhibit 10.3 in Vector's Form 8-K dated January 27, 2006).
* 10.13	Amendment to the Employment Agreement dated as of February 22, 2012 between Vector Group Ltd. and Richard J. Lampen (incorporated by reference to Exhibit 10.3 in Vector's Form 8-K/A dated February 21, 2012).
* 10.14	Amendment to the Employment Agreement dated January 15, 2021 between Vector Group Ltd. and Richard J. Lampen (incorporated by reference to Exhibit 10.1 in Vector's Form 8-K dated January 14, 2021).
* 10.15	Executive Letter Agreement, dated as of December 21, 2021 between Vector Group Ltd. and Richard J. Lampen (incorporated by reference to Exhibit 10.4 in Vector's Form 8-K dated December 21, 2021).
* 10.16	Amended and Restated Employment Agreement, dated as of January 27, 2006, between Vector and Marc N. Bell (incorporated by reference to Exhibit 10.4 in Vector's Form 8-K dated January 27, 2006).
* 10.17	Restricted Share Award Agreement, dated as of May 29, 2018, between Vector Group Ltd. and Marc N. Bell (incorporated by reference to Exhibit 10.1 in Vector's Form 10-Q dated June 30, 2018).
* 10.18	Executive Letter Agreement, dated as of December 21, 2021 between Vector Group Ltd. and Marc N. Bell (incorporated by reference to Exhibit 10.6 in Vector's Form 8-K dated December 21, 2021).
* 10.19	Letter Agreement, dated as of February 18, 2020, by and among Ronald J. Bernstein, Liggett Vector Brands LLC, Vector Group Ltd. (incorporated by reference to Exhibit 10.1 in Vector's Form 8-k dated February 18, 2020).
* 10.20	Employment Agreement, dated as of January 27, 2006, between Vector and J. Bryant Kirkland III (incorporated by reference to Exhibit 10.5 in Vector's Form 8-K dated January 27, 2006).
* 10.21	Amendment to Employment Agreement, dated as of February 29, 2016, by and between Vector Group Ltd. and J. Bryant Kirkland III (incorporated by reference to Exhibit 10.1 in Vector's Form 8-K dated February 29, 2016).
* 10.22	Second Amendment to Employment Agreement, dated as of December 21, 2021 between Vector Group Ltd. and J. Bryant Kirkland III (incorporated by reference to Exhibit 10.7 in Vector's Form 8-K dated December 21, 2021).

EXHIBIT NO.	DESCRIPTION
* 10.23	Executive Letter Agreement, dated as of December 21, 2021 between Vector Group Ltd. and J. Bryant Kirkland III (incorporated by reference to Exhibit 10.5 in Vector's Form 8-K dated December 21, 2021).
* 10.24	Employment Agreement, dated as of March 6, 2020, by and between Liggett Vector Brands LLC and Nicholas P. Anson (incorporated by reference to Exhibit 10.22 of Vector's Form 10-K for the period ending December 31, 2021).
* 10.25	Vector Group Ltd. Amended and Restated 1999 Long-Term Incentive Plan (incorporated by reference to Appendix B in Vector's Proxy Statement dated April 21, 2004).
* 10.26	Vector Group Ltd. Management Incentive Plan (incorporated by reference to Exhibit 10.3 of Vector's Form 8-K dated March 10, 2014).
* 10.27	Vector Group Ltd. Amended and Restated 2014 Management Incentive Plan (incorporated by reference to Exhibit 10.1 of Vector's Form 10-Q for the period ending June 30, 2021).
* 10.28	Restricted Shares Award Agreement Pursuant to the Vector Group Ltd. Amended and Restated 2014 Management Incentive Plan (incorporated by reference to Exhibit 10.2 of Vector's Form 10-Q for the period ending June 30, 2021).
* 10.29	Performance-based Restricted Shares Award Agreement Pursuant to the Vector Group Ltd. Amended and Restated 2014 Management Incentive Plan (incorporated by reference to Exhibit 10.3 of Vector's Form 10-Q for the period ending June 30, 2021).
* 10.30	Form of 1999 Amended and Restated Incentive Plan Option Agreement to Named Executive Officers (incorporated by reference to Exhibit 10.21 of Vector's Form 10-K dated December 31, 2017).
* 10.31	Form of 2014 Management Incentive Plan Option Award to Named Executive Officers (incorporated by reference to Exhibit 10.22 of Vector's Form 10-K dated December 31, 2017).
* 10.32	Performance-Based Restricted Share Award Agreement, pursuant to Vector Group Ltd. Management Incentive Plan, dated as of November 10, 2015 by and between Vector Group Ltd. and Howard M. Lorber (incorporated by reference to Exhibit 10.1 of Vector's Form 8-K dated November 10, 2015).
* 10.33	Vector Supplemental Retirement Plan (as amended and restated April 24, 2008) (incorporated by reference to Exhibit 10.1 in Vector's Form 10-Q for the quarter ended June 30, 2008).
* 10.34	Office Lease, dated as of September 10, 2012, between Vector Group Ltd. and Frost Real Estate Holdings, LLC. (incorporated by reference to Exhibit 10.1 in Vector's Form 8-K dated September 10, 2012).
* 10.35	First Amendment, dated as of November 12, 2012, to Office Lease, dated as of September 10, 2012, between Vector Group Ltd. and Frost Real Estate Holdings, LLC. (incorporated by reference to Exhibit 10.40 of Vector's Form 10-K dated December 31, 2012).
* 10.36	Second Amendment, dated as of September 1, 2017, to Office Lease, dated as of September 10, 2012, between Vector Group Ltd. and Frost Real Estate Holdings, LLC (incorporated by reference to Exhibit 10.32 of Vector's Form 10-K dated December 31, 2017).
* 10.37	Vector Group Ltd. Equity Retention and Hedging Policy (incorporated by reference to Exhibit 10.1 of Vector's Form 8-K dated January 15, 2013).

EXHIBIT NO.	DESCRIPTION
* 10.38	Vector Group Ltd. Stock Ownership Guidelines (incorporated by reference to Exhibit 10.1 of Vector's Form 8-K dated March 10, 2014).
* 10.39	Vector Group Ltd. Executive Compensation Clawback Policy (incorporated by reference to Exhibit 10.2 of Vector's Form 8-K dated March 10, 2014).
* 10.40	Third Amended and Restated Credit Agreement, dated as of January 14, 2015, among Liggett Group LLC, 100 Maple LLC, and, upon its accession thereto pursuant to Amendment No. 4 and Joinder, Vector Tobacco Inc., the lenders party thereto from time to time and Wells Fargo Bank, National Association, as administrative and collateral agent, as amended by Amendment No. 1 to Third Amended and Restated Credit Agreement, dated as of January 27, 2017, Amendment No. 2 to Third Amended and Restated Credit Agreement, dated as of October 30, 2018, Amendment No. 3 to Third Amended and Restated Credit Agreement, dated as of October 31, 2019, and Amendment No. 4 and Joinder to Third Amended and Restated Credit Agreement, dated as of March 22, 2021 (incorporated by reference to Exhibit 10.1 in Vector's Form 8-K dated March 22, 2021).
* 10.41	Transition Services Agreement, dated as of December 21, 2021 between Vector Group Ltd. and Douglas Elliman Inc. (incorporated by reference to Exhibit 10.1 in Vector's Form 8-K dated December 21, 2021).
* 10.42	Tax Disaffiliation Agreement, dated as of December 21, 2021 between Vector Group Ltd. and Douglas Elliman Inc. (incorporated by reference to Exhibit 10.2 in Vector's Form 8-K dated December 21, 2021).
* 10.43	Form of Aircraft Lease Agreement (incorporated by reference to Exhibit 10.8 in Vector's Form 8-K dated December 21, 2021).
21.1	Subsidiaries of Vector.
22.1	List of Subsidiary Guarantors.
23.1	Consent of Deloitte & Touche LLP.
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	Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of 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	Material Legal Proceedings.
99.2	Condensed Consolidating Financial Statements of Vector Group Ltd.

* Incorporated by reference

Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this report pursuant to Item 14(c) is listed in exhibit numbers 10.10 through 10.27.

ITEM 16. FORM 10-K SUMMARY.

Not applicable.

SIGNATURES

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, Chief Financial Officer and Treasurer

Date: March 2, 2022

POWER OF ATTORNEY

The undersigned directors and officers of Vector Group Ltd. hereby constitute and appoint Richard J. Lampen, J. Bryant Kirkland III and Marc N. Bell, and each of them, with full power to act without the other and with full power of substitution and resubstitutions, our true and lawful attorneys-in-fact with full power to execute in our name and behalf in the capacities indicated below, this Annual Report on Form 10-K and any and all amendments thereto and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, and hereby ratify and confirm all that such attorneys-in-fact, or any of them, or their substitutes shall lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 2, 2022.

SIGNATURE	TITLE
<hr/> <i>/s/ Howard M. Lorber</i> <hr/> Howard M. Lorber	President and Chief Executive Officer (Principal Executive Officer)
<hr/> <i>/s/ J. Bryant Kirkland III</i> <hr/> J. Bryant Kirkland III	Senior Vice President, Treasurer and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
<hr/> <i>/s/ Bennett S. LeBow</i> <hr/> Bennett S. LeBow	Director
<hr/> <i>/s/ Stanley S. Arkin</i> <hr/> Stanley S. Arkin	Director
<hr/> <i>/s/ Henry C. Beinstein</i> <hr/> Henry C. Beinstein	Director
<hr/> <i>/s/ Ronald J. Bernstein</i> <hr/> Ronald J. Bernstein	Director
<hr/> <i>/s/ Paul V. Carlucci</i> <hr/> Paul V. Carlucci	Director
<hr/> <i>/s/ Richard J. Lampen</i> <hr/> Richard J. Lampen	Director
<hr/> <i>/s/ Jean E. Sharpe</i> <hr/> Jean E. Sharpe	Director
<hr/> <i>/s/ Barry Watkins</i> <hr/> Barry Watkins	Director
<hr/> <i>/s/ Wilson L. White</i> <hr/> Wilson L. White	Director

VECTOR GROUP LTD.
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2021
ITEMS 8, 15(a)(1) AND (2), 15(c)

INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

Financial Statements and Schedules of the Registrant and its subsidiaries required to be included in Items 8, 15(a) (1) and (2), 15(c) are listed below:

	<u>Page</u>
FINANCIAL STATEMENTS:	
Vector Group Ltd. Consolidated Financial Statements	F-2
Report of Independent Registered Public Accounting Firm (PCAOB ID No. 34)	F-4
Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020	F-5
Consolidated Statements of Operations for the years ended December 31, 2021, 2020 and 2019	F-6
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Consolidated Statements of Stockholders' Deficiency for the years ended December 31, 2021, 2020 and 2019	F-8
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019	F-10
Notes to Consolidated Financial Statements	F-10
FINANCIAL STATEMENT SCHEDULE:	
Schedule II — Valuation and Qualifying Accounts	F-70

Financial Statement Schedules not listed above have been omitted because they are not applicable or the required information is contained in our consolidated financial statements or accompanying notes.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Vector Group Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Vector Group Ltd. and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, stockholders' deficiency, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes and the financial statement schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 2, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Contingencies: Tobacco-Related Litigation—Refer to Note 15 to the consolidated financial statements

Critical Audit Matter Description

The Company's wholly owned subsidiary Liggett Group LLC ("Liggett") is subject to litigation related to tobacco product liability. Legal proceedings regarding Liggett's tobacco products are pending or threatened in various jurisdictions against Liggett and the Company. The Company records provisions for pending litigation when it determines that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. While it is reasonably possible that an unfavorable outcome in a case may occur: (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. Therefore, management has not provided any amounts in the financial statements for unfavorable outcomes. Total tobacco-related litigation accruals were \$21.6 million at December 31, 2021.

Given the subjectivity of estimating the projected liability of reported and unreported claims and assessing the probability of the outcome, performing audit procedures to evaluate whether tobacco product liabilities were appropriately recorded as of December 31, 2021 required a high level of auditor judgment and an increased extent of effort.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the evaluation of whether tobacco product liabilities were appropriately recorded included the following, among others:

- We tested the effectiveness of controls relating to the determination of tobacco product liability contingencies.
- We evaluated the provisions for tobacco litigation by:
 - Obtaining letters from the Company’s internal and external counsel which include schedules and analysis of all pending tobacco-related cases.
 - Conducting quarterly discussions with the Company’s general counsel and obtaining updates on tobacco litigation activity.
 - Reviewing tobacco product liability activity of other public tobacco companies for which Liggett is often a co-defendant.
 - Evaluating recorded provisions and disclosures based on the information obtained.
 - Utilizing the information obtained from the letters from the Company’s internal and external counsel, quarterly discussions with the Company’s general counsel, and tobacco product liability activity of other tobacco companies, to assess management’s conclusion of the probability of the outcome for pending litigation.

/s/ Deloitte & Touche LLP

Miami, Florida

March 2, 2022

We have served as the Company’s auditor since 2015.

VECTOR GROUP LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2021	December 31, 2020
	(Dollars in thousands, except per share amounts)	
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 193,411	\$ 258,421
Investment securities at fair value	146,687	135,585
Accounts receivable - trade, net	16,067	16,334
Inventories	94,615	97,545
Income taxes receivable, net	10,948	—
Other current assets	10,075	7,653
Current assets of discontinued operations	—	148,365
Total current assets	471,803	663,903
Property, plant and equipment, net	36,883	35,285
Investments in real estate, net	9,098	15,631
Long-term investments (includes \$32,089 and \$33,981 at fair value)	53,073	52,291
Investments in real estate ventures	105,062	85,400
Operating lease right-of-use assets	10,972	12,253
Intangible assets	107,511	107,511
Other assets	76,685	65,518
Long-term assets of discontinued operations	—	305,617
Total assets	\$ 871,087	\$ 1,343,409
LIABILITIES AND STOCKHOLDERS' DEFICIENCY:		
Current liabilities:		
Current portion of notes payable and long-term debt	\$ 79	\$ 57
Current payments due under the Master Settlement Agreement	11,886	38,767
Current operating lease liability	3,838	3,454
Income taxes payable, net	—	5,830
Other current liabilities	149,487	135,558
Current liabilities of discontinued operations	—	99,649
Total current liabilities	165,290	283,315
Notes payable, long-term debt and other obligations, less current portion	1,398,591	1,380,809
Non-current employee benefits	68,970	66,616
Deferred income taxes, net	34,768	18,944
Non-current operating lease liability	8,853	10,903
Payments due under the Master Settlement Agreement	13,224	17,933
Other liabilities	22,944	20,464
Long-term liabilities of discontinued operations	—	204,112
Total liabilities	1,712,640	2,003,096
Commitments and contingencies (Notes 5 and 15)		
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, 153,959,427 and 153,324,629 shares issued and outstanding	15,396	15,332
Additional paid-in capital	11,172	—
Accumulated deficit	(852,398)	(653,945)
Accumulated other comprehensive loss	(15,723)	(21,074)
Total Vector Group Ltd. stockholders' deficiency	(841,553)	(659,687)
Total liabilities and stockholders' deficiency	\$ 871,087	\$ 1,343,409

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

VECTOR GROUP LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands, except per share amounts)		
Revenues:			
Tobacco*	\$ 1,202,497	\$ 1,204,501	\$ 1,114,840
Real estate	18,203	24,181	4,763
Total revenues	1,220,700	1,228,682	1,119,603
Expenses:			
Cost of sales:			
Tobacco*	758,015	795,904	771,130
Real estate	11,527	23,698	3,755
Total cost of sales	769,542	819,602	774,885
Operating, selling, administrative and general expenses	131,418	116,598	109,113
Litigation settlement and judgment expense	211	337	990
Net gains on sales of assets	(910)	(2,283)	—
Operating income	320,439	294,428	234,615
Other income (expenses):			
Interest expense	(112,728)	(121,278)	(137,543)
Loss on extinguishment of debt	(21,362)	—	(4,301)
Change in fair value of derivatives embedded within convertible debt	—	4,999	26,425
Equity in earnings from investments	2,675	56,268	17,000
Equity in earnings (losses) from real estate ventures	10,250	(44,728)	(27,760)
Other, net	10,687	(8,646)	16,579
Income before provision for income taxes	209,961	181,043	125,015
Income tax expense	62,807	54,121	31,085
Income from continuing operations	147,154	126,922	93,930
Income (loss) from discontinued operations, net of income taxes	72,119	(33,984)	7,085
Net income	219,273	92,938	101,015
Net (income) from continuing operations attributed to non-controlling interest	—	—	(41)
Net loss from discontinued operations attributed to non-controlling interest	190	—	—
Net loss (income) attributed to non-controlling interest	190	—	(41)
Net income attributed to Vector Group Ltd. from continuing operations	147,154	126,922	93,889
Net income (loss) attributed to Vector Group Ltd. from discontinued operations	72,309	(33,984)	7,085
Net income attributed to Vector Group Ltd.	\$ 219,463	\$ 92,938	\$ 100,974
Per basic common share:			
Net income from continuing operations applicable to common shares attributed to Vector Group Ltd.	\$ 0.94	\$ 0.83	\$ 0.59
Net income (loss) from discontinued operations applicable to common shares attributed to Vector Group Ltd.	0.46	(0.23)	0.05
Net income applicable to common shares attributed to Vector Group Ltd.	\$ 1.40	\$ 0.60	\$ 0.64
Per diluted common share:			
Net income from continuing operations applicable to common shares attributed to Vector Group Ltd.	\$ 0.94	\$ 0.83	\$ 0.58
Net income (loss) from discontinued operations applicable to common shares attributed to Vector Group Ltd.	0.46	(0.23)	0.05
Net income applicable to common shares attributed to Vector Group Ltd.	\$ 1.40	\$ 0.60	\$ 0.63

* Revenues and cost of sales include federal excise taxes of \$434,695, \$461,532 and \$451,256 for the years ended December 31, 2021, 2020 and 2019, respectively.

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

VECTOR GROUP LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Net income	\$ 219,273	\$ 92,938	\$ 101,015
Net unrealized (losses) gains on investment securities available for sale:			
Change in net unrealized (losses) gains	(747)	(454)	681
Net unrealized losses (gains) reclassified into net income	232	306	(118)
Net unrealized (losses) gains on investment securities available for sale	(515)	(148)	563
Net change in pension-related amounts:			
Amortization of prior service costs	(44)	4	(33)
Effect of settlement	—	1,805	—
Net gain (loss) arising during the year	5,967	(2,503)	1,454
Amortization of loss	1,921	1,847	1,961
Net change in pension-related amounts	7,844	1,153	3,382
Other comprehensive income	7,329	1,005	3,945
Income tax effect on:			
Change in net unrealized (losses) gains on investment securities	202	123	(187)
Net unrealized losses (gains) reclassified into net income on investment securities	(63)	(83)	32
Pension-related amounts	(2,117)	(311)	(919)
Income tax provision on other comprehensive income	(1,978)	(271)	(1,074)
Other comprehensive income, net of tax from continuing operations	5,351	734	2,871
Other comprehensive income, net of tax from discontinued operations	—	—	—
Other comprehensive income, net of tax	5,351	734	2,871
Comprehensive income	224,624	93,672	103,886
Comprehensive loss (income) attributed to non-controlling interest	190	—	(41)
Comprehensive income attributed to Vector Group Ltd.	<u>\$ 224,814</u>	<u>\$ 93,672</u>	<u>\$ 103,845</u>

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

VECTOR GROUP LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interest	Total
	Shares	Amount					
	(Dollars in thousands)						
Balance, January 1, 2019	140,914,642	\$ 14,092	\$ —	\$ (542,169)	\$ (19,982)	\$ 693	\$ (547,366)
Impact of adoption of new accounting standards				3,147	(4,697)	—	(1,550)
Net income	—	—	—	100,974	—	41	101,015
Total other comprehensive income	—	—	—	—	2,871	—	2,871
Total comprehensive income	—	—	—	—	—	—	103,886
Distributions and dividends on common stock (\$1.54 per share)	—	—	(4,041)	(233,298)	—	—	(237,339)
Restricted stock grant	60,000	6	(6)	—	—	—	—
Surrender of shares in connection with restricted stock vesting	(221,668)	(22)	(2,152)	—	—	—	(2,174)
Surrender of shares in connection with restricted stock vesting and stock option exercise	(1,529,512)	(153)	(18,905)	—	—	—	(19,058)
Effect of stock dividend	7,037,087	703	—	(703)	—	—	—
Exercise of stock options	1,824,351	182	15,635	—	—	—	15,817
Stock-based compensation	—	—	9,469	—	—	—	9,469
Basis adjustment on non-controlling interest	—	—	—	(6,415)	—	—	(6,415)
Distributions to non-controlling interest	—	—	—	—	—	(286)	(286)
Balance, December 31, 2019	148,084,900	14,808	—	(678,464)	(21,808)	448	(685,016)
Impact of adoption of new accounting standards	—	—	—	(2,263)	—	—	(2,263)
Net income	—	—	—	92,938	—	—	92,938
Total other comprehensive income	—	—	—	—	734	—	734
Total comprehensive income	—	—	—	—	—	—	93,672
Distributions and dividends on common stock (\$0.80 per share)	—	—	(58,892)	(66,236)	—	—	(125,128)
Restricted stock grant	425,000	43	(43)	—	—	—	—
Surrender of shares in connection with restricted stock vesting	(216,542)	(22)	(2,164)	—	—	—	(2,186)
Surrender of shares in connection with stock option exercise	(589,256)	(59)	(7,298)	—	—	—	(7,357)
Issuance of common stock	5,000,000	500	52,063	—	—	—	52,563
Exercise of stock options	620,527	62	6,851	—	—	—	6,913
Stock-based compensation	—	—	9,483	—	—	—	9,483
Distributions to non-controlling interest	—	—	—	—	—	(448)	(448)
Other	—	—	—	80	—	—	80
Balance, December 31, 2020	153,324,629	15,332	—	(653,945)	(21,074)	—	(659,687)
Net income	—	—	—	219,463	—	(190)	219,273
Total other comprehensive income	—	—	—	—	5,351	—	5,351
Total comprehensive income	—	—	—	—	—	—	224,624
Distributions and dividends on common stock (\$0.80 per share)	—	—	—	(126,371)	—	—	(126,371)
Restricted stock grant	873,500	88	(88)	—	—	—	—
Surrender of shares in connection with restricted stock vesting	(238,702)	(24)	(3,539)	—	—	—	(3,563)
Stock-based compensation	—	—	14,799	—	—	—	14,799
Acquisition of subsidiary	—	—	—	—	—	500	500
Contributions from non-controlling interest	—	—	—	—	—	1,625	1,625
Distribution of Douglas Elliman Inc.	—	—	—	(291,545)	—	(1,935)	(293,480)
Balance, December 31, 2021	153,959,427	\$ 15,396	\$ 11,172	\$ (852,398)	\$ (15,723)	\$ —	\$ (841,553)

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

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

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income	\$ 219,273	\$ 92,938	\$ 101,015
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	16,334	17,629	17,851
Non-cash stock-based expense	14,799	9,483	9,469
Loss on extinguishment of debt	8,349	—	2,944
Impairments of goodwill and intangible assets	—	58,252	—
Gain on sale of assets	(724)	(1,114)	(42)
Deferred income taxes	14,464	(673)	(11,198)
Distributions from investments	134	54,004	17,940
Equity in earnings from investments	(2,675)	(56,268)	(17,000)
Net gains on investment securities	(9,648)	(1,818)	(7,440)
Equity in (earnings) losses from real estate ventures	(9,972)	44,698	19,288
Distributions from real estate ventures	25,326	1,933	7,028
Non-cash interest expense	4,838	4,331	2,052
Non-cash lease expense	21,941	20,496	21,088
Non-cash portion of restructuring charges	—	1,214	—
Excess tax benefit of stock compensation	—	264	1,488
Provision for credit losses	3,331	14,288	1,206
Other	393	(581)	—
Changes in assets and liabilities:			
Receivables	(9,630)	(8,371)	(7,950)
Inventories	2,930	1,217	(7,767)
Accounts payable and accrued liabilities	196	3,237	(3,983)
Payments due under the Master Settlement Agreement	(31,590)	5,309	(1,553)
Investments in real estate, net	5,652	12,449	—
Other assets and liabilities, net	(18,502)	(5,370)	(20,365)
Net cash provided by operating activities	\$ 255,219	\$ 267,547	\$ 124,071

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

VECTOR GROUP LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Cash flows from investing activities:			
Sale of investment securities	\$ 45,627	\$ 30,458	\$ 21,879
Maturities of investment securities	71,505	61,230	68,859
Purchase of investment securities	(124,080)	(99,871)	(87,766)
Proceeds from sale or liquidation of long-term investments	11,509	32,572	8,256
Purchase of long-term investments	(14,316)	(9,687)	(9,223)
(Increase) decrease in restricted assets	(5)	436	994
Investments in real estate ventures	(49,463)	(14,922)	(52,529)
Distributions from investments in real estate ventures	11,936	18,818	41,300
Cash acquired in purchase of subsidiaries	—	2,760	—
Proceeds from sale of fixed assets	17	5,162	17
Capital expenditures	(13,506)	(19,063)	(12,575)
Increase in cash surrender value of life insurance policies	(1,219)	(642)	(719)
Purchase of subsidiaries	(500)	(722)	(380)
Pay downs of investment securities	525	812	1,083
Investments in real estate, net	—	—	(2,295)
Net cash (used in) provided by investing activities	(61,970)	7,341	(23,099)
Cash flows from financing activities:			
Proceeds from issuance of debt	875,000	—	230,000
Repayments of debt	(862,973)	(174,989)	(293,419)
Deferred financing costs	(20,109)	—	(9,802)
Borrowings under revolver	27,892	130,741	243,688
Repayments on revolver	(27,868)	(165,693)	(239,526)
Dividends and distributions on common stock	(131,798)	(128,231)	(238,249)
Distributions to non-controlling interest	—	(448)	(286)
Contributions from non-controlling interest	1,625	—	—
Proceeds from the issuance of common stock	—	52,563	—
Tax withholdings related to net share settlements	(13,145)	(2,630)	(5,415)
Cash transferred to Douglas Elliman Inc. at spin-off	(212,571)	—	—
Other	(130)	—	(216)
Net cash used in financing activities	(364,077)	(288,687)	(313,225)
Net decrease in cash, cash equivalents and restricted cash	(170,828)	(13,799)	(212,253)
Cash, cash equivalents and restricted cash, beginning of year	365,677	379,476	591,729
Cash, cash equivalents and restricted cash, end of year	\$ 194,849	\$ 365,677	\$ 379,476

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

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands, Except Per Share Amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) ***Basis of Presentation:***

The Consolidated Financial Statements included in this annual report present the financial position of Vector Group Ltd. as of December 31, 2021 and 2020 and the results of operations of Vector Group Ltd. for the years ended December 31, 2021, 2020 and 2019 giving effect to the spin-off of Douglas Elliman Inc. (“Douglas Elliman”) with the historical financial results of Douglas Elliman reflected as discontinued operations (See Note 6.). The cash flows and comprehensive income related to Douglas Elliman have not been segregated and are included in the Consolidated Statements of Cash Flows and Consolidated Statements of Comprehensive Income, respectively, for all periods presented. Unless otherwise indicated, the information in the Notes to the Consolidated Financial Statements refer only to Vector Group’s continuing operations and do not include discussion of balances or activity of Douglas Elliman.

The 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. New Valley includes the accounts of 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.

(b) ***Estimates and Assumptions:***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Significant estimates subject to material changes in the near term include impairment charges, valuation of intangible assets, promotional accruals, actuarial assumptions of pension plans, deferred tax liabilities, settlement accruals, valuation of investments, including other-than-temporary impairments to such investments, and litigation and defense costs. Actual results could differ from those estimates.

(c) ***Cash and Cash Equivalents:***

Cash includes cash on hand, cash on deposit in banks, and money market accounts. Cash equivalents is comprised of short-term investments which have an original maturity of 90 days or less. Interest on short-term investments is recognized when earned. The Company places its cash and cash equivalents with large commercial banks. The Federal Deposit Insurance Corporation and Securities Investor Protection Corporation insure these balances, up to \$250 and \$500, respectively. Substantially all of the Company’s cash balances at December 31, 2021 are uninsured.

(d) ***Reconciliation of Cash, Cash Equivalents and Restricted Cash:***

Restricted cash amounts included in other current assets and other assets represent cash and cash equivalents required to be deposited into escrow for bonds required to appeal adverse product liability judgments, amounts required for letters of credit related to office leases, and certain deposit requirements for banking arrangements. The restrictions related to the appellate bonds will remain in place until the appeal process has been completed. The restrictions related to the letters of credit will remain in place for the duration of the respective lease. The restrictions related to the banking arrangements will remain in place for the duration of the arrangement.

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The components of “Cash, cash equivalents and restricted cash” in the Consolidated Statements of Cash Flows were as follows:

	December 31, 2021	December 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 193,411	\$ 258,421	\$ 299,856
Restricted cash and cash equivalents included in other assets	1,438	554	552
Cash, cash equivalents and restricted cash of discontinued operations	—	106,702	79,068
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	<u>\$ 194,849</u>	<u>\$ 365,677</u>	<u>\$ 379,476</u>

(e) Investment Securities:

The Company classifies investments in debt securities as available for sale. Investments classified as available for sale are carried at fair value, with net unrealized gains and losses included as a separate component of stockholders’ deficiency. The cost of securities sold is determined based on average cost.

Gains are recognized when realized in the Company’s consolidated statements of operations. Losses are recognized as realized or upon the determination of the occurrence of an other-than-temporary decline in fair value. The Company’s policy is to review its securities on a periodic basis to evaluate whether any security has experienced an other-than-temporary decline in fair value. If it is determined that an other-than-temporary decline exists in one of the Company’s debt securities, it is the Company’s policy to record an impairment charge with respect to such investment in the Company’s consolidated statements of operations.

The Company classifies investments in marketable equity securities as equity securities at fair value. The Company’s marketable equity securities are measured at fair value with changes in fair value recognized in net income. Gains and losses are recognized when realized in the Company’s consolidated statements of operations. Investments in marketable equity securities represent less than a 20 percent interest in the investees and the Company does not exercise significant influence over such entities.

(f) Significant Concentrations of Credit Risk:

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and trade receivables. The Company places its temporary cash in money market securities (investment grade or better) with, what management believes, high credit quality financial institutions.

Liggett’s customers are primarily wholesalers and distributors of tobacco and convenience products as well as large grocery, drug and convenience store chains. Two customers accounted for 14% and 12% of Liggett’s revenues in 2021, 18% and 12% in 2020, and 17% and 12% in 2019. Concentrations of credit risk with respect to trade receivables are generally limited due to Liggett’s large number of customers. Liggett’s two largest customers represented approximately 0% and 2%, respectively, of Liggett’s net accounts receivable at December 31, 2021, and approximately 5% and 4%, respectively, at December 31, 2020. Ongoing credit evaluations of customers’ financial condition are performed and, generally, no collateral is required. Liggett maintains reserves for potential credit losses and such losses, in the aggregate, have not exceeded management’s expectations.

(g) Accounts Receivable - trade, net:

Accounts receivable-trade are recorded net of an allowance for credit losses and cash discounts. The Company estimates the allowance for credit losses based on historical experience, the age of the accounts receivable balances, credit quality of our customers, current economic conditions, supportable forecasts of future economic condition, and other factors that may affect our ability to collect from customers. The allowance for credit losses and cash discounts was \$326 and \$334 at December 31, 2021 and 2020, respectively. Uncollectible accounts are written off when the likelihood of collection is remote and when collection efforts have been abandoned.

(h) Inventories:

Tobacco inventories are stated at the lower of cost and net realizable value with cost determined primarily by the last-in, first-out (LIFO) method at Liggett and Vector Tobacco. Although portions of leaf tobacco inventories may not be used or sold

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

within one year because of the time required for aging, they are included in current assets, which is common practice in the industry.

(i) Property, Plant and Equipment:

Property, plant and equipment are stated at cost. Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets, which are 20 to 30 years for buildings and 3 to 10 years for machinery and equipment.

Repairs and maintenance costs are charged to expense as incurred. The costs of major renewals and betterments are capitalized. The cost and related accumulated depreciation of property, plant and equipment are removed from the accounts upon retirement or other disposition and any resulting gain or loss is reflected in operations.

The cost of leasehold improvements is amortized over the lesser of the related leases or the estimated useful lives of the improvements. Costs of major additions and betterments are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred.

(j) Investments in Real Estate Ventures:

In accounting for its investments in real estate ventures, the Company identified its participation in Variable Interest Entities (“VIE”), which are defined as (a) entities in which the equity investment at risk is not sufficient to finance its activities without additional subordinated financial support; (b) as a group, the equity investors at risk lack 1) the power to direct the activities of a legal entity that most significantly impact the entity’s economic performance, 2) the obligation to absorb the expected losses of the entity, or 3) the right to receive the expected residual returns of the entity; or (c) as a group, the equity investors have voting rights that are not proportionate to their economic interests and the entity’s activities involve or are conducted on behalf of an investor with a disproportionately small voting interest.

The Company’s interest in VIEs is primarily in the form of equity ownership. The Company examines specific criteria and uses judgment when determining if the Company is the primary beneficiary of a VIE. Factors considered include risk and reward sharing, experience and financial condition of other partner(s), voting rights, involvement in day-to-day capital and operating decisions, representation on a VIE’s executive committee, existence of unilateral kick-out rights exclusive of protective rights or voting rights and level of economic disproportionality between the Company and its other partner(s).

Accounting guidance requires the consolidation of VIEs in which the Company is the primary beneficiary. The guidance requires consolidation of VIEs that an enterprise has a controlling financial interest. A controlling financial interest will have both of the following characteristics: (a) the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company’s maximum exposure to loss in its investments in unconsolidated VIEs is limited to its investment in the VIE, any unfunded capital commitments to the VIE, and, in some cases, guarantees in connection with debt on the specific project. The Company’s maximum exposure to loss in its investment in consolidated VIEs is limited to its investment, which is the carrying value of the investment net of the non-controlling interest. Creditors of the consolidated VIEs have no recourse to the general credit of the primary beneficiary.

On a quarterly basis, the Company evaluates its investments in real estate ventures to determine if there are indicators of impairment. If so, the Company further investigates to determine if an impairment has occurred and whether such impairment is considered temporary or other than temporary. The Company believes that the assessment of temporary or other-than-temporary impairment is facts-and-circumstances driven.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(k) Intangible Assets:

Intangible assets with indefinite lives are not amortized, but instead are tested for impairment at least annually as of December 31 and monitored for interim triggering events on an on-going basis. Our intangible asset associated with the benefit under the Master Settlement Agreement (“MSA”) relates to the market share payment exemption of The Medallion Company Inc. (now known as Vector Tobacco LLC), acquired in April 2002, under the MSA, which states payments under the MSA continue in perpetuity. As a result, the Company believes it will realize the benefit of the exemption for the foreseeable future.

The fair value of the intangible asset associated with the benefit under the MSA is calculated using discounted cash flows. This approach involves two steps: (i) estimating future cash savings due to the payment exemption under the MSA and (ii) discounting the resulting cash flow savings to determine fair value. This fair value is then compared with the carrying value of the intangible asset associated with the benefit under the MSA. To the extent that the carrying amount exceeds the implied fair value of the intangible asset, an impairment loss is recognized.

Indefinite life intangible assets as of December 31, 2021 and 2020, were \$107,511. The Company performed its impairment test for the years ended December 31, 2021, 2020 and 2019 and no impairment was noted.

(l) Impairment of Long-Lived Assets:

The Company reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company performs a test for recoverability, comparing projected undiscounted cash flows to the carrying value of the asset group to determine if impairment exists. If impairment is determined to exist, any related impairment loss is calculated based on fair value of the asset on the basis of discounted cash flow. Impairment losses on assets to be disposed of, if any, are based on the estimated proceeds to be received, less costs of disposal.

Additionally, the Company performs impairment reviews on its long-term investments that are classified as equity securities without readily determinable fair values that do not qualify for the net asset value (“NAV”) practical expedient. On a quarterly basis, the Company evaluates the investments to determine if there are indicators of impairment. If so, a determination is made of whether there is an impairment and if it is considered temporary or other than temporary. 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 the 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.

(m) Leases:

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets and lease liabilities on the Company’s consolidated balance sheets. Finance leases are included in investments in real estate, net, property, plant and equipment and current and long-term portions of notes payable and long-term debt on the Company’s consolidated balance sheets.

ROU assets represent the Company’s right to use an underlying asset for the duration of the lease term. Lease liabilities represent the Company’s obligation to make lease payments as determined by the lease agreement. Lease liabilities are recorded at commencement for the net present value of future lease payments over the lease term. The discount rate used is generally the Company’s estimated incremental borrowing rate unless the lessor’s implicit rate is readily determinable. Discount rates are calculated periodically to estimate the rate the Company would pay to borrow the funds necessary to obtain an asset of similar value, over a similar term, with a similar security. ROU assets are recorded and recognized at commencement for the lease liability amount, initial direct costs incurred and is reduced for lease incentives received. The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Operating lease expense is recognized on a straight-line basis over the lease term. Finance lease cost is recognized on a straight-line basis over the shorter of the useful life of the asset and the lease term.

The Company has lease agreements with lease and non-lease components; the Company has elected the accounting policy to combine lease and non-lease components for all underlying asset classes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(n) Pension, Postretirement and Postemployment Benefits Plans:

The cost of providing retiree pension benefits, health care and life insurance benefits is actuarially determined and accrued over the service period of the active employee group. The Company recognizes the funded status of each defined benefit pension plan, retiree health care and other postretirement benefit plans and postemployment benefit plans on the Company's consolidated balance sheets. (See Note 12).

(o) Stock Options and Awards:

The Company accounts for employee stock compensation plans by measuring compensation cost for share-based payments at fair value at grant date. The fair value is recognized as compensation expense over the vesting period on a straight-line basis. The terms of certain stock options awarded under the 2014 Management Incentive Plan and under the 1999 Plan provide for common stock dividend equivalents (paid in cash at the same rate as paid on the common stock) with respect to the shares underlying the unvested portion of the options. The Company recognizes payments of the dividend equivalent rights on these options on the Company's consolidated balance sheets as reductions in additional paid-in capital until fully utilized and then accumulated deficit (\$3,832, \$3,684 and \$8,967, net of income taxes, for the years ended December 31, 2021, 2020 and 2019, respectively), which are included as "Distributions and dividends on common stock" in the Company's consolidated statement of stockholders' deficiency.

(p) Income Taxes:

The Company accounts for income taxes under the liability method and records deferred taxes for the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for tax purposes as well as tax credit carryforwards and loss carryforwards. These deferred taxes are measured by applying the enacted tax rates relative to when the deferred item is expected to reverse. A valuation allowance reduces deferred tax assets when it is deemed more likely than not that some portion or all of the deferred tax assets will not be realized. A current tax provision is recorded for income taxes currently payable.

The Company accounts for uncertainty in income taxes by recognizing the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. If the tax position meets the more-likely-than-not recognition threshold, the tax effect is recognized at the largest amount of the benefit that is greater than 50% likely of being realized upon ultimate settlement. The guidance requires that a liability created for unrecognized deferred tax benefits shall be presented as a liability and not combined with deferred tax liabilities or assets. The Company classifies all tax-related interest and penalties as income tax expense.

(q) Distributions and Dividends on Common Stock:

The Company records distributions on its common stock as dividends in its consolidated statement of stockholders' deficiency to the extent of retained earnings. Any amounts exceeding retained earnings are recorded as a reduction to additional paid-in-capital to the extent paid-in-capital is available and then to accumulated deficit. The Company's stock dividends are recorded as stock splits and given retroactive effect to earnings per share for all years presented.

(r) Revenue Recognition:

Tobacco: Revenue from cigarette sales, which include federal excise taxes billed to customers, are recognized upon shipment of cigarettes when control has passed to the customer. Average collection terms for Tobacco sales range between three and twelve days from the time that the cigarettes are shipped to the customer. The Company records an allowance for goods estimated to be returned in other current liabilities and the associated receivable for anticipated federal excise tax refunds in other current assets on the consolidated balance sheets. The allowance for returned goods is based principally on sales volumes and historical return rates. The estimated costs of sales incentives, including customer incentives and trade promotion activities, are based principally on historical experience and are accounted for as reductions in Tobacco revenue. Expected payments for sales incentives are included in other current liabilities on the Company's consolidated balance sheets. The Company accounts for shipping and handling costs as fulfillment costs as part of cost of sales.

Tobacco Shipping and Handling Fees and Costs: Shipping and handling fees related to sales transactions are neither billed to customers nor recorded as revenue. Shipping and handling costs were \$7,006 in 2021, \$5,602 in 2020 and \$5,802 in 2019. Shipping and handling costs related to sales transactions are part of cost of sales.

Real estate: Revenue from facilities primarily relates to Escena and consists of revenues from food and beverage sales, fees charged for gameplay and the sale of golf related equipment and apparel. Revenue is recognized at the time of sale. See Note 11 for details of the Escena investment.

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Revenue from investments in real estate is recognized from land and building sales at the time of the closing of a sale, which is typically when cash is due, the performance obligation is satisfied as the title to and possession of the real estate asset are transferred to the buyer and the Company has no further obligations or involvement in the real estate asset.

(s) Advertising:

Tobacco advertising costs, which are expensed as incurred and included within operating, selling, administration and general expenses, were \$4,464, \$4,103 and \$3,751 for the years ended December 31, 2021, 2020 and 2019, respectively.

(t) Comprehensive Income:

The Company presents net income and other comprehensive income in two separate, but consecutive, statements. The items are presented before related tax effects with detailed amounts shown for the income tax expense or benefit related to each component of other comprehensive income.

The components of accumulated other comprehensive loss, net of income taxes, were as follows:

	December 31, 2021	December 31, 2020	December 31, 2019
Net unrealized gains on investment securities available for sale, net of income taxes of \$21, \$160, and \$200, respectively	\$ 46	\$ 422	\$ 530
Pension-related amounts, net of income taxes of \$5,692, \$7,809, and \$8,120, respectively	(15,769)	(21,496)	(22,338)
Accumulated other comprehensive loss	<u>\$ (15,723)</u>	<u>\$ (21,074)</u>	<u>\$ (21,808)</u>

(u) Contingencies:

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. As discussed in Note 15, legal proceedings covering a wide range of matters are pending or threatened in various jurisdictions against Liggett and the Company. At the present time, while it is reasonably possible that an unfavorable outcome in a case may occur, except as disclosed in Note 15: (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 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 consolidated financial statements for unfavorable outcomes, if any.

The Company records Liggett's product liability legal expenses as operating, selling, administrative and general expenses as those costs are incurred.

VECTOR GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(v) Other, Net:

Other, net consisted of:

	2021	Year Ended December 31, 2020	2019
Interest and dividend income	\$ 1,920	\$ 5,621	\$ 11,085
Net gains recognized on investment securities	9,384	1,818	7,440
Net periodic benefit cost other than the service costs	(975)	(3,618)	(2,298)
Credit loss expense	—	(12,828)	—
Other income	358	361	352
Other, net	<u>\$ 10,687</u>	<u>\$ (8,646)</u>	<u>\$ 16,579</u>

(w) Other Assets:

Other assets consisted of:

	December 31, 2021	December 31, 2020
Restricted assets	\$ 1,551	\$ 3,456
Prepaid pension costs	44,585	35,209
Other assets	30,549	26,853
Total other assets	<u>\$ 76,685</u>	<u>\$ 65,518</u>

(x) Other Current Liabilities:

Other current liabilities consisted of:

	December 31, 2021	December 31, 2020
Accounts payable	\$ 9,443	\$ 6,509
Accrued promotional expenses	55,647	45,579
Accrued excise and payroll taxes payable, net	22,919	13,849
Accrued interest	30,676	31,624
Accrued salaries and benefits	13,982	15,066
Allowance for sales returns	6,669	7,356
Other current liabilities	10,151	15,575
Total other current liabilities	<u>\$ 149,487</u>	<u>\$ 135,558</u>

(y) New Accounting Pronouncements:
Accounting Standards Updates (“ASU”) adopted in 2021:

In December 2019, the Financial Accounting Standards Board (the “FASB”) issued *ASU No. 2019-12, Simplifying the Accounting for Income Taxes (“ASU 2019-12”)*. This update simplifies various aspects related to accounting for income taxes, removes certain exceptions to the general principles in Accounting Standards Codification (“ASC”) 740, and clarifies and amends existing guidance to improve consistent application. *ASU No. 2019-12* is effective for fiscal years, and interim periods within those years, beginning after December 15, 2020. Adoption of this update did not have a material impact on the Company’s consolidated financial statements.

In January 2020, the FASB issued *ASU No. 2020-01, Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) (“ASU 2020-01”)*. The new standard clarifies the interaction of accounting for the transition into and out of the equity method. The new standard also clarifies the accounting for measuring certain purchased options and forward contracts to acquire investments. The ASU is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Adoption of this update did not have a material impact on the Company’s consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

ASUs to be adopted in future periods:

In March 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”). This ASU is intended to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (“LIBOR”) and other interbank offered rates to alternative reference rates. This guidance is effective for all entities for contract modifications beginning March 12, 2020 and can be applied prospectively through December 31, 2022. In January 2021, the FASB issued ASU 2021-01 to clarify the scope of the guidance and allow certain aspects of Topic 848 to be applied to all derivative instruments that undergo a modification of the interest rate used for discounting, margining or contract price alignment as a result of the reference reform. The Company has not yet determined the extent to which it will utilize these expedients and exceptions should a modification occur. The Company does not anticipate an impact on its consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The ASU requires that an acquirer recognize and measure contract assets and contract liabilities in a business combination in accordance with Topic 606. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

2. REVENUE RECOGNITION**Revenue Recognition Policies**

Revenue is measured based on a consideration specified in a contract with a customer less any sales incentives. Revenue is recognized when (a) an enforceable contract with a customer exists, that has commercial substance, and collection of substantially all consideration for services is probable; and (b) the performance obligations to the customer are satisfied either over time or at a point in time.

Tobacco sales: Revenue from cigarette sales, which include federal excise taxes billed to customers, is recognized upon shipment of cigarettes when control has passed to the customer. Average collection terms for Tobacco sales range between three and twelve days from the time that the cigarettes are shipped to the customer. The Company records a liability for goods estimated to be returned in other current liabilities and the associated receivable for anticipated federal excise tax refunds in other current assets on the consolidated balance sheets. The liability for returned goods is based principally on sales volumes and historical return rates. The estimated costs of sales incentives, including customer incentives and trade promotion activities, are based principally on historical experience and are accounted for as reductions in Tobacco revenue. Expected payments for sales incentives are included in other current liabilities on the Company’s consolidated balance sheets. The Company accounts for shipping and handling costs as fulfillment costs as part of cost of sales.

Real estate sales: Revenue from facilities primarily relates to Escena and consists of revenues from food and beverage sales, fees charged for gameplay and the sale of golf related equipment and apparel. Revenue is recognized at the time of sale.

Revenue from investments in real estate is recognized from land and building sales at the time of the closing of a sale, which is typically when cash is due, the performance obligation is satisfied as the title to and possession of the real estate asset are transferred to the buyer and the Company has no further obligations or involvement in the real estate asset.

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Disaggregation of Revenue

In the following table, revenue is disaggregated by major product line for the Tobacco segment:

	Year Ended December 31,		
	2021	2020	2019
<u>Tobacco Segment Revenues:</u>			
Core Discount Brands - <i>Eagle 20's, Pyramid, Montego, Grand Prix, Liggett Select and Eve</i>	\$ 1,139,009	\$ 1,133,660	\$ 1,040,419
Other Brands	63,488	70,841	74,421
Total tobacco revenues	<u>\$ 1,202,497</u>	<u>\$ 1,204,501</u>	<u>\$ 1,114,840</u>

In the following table, revenue is disaggregated by major services line for the Real Estate segment:

	Year Ended December 31,		
	2021	2020	2019
<u>Real Estate Segment Revenues</u>			
Sales on facilities primarily from Escena	\$ 5,353	\$ 3,681	\$ 4,763
Revenues from investments in real estate	12,850	20,500	—
Total real estate revenues	<u>\$ 18,203</u>	<u>\$ 24,181</u>	<u>\$ 4,763</u>

3. CURRENT EXPECTED CREDIT LOSSES

Tobacco receivables: Average collection terms for Tobacco sales range between three and twelve days from the time that the cigarettes are shipped to the customer. Based on Tobacco historical and ongoing cash collections from customers, an estimated credit loss in accordance with ASU 2016-13 was not recorded for these trade receivables as of December 31, 2021 and December 31, 2020.

Term loan receivables: New Valley periodically provides term loans to commercial real estate developers, which are included in Other assets on the consolidated balance sheets. New Valley had two loans in maturity default at December 31, 2021, with a total amortized cost basis of \$15,928, including accrued interest receivable of \$6,428 at both December 31, 2021 and December 31, 2020. The loans are secured by guarantees and given their risk profiles are evaluated individually. As New Valley does not have internal historical loss information by which to evaluate the risk of credit losses, external market data measuring default risks on high yield loans as of each measurement date was utilized to estimate reserves for credit losses on these loans. Pursuant to the requirements of ASU 2016-13, New Valley's expected credit loss estimate was \$15,928 at both December 31, 2021 and December 31, 2020.

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following is the rollforward of the allowance for credit losses for the year ended December 31, 2021:

	January 1, 2021	Current Period Provision	Write-offs	Recoveries	December 31, 2021
Allowance for credit losses:					
New Valley term loan receivables	15,928	—	—	—	15,928

The following is the rollforward of the allowance for credit losses for the year ended December 31, 2020:

	January 1, 2020	Current Period Provision	Write-offs	Recoveries	December 31, 2020
Allowance for credit losses:					
New Valley term loan receivables	3,100	12,828 ⁽¹⁾	—	—	15,928

⁽¹⁾ The credit losses related to the New Valley term loan receivables are included in Other, net on the consolidated statements of operations.

4. EARNINGS PER SHARE

Information concerning the Company's common stock has been adjusted to give retroactive effect to the 5% stock dividend distributed to Company stockholders on September 29, 2019. All per share amounts and references to share amounts have been updated to reflect the retrospective effect of the stock dividend. The dividend was recorded at par value of \$703 since the Company did not have retained earnings in 2019. In connection with the 5% stock dividend, the Company increased the number of shares subject to outstanding stock options by 5% and reduced the exercise prices accordingly. On November 5, 2019, the Company announced that its board of directors decided that the Company would no longer pay an annual stock dividend.

As discussed in Note 14, the Company has stock option awards which provide for common stock dividend equivalents at the same rate as paid on the common stock with respect to the shares underlying the unexercised portion of the options. These outstanding options represent participating securities under authoritative guidance. The Company recognizes payments of the dividend equivalent rights (\$3,832, \$3,684, and \$8,967, for the years ended December 31, 2021, 2020 and 2019, respectively) on these options as reductions in additional paid-in-capital on the Company's consolidated balance sheets. The Company included the income tax benefit associated with the dividend equivalent rights as a component of income tax expense due to the adoption of ASU 2016-09. As a result, in its calculation of basic earnings per share ("EPS") for the years ended December 31, 2021, 2020 and 2019, respectively, the Company has adjusted its net income for the effect of these participating securities as follows:

Net income (loss) for purposes of determining basic EPS for discontinued operations and net income available to common stockholders attributed to Vector Group Ltd. was as follows:

	For the year ended December 31,		
	2021	2020	2019
Net income attributed to Vector Group Ltd. from continuing operations	\$ 147,154	\$ 126,922	\$ 93,889
Net income (loss) attributed to Vector Group Ltd. from discontinued operations	72,309	(33,984)	7,085
Net income attributed to Vector Group Ltd.	219,463	92,938	100,974
Income from continuing operations attributable to participating securities	(5,862)	(2,560)	(7,464)
Net income available to common stockholders attributed to Vector Group Ltd.	\$ 213,601	\$ 90,378	\$ 93,510

Net income for purposes of determining basic EPS for continuing operations applicable to common shares attributed to Vector Group Ltd. was as follows:

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	For the year ended December 31,		
	2021	2020	2019
Net income attributed to Vector Group Ltd. from continuing operations	\$ 147,154	\$ 126,922	\$ 93,889
Income from continuing operations attributable to participating securities	(3,694)	(2,580)	(7,464)
Net income available to common stockholders attributed to Vector Group Ltd.	\$ 143,460	\$ 124,342	\$ 86,425

Basic EPS is computed by dividing net income available to common stockholders attributed to Vector Group Ltd. by the weighted-average number of shares outstanding, which includes vested restricted stock.

Net income (loss) for purposes of determining diluted EPS for discontinued operations and net income available to common stockholders attributed to Vector Group Ltd. was as follows:

	For the year ended December 31,		
	2021	2020	2019
Net income attributed to Vector Group Ltd. from continuing operations	\$ 147,154	\$ 126,922	\$ 93,889
Net income (loss) attributed to Vector Group Ltd. from discontinued operations	72,309	(33,984)	7,085
Net income attributed to Vector Group Ltd.	219,463	92,938	100,974
Income attributable to 7.5% Variable Interest Senior Convertible Notes	—	—	(1,255)
Income from continuing operations attributable to participating securities	(5,862)	(2,560)	(7,464)
Net income available to common stockholders attributed to Vector Group Ltd.	\$ 213,601	\$ 90,378	\$ 92,255

Net income for purposes of determining diluted EPS for continuing operations applicable to common shares attributed to Vector Group Ltd. was as follows:

	For the year ended December 31,		
	2021	2020	2019
Net income attributed to Vector Group Ltd. from continuing operations	\$ 147,154	\$ 126,922	\$ 93,889
Income attributable to 7.5% Variable Interest Senior Convertible Notes	—	—	(1,255)
Income from continuing operations attributable to participating securities	(3,694)	(2,580)	(7,464)
Net income available to common stockholders attributed to Vector Group Ltd.	\$ 143,460	\$ 124,342	\$ 85,170

Basic and diluted EPS for continuing and discontinued operations were calculated using the following common shares for the years ended December 31, 2021, 2020 and 2019:

	For the year ended December 31,		
	2021	2020	2019
Weighted-average shares for basic EPS	152,403,072	150,216,141	146,633,036
Plus incremental shares related to convertible debt	—	—	718,918
Plus incremental shares related to stock options and non-vested restricted stock	71,777	34,812	16,509
Weighted-average shares for diluted EPS	152,474,849	150,250,953	147,368,463

It may not be possible to recalculate EPS attributable to common stockholders by adjusting EPS from continuing operations by EPS from discontinued operations as each amount is calculated independently.

The following non-vested restricted stock and shares issuable upon the conversion of convertible debt were outstanding during the years ended December 31, 2021, 2020 and 2019, but were not included in the computation of diluted EPS because the impact of common shares issuable under the convertible debt were anti-dilutive to EPS.

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended December 31,		
	2021	2020	2019
Weighted-average shares of non-vested restricted stock	524,606	520,936	1,207,366
Weighted-average expense per share	\$ 17.42	\$ 19.54	\$ 17.97
Weighted-average number of shares issuable upon conversion of debt	—	2,423,719	11,118,139
Weighted-average conversion price	\$ —	\$ 20.27	\$ 20.27

5. LEASES

The Company has operating and finance leases for corporate and sales offices, and certain vehicles and equipment accounted for under ASC 842. The leases have remaining lease terms of one year to five years, some of which include options to extend for up to five years, and some of which include options to terminate the leases within one year. However, the Company in general is not reasonably certain to exercise options to renew or terminate, and therefore renewal and termination options are not considered in the lease term or the ROU asset and lease liability balances. The Company's lease population includes purchase options on equipment leases that are included in the lease payments when reasonably certain to be exercised. The Company's lease population does not include any residual value guarantees. The Company's lease population does not contain any material restrictive covenants.

The Company has leases with variable payments, most commonly in the form of Common Area Maintenance ("CAM") and tax charges which are based on actual costs incurred. These variable payments were excluded from the ROU asset and lease liability balances since they are not fixed or in-substance fixed payments. Variable payments are expensed as incurred.

The components of lease expense were as follows:

	Year Ended December 31,		
	2021	2020	2019
Operating lease cost	\$ 4,578	\$ 4,572	\$ 4,636
Short-term lease cost	374	349	338
Variable lease cost	320	634	623
Finance lease cost:			
Amortization	58	111	224
Interest on lease liabilities	9	14	15
Total lease cost	\$ 5,339	\$ 5,680	\$ 5,836

Supplemental cash flow information related to leases was as follows:

	Year Ended December 31,		
	2021	2020	2019
Cash paid for amounts included in measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 4,961	\$ 4,034	\$ 4,318
Operating cash flows from finance leases	10	14	15
Financing cash flows from finance leases	57	102	217
ROU assets obtained in exchange for lease obligations:			
Operating leases	1,993	3,298	676
Finance leases	—	60	159

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

Supplemental balance sheet information related to leases was as follows:

	December 31, 2021	December 31, 2020
Finance leases:		
Investments in real estate, net ⁽¹⁾	\$ 30	\$ 62
Property, plant and equipment, at cost	\$ 127	\$ 127
Accumulated amortization	(70)	(44)
Property and equipment, net	\$ 57	\$ 83
Current portion of notes payable and long-term debt	\$ 55	\$ 57
Notes payable, long-term debt and other obligations, less current portion	41	96
Total finance lease liabilities	\$ 96	\$ 153
Weighted average remaining lease term in years:		
Operating leases	3.36	4.23
Finance leases	1.84	2.71
Weighted average discount rate:		
Operating leases	9.60 %	10.20 %
Finance leases	8.21 %	7.82 %

⁽¹⁾ Included in Investments in real estate, net on the consolidated balance sheets are finance lease equipment, at a cost of \$748 and \$748 and accumulated amortization of \$718 and \$686 as of December 31, 2021 and 2020, respectively.

As of December 31, 2021, maturities of lease liabilities were as follows:

	Operating Leases	Finance Leases
Year Ending December 31:		
2022	\$ 4,889	\$ 61
2023	4,181	35
2024	3,453	8
2025	2,086	—
2026	319	—
Thereafter	—	—
Total lease payments	14,928	104
Less imputed interest	(2,237)	(8)
Total	\$ 12,691	\$ 96

The Company has one lease for office space wherein the lessor is an affiliate of a significant stockholder of the Company. This lease represents \$571 of the ROU asset balances and \$616 of lease liability balances as of December 31, 2021. The rent expense for this lease was approximately \$458 for the year ended December 31, 2021.

As of December 31, 2021, the Company had no undiscounted lease payments relating to leases that have not yet commenced.

The Company's rental expense for the years ended December 31, 2021, 2020 and 2019 was \$4,578, \$4,572 and \$4,552, respectively. Rent expense for the year ended December 31, 2021 consisted of \$3,275 of amortization and \$1,303 of lease expense for interest accretion on operating lease liabilities. Rent expense for the year ended December 31, 2020 consisted of \$3,170 of amortization and impairment of ROU assets and \$1,402 of lease expense for interest accretion on operating lease

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

liabilities. Rent expense for the year ended December 31, 2019 consisted of \$3,033 of amortization and impairment of ROU assets and \$1,519 of lease expense for interest accretion on operating lease liabilities.

6. DISCONTINUED OPERATIONS

On December 29, 2021, at 11:59 p.m., New York City time, the Company completed the distribution to its stockholders (including Vector common stock underlying outstanding stock options awards and restricted stock awards) of the common stock of Douglas Elliman (the “Spin-off”). Each holder of Vector common stock received one share of Douglas Elliman’s common stock for every two shares of Vector common stock (including Vector common stock underlying outstanding stock option awards and restricted stock awards) held of record as of the close of business, New York City time, on December 20, 2021. In the Spin-off, an aggregate of 77,720,159 shares of Douglas Elliman’s common stock were issued, with any fractional shares converted to cash and paid to applicable Vector stockholders. Prior to the Spin-off, Douglas Elliman was a component of the Real Estate segment of the Company.

Following the Spin-off, Douglas Elliman is a separate public company. The Company and Douglas Elliman entered into a distribution agreement (the “Distribution Agreement”) and several ancillary agreements for the purpose of accomplishing the Spin-off. The Distribution Agreement includes an agreement that the Company and Douglas Elliman will provide each other with appropriate indemnities with respect to liabilities arising out of the business retained by Vector and the business transferred to Douglas Elliman by Vector. These agreements also govern the Company’s relationship with Douglas Elliman subsequent to the Spin-off and provide for the allocation of employee benefit, tax and some other liabilities and obligations attributable to periods prior to, at and after the Spin-off. These agreements also include arrangements with respect to transition services (the “Transition Services Agreement”). The Company entered into a Tax Disaffiliation Agreement with Douglas Elliman that governs Vector’s and Douglas Elliman’s respective rights, responsibilities and obligations with respect to taxes and tax benefits, the filing of tax returns, the control of audits and other tax matters. Douglas Elliman will be party to other arrangements with Vector and its subsidiaries.

Douglas Elliman and its eligible subsidiaries have previously joined with Vector in the filing of certain consolidated, combined, and unitary returns for state, local, and other applicable tax purposes. However, for periods (or portions thereof) beginning after the Spin-off, Douglas Elliman will not join with Vector or any of its subsidiaries (as determined after the Spin-off) in the filing of any federal, state, local or other applicable consolidated, combined or unitary tax returns.

Under the Tax Disaffiliation Agreement, with certain exceptions, Vector will be generally responsible for all of Douglas Elliman’s U.S. federal, state, local and other applicable income and non-income taxes for any taxable period or portion of such period ending on or before the Spin-off date. Douglas Elliman will be generally responsible for all taxes that are attributable to it or one of its subsidiaries after the Spin-off date.

Following the Spin-off, there is an overlap between certain officers of the Company and of Douglas Elliman. Howard M. Lorber serves as the President and Chief Executive Officer of the Company and of Douglas Elliman. Richard J. Lampen serves as the Chief Operating Officer of the Company and of Douglas Elliman, J. Bryant Kirkland III serves as the Chief Financial Officer and Treasurer of the Company and of Douglas Elliman, Marc N. Bell serves as the General Counsel and Secretary of the Company and of Douglas Elliman, and J. David Ballard serves as Senior Vice President, Enterprise Efficiency and Chief Technology Officer of the Company and of Douglas Elliman. Furthermore, immediately following the Spin-off, three of the members of the Board of Directors of the Company, Mr. Lorber, Mr. Lampen and Wilson L. White, will also serve as directors of Douglas Elliman.

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents the aggregate carrying amounts of the classes of assets and liabilities of discontinued operations of Douglas Elliman:

	December 31, 2021	December 31, 2020
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ —	\$ 94,421
Accounts receivable - trade, net	—	24,377
Other current assets	—	29,567
Total current assets	—	148,365
Property, plant and equipment, net	—	42,703
Long-term investments (includes \$237 at fair value)	—	237
Operating lease right-of-use assets	—	133,103
Goodwill and other intangible assets, net	—	100,066
Other assets	—	29,508
Total long-term assets	—	305,617
Total assets	<u>\$ —</u>	<u>\$ 453,982</u>
LIABILITIES:		
Current liabilities:		
Current portion of notes payable and long-term debt	\$ —	\$ 12,500
Current operating lease liability	—	23,753
Income taxes payable, net	—	17
Other current liabilities	—	63,379
Total current liabilities	—	99,649
Notes payable, long-term debt and other obligations, less current portion	—	12,920
Deferred income taxes, net	—	13,512
Non-current operating lease liability	—	143,296
Other liabilities	—	34,384
Total long-term liabilities	—	204,112
Total liabilities	<u>\$ —</u>	<u>\$ 303,761</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The financial results of Douglas Elliman through the Spin-off are presented as income (loss) from discontinued operations, net of income taxes on the Company's consolidated statements of operations. The following table presents financial results of Douglas Elliman for the periods prior to the completion of the Spin-off:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands, except per share amounts)		
Revenues:			
Real estate	\$ 1,344,825	\$ 773,987	\$ 784,108
Expenses:			
Cost of sales	989,436	547,543	526,694
Operating, selling, administrative and general expenses	253,942	212,926	260,894
Net loss on sales of asset	—	1,169	—
Impairments of goodwill and intangible assets	—	58,252	—
Restructuring charges	—	3,382	—
Operating income (loss)	<u>101,447</u>	<u>(49,285)</u>	<u>(3,480)</u>
Other income (expenses):			
Interest expense	(164)	(263)	(905)
Equity in (losses) earnings from real estate ventures	(278)	30	8,472
Other, net	(870)	3,190	4,726
Pretax income (loss) from discontinued operations	<u>100,135</u>	<u>(46,328)</u>	<u>8,813</u>
Income tax expense	28,016	(12,344)	1,728
Income (loss) from discontinued operations	<u>72,119</u>	<u>(33,984)</u>	<u>7,085</u>
Net loss from discontinued operations attributed to non-controlling interest	<u>190</u>	<u>—</u>	<u>—</u>
Net income (loss) from discontinued operations attributed to Vector Group Ltd.	<u>\$ 72,309</u>	<u>\$ (33,984)</u>	<u>\$ 7,085</u>

The following table presents the information regarding certain components of cash flows from discontinued operations:

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands, except per share amounts)		
Depreciation and amortization	\$ 8,561	\$ 8,537	\$ 8,638
Non-cash lease expense	18,667	17,326	17,973
Capital expenditures	(4,106)	(6,126)	(8,079)

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

7. INVESTMENT SECURITIES

Investment securities at fair value consisted of the following:

	December 31, 2021	December 31, 2020
Debt securities available for sale	\$ 103,906	\$ 91,204
Equity securities at fair value:		
Marketable equity securities	19,560	21,155
Mutual funds invested in debt securities	23,221	23,226
Long-term investment securities at fair value ⁽¹⁾	32,089	33,981
Total equity securities at fair value	74,870	78,362
Total investment securities at fair value	178,776	169,566
Less:		
Long-term investment securities at fair value ⁽¹⁾	32,089	33,981
Current investment securities at fair value	\$ 146,687	\$ 135,585
Long-term investment securities at fair value ⁽¹⁾	\$ 32,089	\$ 33,981
Equity-method investments	20,984	18,310
Total long-term investments	\$ 53,073	\$ 52,291
Equity securities at cost: ⁽²⁾		
Other equity securities at cost	\$ 5,200	\$ 5,200

(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 consolidated balance sheets.

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

Net gains recognized on investment securities were as follows:

	Year Ended December 31,		
	2021	2020	2019
Net gains recognized on equity securities at fair value	\$ 9,615	\$ 2,123	\$ 7,320
Net gains recognized on debt and equity securities available for sale	45	110	135
Impairment expense	(276)	(415)	(15)
Net gains recognized on investment securities	<u>\$ 9,384</u>	<u>\$ 1,818</u>	<u>\$ 7,440</u>

(a) Debt Securities Available for Sale:

The components of debt securities available for sale at December 31, 2021 were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable debt securities	\$ 103,838	\$ 68	\$ —	\$ 103,906

The table below summarizes the maturity dates of debt securities available for sale at December 31, 2021.

Investment Type:	Fair Value	Under 1 Year	1 Year up to 5 Years	More than 5 Y
U.S. Government securities	\$ 6,481	\$ 5,688	\$ 793	\$ —
Corporate securities	47,531	20,028	27,503	—
U.S. mortgage-backed securities	19,572	1,824	17,748	—
Commercial paper	29,103	29,103	—	—
Foreign fixed-income securities	1,219	1,219	—	—
Total debt securities available for sale by maturity dates	<u>\$ 103,906</u>	<u>\$ 57,862</u>	<u>\$ 46,044</u>	<u>\$ —</u>

The components of debt securities available for sale at December 31, 2020 were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable debt securities	\$ 90,621	\$ 583	\$ —	\$ 91,204

There were no available-for-sale debt securities with continuous unrealized losses for less than 12 months and 12 months or greater at December 31, 2021 and 2020, respectively.

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

	Year Ended December 31,		
	2021	2020	2019
Gross realized gains on sales	\$ 108	\$ 329	\$ 14
Gross realized losses on sales	(63)	(219)	(1)
Net gains recognized on debt securities available for sale	<u>\$ 45</u>	<u>\$ 110</u>	<u>\$ 13</u>
Impairment expense	<u>\$ (276)</u>	<u>\$ (415)</u>	<u>\$ (1)</u>

Although management generally 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(b) Equity Securities at Fair Value:

The following is a summary of unrealized and realized net gains and losses recognized in net income on equity securities at fair value for the years ended December 31, 2021, 2020 and 2019, respectively:

	Year Ended December 31,		
	2021	2020	2019
Net gains recognized on equity securities	\$ 9,615	\$ 2,123	\$ 7,341
Less: Net gains (losses) recognized on equity securities sold	7,534	(121)	1,521
Net unrealized gains recognized on equity securities still held at the reporting date	\$ 2,081	\$ 2,244	\$ 5,799

The Company's mutual funds invested in debt securities are classified as Level 1 under the fair value hierarchy disclosed in Note 18. Their fair values are based on quoted prices for identical assets in active markets or inputs that are based upon quoted prices for similar instruments in active markets. The Company has unfunded commitments of \$514 related to long-term investment securities at fair value as of December 31, 2021.

The Company received cash distributions of \$11,642 as of December 31, 2021, of which \$11,509 were classified as investing cash inflows. The Company received cash distributions of \$32,676 as of December 31, 2020, of which \$32,572 were classified as investing cash inflows. The Company received cash distributions of \$8,320 and recorded \$8,502 of in-transit redemptions as of December 31, 2019, all of which were classified as investing cash inflows. \$8,256 of total cash distributions received was classified as investing cash inflows.

(c) Equity Securities Without Readily Determinable Fair Values That Do Not Qualify for the NAV Practical Expedient

Equity securities without readily determinable fair values that do not qualify for the NAV practical expedient consisted of investments in various limited liability companies at December 31, 2021 and 2020, respectively. The total carrying value of these investments was \$5,200 and \$5,200 and was included in "Other assets" on the consolidated balance sheets at December 31, 2021 and 2020, respectively. No impairment or other adjustments related to observable price changes in orderly transactions for identical or similar investments were identified for the years ended December 31, 2021, 2020 and 2019, respectively.

(d) Equity-Method Investments:

Equity-method investments consisted of the following:

	December 31, 2021	December 31, 2020
Mutual and hedge funds	\$ 20,984	\$ 18,310

At December 31, 2021, the Company's ownership percentages in the mutual and hedge funds accounted for under the equity method ranged from 6.43% to 37.78%. The Company's ownership percentage in these investments meets the threshold for equity-method accounting.

On February 14, 2020, Ladenburg Thalmann Financial Services Inc. ("LTS") was acquired pursuant to a cash tender offer of \$3.50 per outstanding common share and, in connection therewith, the Company received proceeds of \$53,169 in exchange for the Company's 15,191,205 common shares of LTS. The Company also tendered 240,000 shares of LTS 8% Series A Cumulative Redeemable Preferred Stock (Liquidation Preference \$25.00 Per Share) for redemption and received an additional \$6,009 in March 2020.

On October 9, 2019, Castle Brands Inc. ("Castle") was acquired pursuant to a cash tender offer of \$1.27 per outstanding common share and, in connection therewith, the Company tendered the entire amount of its 12,895,017 common shares of Castle. The Company received and recognized a gain of \$16,377 from the transaction.

See Note 17 Related Party Transactions for further discussion of the LTS and Castle investments.

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

Equity in earnings from investments were:

	Year Ended December 31,		
	2021	2020	2019
Mutual fund and hedge funds	\$ 2,675	\$ 2,844	\$ 958
Ladenburg Thalmann Financial Services Inc.	—	53,424	(410)
Castle Brands Inc.	—	—	16,452
Equity in earnings from investments	<u>\$ 2,675</u>	<u>\$ 56,268</u>	<u>\$ 17,000</u>

The Company received \$50 in dividends from one of its equity-method investments that were reinvested back into the fund in 2021. The Company received total cash distributions of \$54,089 (\$53,901, net of reinvested dividends) and \$17,875 from the Company's equity-method investments in 2020 and 2019, respectively. The cash distributions of \$53,901 in 2020 were classified as operating cash inflows. The cash distributions of \$17,875 were classified as operating cash inflows.

(e) Combined Financial Statements for Unconsolidated Subsidiaries Accounted for on Equity Method

Pursuant to Rule 4-08(g), the following summarized financial data for unconsolidated subsidiaries includes information for the mutual fund and hedge funds.

	December 31, 2021	December 31, 2020
Investment securities	\$ 493,705	\$ 486,390
Cash and cash equivalents	44,644	7,126
Other assets	14,151	41,004
Total assets	<u>\$ 552,500</u>	<u>\$ 534,520</u>
Other liabilities	\$ 214,607	\$ 230,237
Total liabilities	214,607	230,237
Partners' capital	337,893	304,283
Total liabilities and partners' capital	<u>\$ 552,500</u>	<u>\$ 534,520</u>

	Year Ended December 31,		
	2021	2020	2019
Investment income	\$ 1,574	\$ 1,779	\$ 2,834
Expenses	12,873	9,300	6,756
Net investment loss	(11,299)	(7,521)	(3,922)
Total net realized gain and net change in unrealized depreciation from investments	48,342	123,381	18,822
Net increase in partners' capital resulting from operations	<u>\$ 37,043</u>	<u>\$ 115,860</u>	<u>\$ 14,900</u>

Pursuant to Rule 4-08(g), the following summarized financial data is presented for LTS. The Company accounts for its investment in LTS using a three-month lag reporting period.

	Three Months Ended December 31, 2019
Revenues	\$ 395,735
Expenses	394,992
Income before other items	743
Change in fair value of contingent consideration	(374)
Income from continuing operations	369
Net income	<u>\$ 508</u>

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

8. INVENTORIES

Inventories consist of:

	December 31, 2021	December 31, 2020
Leaf tobacco	\$ 38,825	\$ 42,988
Other raw materials	7,560	5,987
Work-in-process	2,639	520
Finished goods	64,218	68,781
Inventories at current cost	113,242	118,276
LIFO adjustments	(18,627)	(20,731)
	<u>\$ 94,615</u>	<u>\$ 97,545</u>

All of the Company's inventories as of December 31, 2021 and 2020 have been reported under the LIFO method. The \$18,627 LIFO adjustment as of December 31, 2021 decreases the current cost of inventories by \$12,128 for Leaf tobacco, \$829 for Other raw materials, \$18 for Work-in-process, and \$5,652 for Finished goods. The \$20,731 LIFO adjustment as of December 31, 2020 decreased the current cost of inventories by \$14,139 for Leaf tobacco, \$474 for Other raw materials, \$26 for Work-in-process, and \$6,092 for Finished goods. Cost of goods sold was reduced by \$330 and \$1,222 for the years ended December 31, 2021 and December 31, 2020, respectively, due to liquidations of LIFO inventories.

The amount of capitalized MSA cost in "Finished goods" inventory was \$20,450 and \$21,120 as of December 31, 2021 and 2020, respectively. Federal excise tax capitalized in inventory was \$25,160 and \$27,683 as of December 31, 2021 and 2020, respectively.

At December 31, 2021, Liggett had tobacco purchase commitments of approximately \$13,289. Liggett has a single source supply agreement for reduced ignition propensity cigarette paper through 2022.

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of:

	December 31, 2021	December 31, 2020
Land and improvements	\$ 1,624	\$ 1,624
Buildings	18,060	17,772
Machinery and equipment	167,713	166,156
Leasehold improvements	1,277	1,277
	188,674	186,829
Less accumulated depreciation and amortization	(151,791)	(151,544)
	<u>\$ 36,883</u>	<u>\$ 35,285</u>

Depreciation and amortization expense related to property, plant and equipment for the years ended December 31, 2021, 2020 and 2019 was \$7,816, \$9,092 and \$9,213, respectively.

The Company, through Liggett, had future machinery and equipment purchase commitments of \$890 at December 31, 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
10. NEW VALLEY LLC
(a) Investments in real estate ventures.

New Valley also holds equity investments in various real estate projects domestically and internationally. The majority of New Valley's investment in real estate ventures were located in the New York City Standard Metropolitan Statistical Area ("SMSA"). New Valley aggregated the disclosure of its investments in real estate ventures by property type and operating characteristics.

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

	Range of Ownership ⁽¹⁾	December 31, 2021	December 31, 2020
Condominium and Mixed Use Development:			
New York City SMSA	4.2% - 46.7%	\$ 22,654	\$ 30,465
All other U.S. areas	19.6% - 89.1%	57,485	37,773
		<u>80,139</u>	<u>68,238</u>
Apartment Buildings:			
All other U.S. areas	7.6% - 50.0%	11,900	—
		<u>11,900</u>	<u>—</u>
Hotels:			
New York City SMSA	0.4% - 12.3%	1,635	2,629
International	49.0%	1,522	1,852
		<u>3,157</u>	<u>4,481</u>
Commercial:			
New York City SMSA	49.0%	—	2,591
All other U.S. areas	1.6%	7,290	7,084
		<u>7,290</u>	<u>9,675</u>
Other	15.0% - 49.0%	2,576	3,006
Investments in real estate ventures		<u>\$ 105,062</u>	<u>\$ 85,400</u>

⁽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 as a result of a number of factors including potential dilution, financing or admission of additional partners.

Contributions

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

	December 31, 2021	December 31, 2020
Condominium and Mixed Use Development:		
New York City SMSA	\$ 396	\$ 1,805
All other U.S. areas	33,719	11,140
	<u>34,115</u>	<u>12,945</u>
Apartment Buildings:		
All other U.S. areas	11,900	284
	<u>11,900</u>	<u>284</u>
Hotels:		
New York City SMSA	1,848	1,169
	<u>1,848</u>	<u>1,169</u>
Other	—	524
Total contributions	<u>\$ 47,863</u>	<u>\$ 14,922</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For ventures where New Valley previously held an investment, New Valley contributed its proportionate share of additional capital along with contributions by the other investment partners during the years ended December 31, 2021 and 2020. New Valley's direct investment percentage for these ventures did not significantly change.

Distributions

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

	December 31, 2021	December 31, 2020
Condominium and Mixed Use Development:		
New York City SMSA	\$ 4,440	\$ 1,819
All other U.S. areas	13,593	18,188
	18,033	20,007
Apartment Buildings:		
All other U.S. areas	18,566	—
	18,566	—
Commercial:		
New York City SMSA	—	601
All other U.S. areas	575	113
	575	714
Total distributions	<u>\$ 37,174</u>	<u>\$ 20,721</u>

Of the distributions received by New Valley from its investment in real estate ventures, \$25,326 and \$1,903 were from distributions of earnings and \$11,848 and \$18,818 were a return of capital for the years ended December 31, 2021 and 2020, respectively. Distributions from earnings are included in cash from operations in the consolidated statements of cash flows, while distributions that are returns of capital are included in cash flows from investing activities in the consolidated statements of cash flows.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Equity in Earnings (Losses) from Real Estate Ventures

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

	Year Ended December 31,		
	2021	2020	2019
Condominium and Mixed Use Development:			
New York City SMSA	\$ (4,147)	\$ (17,167)	\$ (31,011)
All other U.S. areas	(1)	(16,578)	(6,467)
	<u>(4,148)</u>	<u>(33,745)</u>	<u>(37,478)</u>
Apartment Buildings:			
All other U.S. areas	18,566	(284)	79
	<u>18,566</u>	<u>(284)</u>	<u>79</u>
Hotels:			
New York City SMSA	(1,597)	(3,248)	8,081
International	(330)	(308)	41
	<u>(1,927)</u>	<u>(3,556)</u>	<u>8,122</u>
Commercial:			
New York City SMSA	(2,591)	1,340	1
All other U.S. areas	780	(437)	773
	<u>(1,811)</u>	<u>903</u>	<u>774</u>
Other	(430)	(8,046)	743
Total equity in earnings (losses) from real estate ventures	<u>\$ 10,250</u>	<u>\$ (44,728)</u>	<u>\$ (27,760)</u>

As part of the Company's ongoing assessment of the carrying values of its investments in real estate ventures, the Company determined that the fair value of one of its New York City SMSA Commercial ventures was less than its carrying value for the year ended December 31, 2021. The Company determined that the impairments were other than temporary. The Company recorded impairment charges as a component of equity in losses from real estate ventures of \$2,713 for the year ended December 31, 2021.

During the Company's 2020 assessment of the carrying values of its investments in real estate ventures, the Company had determined that the fair value of five New York City SMSA and one All other U.S. areas Condominium and Mixed Use Development ventures were less than their carrying value as of December 31, 2020. The Company determined that the impairments were other than temporary. The Company recorded impairment charges of \$16,513 for the year ended December 31, 2020.

During the Company's 2019 assessment of the carrying values of its investments in real estate ventures, the Company had determined that the fair value of six New York City SMSA and one All other U.S. areas Condominium and Mixed Use Development ventures were less than their carrying value as of December 31, 2019. The Company determined that the impairments were other than temporary and recorded impairment charges of \$39,757 of which \$39,717 was attributed to the Company for the year ended December 31, 2019.

As a result of the Company recording impairment charges on certain of its investments in real estate ventures, the impaired real estate ventures were carried at fair value as of the period when the impairment charge was recorded. The impaired real estate ventures were measured at fair value on a nonrecurring basis as a result of recording an other-than-temporary impairment charge.

During the year ended 2021, New Valley's Natura joint venture sold a parcel of land located in Miami, FL. New Valley recognized equity in earnings of \$3,899 from the venture and received distributions of \$5,168 for the year ended 2021. As of December 31, 2021, the venture had a carrying value of \$13,009.

During the year ended 2021, New Valley's Maryland joint venture sold its apartment complexes located in Baltimore, Maryland. New Valley recognized equity in earnings of \$18,566 from the venture and received distributions of \$18,566 for the year ended 2021. As of December 31, 2021, the venture had a carrying value of \$0.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

During the year ended 2019, New Valley's Park Lane joint venture sold 80% of its interest in the Park Lane Hotel, a Hotel located in the New York City SMSA. New Valley recognized equity in earnings of \$10,328 from the sale and received distributions of \$20,788 for the year ended 2019. The sale reduced New Valley's direct ownership percentage of the Park Lane Hotel from 5.20% to 1.04%. New Valley continues to account for its investment in the joint venture under the equity method of accounting because its ownership percentage in its direct investment continues to meet the threshold for equity method accounting.

In 2019, the Company's New York City SMSA Apartment Building venture sold the remaining parcel of land that was adjacent to a building that was sold the year before. The Company recognized equity in earnings from the venture of \$740 and cash distributions of \$2,524 for the year ended December 31, 2019. As of December 31, 2021, the venture had a carrying value of \$0.

Investment in Real Estate Ventures Entered Into During 2021

In October 2021, New Valley invested \$11,900 for an approximate 50.0% interest in Riverchase AL JV LP. The joint venture plans to improve, renovate, and manage an apartment complex located in Hoover, AL. The venture is a VIE; however, New Valley is not the primary beneficiary. New Valley accounts for this investment under the equity method of accounting. New Valley's maximum exposure to loss as a result of its investment in Riverchase AL JV LP was \$11,900 at December 31, 2021.

In November 2021, New Valley invested \$19,500 for an approximate 89.1% interest in 915 Division JV, LLC. The joint venture plans to develop a mixed use development. The venture is a VIE; however, New Valley is not the primary beneficiary. New Valley accounts for this investment under the equity method of accounting. New Valley's maximum exposure to loss as a result of its investment in 915 Division JV, LLC was \$19,884 at December 31, 2021.

In November 2021, New Valley invested \$1,882 for an approximate 50.0% interest in 2000 Atlantic LLC. The joint venture plans to develop a mixed use development. The venture is a VIE; however, New Valley is not the primary beneficiary. New Valley accounts for this investment under the equity method of accounting. New Valley's maximum exposure to loss as a result of its investment in 2000 Atlantic LLC was \$1,919 at December 31, 2021.

VIE Consideration

The Company has determined that New Valley is the primary beneficiary of one real estate venture because it controls the activities that most significantly impact the economic performance of the real estate venture. Consequently, New Valley consolidates this variable interest entity ("VIE").

The carrying amount of the consolidated assets of the VIE was \$0 at both December 31, 2021 and December 31, 2020. Those assets are owned by the VIE, not the Company. The consolidated VIE had no recourse liabilities as of December 31, 2021 and December 31, 2020. A VIE's assets can only be used to settle the obligations of that VIE. The VIE is not a guarantor of the Company's senior notes and other debts payable.

For the remaining investments in real estate ventures, New Valley determined that the entities were VIEs but 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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:

	December 31, 2021
Condominium and Mixed Use Development:	
New York City SMSA	\$ 22,654
All other U.S. areas	57,484
	<u>80,138</u>
Apartment Buildings:	
All other U.S. areas	11,900
	<u>11,900</u>
Hotels:	
New York City SMSA	1,635
International	1,522
	<u>3,157</u>
Commercial:	
All other U.S. areas	7,290
	<u>7,290</u>
Other	2,576
Total maximum exposure to loss	<u><u>\$ 105,061</u></u>

New Valley capitalized \$2,669 and \$4,003 of interest costs into the carrying value of its ventures whose projects were currently under development during the years ended December 31, 2021 and December 31, 2020, respectively.

(b) Guarantees and Commitments:

The joint venture agreements through which New Valley invests in real estate ventures set forth certain conditions where New Valley or its affiliate may be required to contribute payments towards the satisfaction of liabilities of the other partners in the joint venture, or to otherwise indemnify other partners. Mostly, these contribution/indemnity requirements are triggered in the event New Valley or its affiliate commits an act that results in liability of another partner under a guarantee that the other partner has given to a lender in connection with a loan. The guarantees given in connection with the loans may include non-recourse carve-out, environmental, carry and/or completion guarantees, depending on the specific project. In some instances, New Valley or its affiliate would be proportionately liable in the event of liability under a guarantee that is not the fault of any of the partners in the joint venture. In very limited circumstances, New Valley has agreed to be a guarantor directly in connection with a loan.

The Company believes that as of December 31, 2021, in the event New Valley becomes legally obligated to contribute funds or otherwise indemnify another partner due to a triggering event under a guarantee, or becomes legally obligated as a guarantor (in the limited circumstances where New Valley is a direct guarantor under the loan documents), the real estate underlying the applicable project is expected to be sufficient to largely repay any guaranteed obligation (although a lender need not necessarily resort to foreclosing on the real estate before seeking recourse under a loan guarantee). New Valley has no additional capital commitments as of December 31, 2021.

(c) Combined Financial Statements for Unconsolidated Subsidiaries Accounted for on Equity Method:

Pursuant to Rule 4-08(g), the following summarized financial data for unconsolidated subsidiaries includes information for the following: Other Condominium and Mixed Use Development, Apartment Buildings, Hotels, Commercial and Other.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other Condominium and Mixed Use Development:

	Year Ended December 31,		
	2021	2020	2019
Income Statements			
Revenue	\$ 301,703	\$ 386,859	\$ 208,767
Cost of goods sold	317,894	302,234	76,162
Other expenses	117,985	270,642	149,014
Loss from continuing operations	\$ (134,176)	\$ (186,017)	\$ (16,409)

	December 31,	December 31,
	2021	2020
Balance Sheets		
Investment in real estate	\$ 1,434,205	\$ 4,465,118
Total assets	1,513,581	4,551,788
Total debt	1,107,366	3,569,361
Total liabilities	1,284,579	3,921,492
Non-controlling interest	63,781	83,807

Apartment Buildings:

	Year Ended December 31,		
	2021	2020	2019
Income Statements			
Revenue	\$ 35,213	\$ 65,808	\$ 70,862
Other expenses	46,360	63,705	67,094
(Loss) income from continuing operations	\$ (11,147)	\$ 2,103	\$ 3,768

	December 31,	December 31,
	2021	2020
Balance Sheets		
Investment in real estate	\$ —	\$ 544,610
Total assets	6,780	563,523
Total debt	—	392,324
Total liabilities	131	399,269
Non-controlling interest	4,990	123,273

Hotels:

	Year Ended December 31,		
	2021	2020	2019
Income Statements			
Revenue	\$ 42,549	\$ 130,742	\$ 147,446
Cost of goods sold	3,671	2,671	5,399
Other expenses	201,211	256,973	220,045
Loss from continuing operations	\$ (162,333)	\$ (128,902)	\$ (77,998)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	December 31, 2021	December 31, 2020
Balance Sheets		
Investment in real estate	\$ 1,553,911	\$ 1,489,085
Total assets	1,631,664	1,575,800
Total debt	1,110,700	1,071,445
Total liabilities	1,213,044	1,143,419
Non-controlling interest	412,165	427,439

Commercial:

	Year Ended December 31,		
	2021	2020	2019
Income Statements			
Revenue	\$ 1,662	\$ 7,911	\$ 7,821
Equity in (losses) earnings	24,383	(13,671)	24,159
Other expenses	1,412	4,740	7,724
Income (loss) from continuing operations	\$ 24,633	\$ (10,500)	\$ 24,256

	December 31, 2021	December 31, 2020
Balance Sheets		
Investment in real estate	\$ 51,173	\$ 51,487
Total assets	71,296	70,270
Total debt	55,625	55,625
Total liabilities	55,016	55,199

Other:

	Year Ended December 31,		
	2021	2020	2019
Income Statements			
Revenue	\$ 180,092	\$ 571	\$ 390,478
Cost of Goods Sold	—	—	220,316
Other expenses	303,352	48,633	155,257
(Loss) income from continuing operations	\$ (123,260)	\$ (48,062)	\$ 14,905

	December 31, 2021	December 31, 2020
Balance Sheets		
Investment in real estate	\$ 392,754	\$ 1,216,819
Total assets	444,520	1,237,794
Total debt	227,724	722,930
Total liabilities	233,329	903,196
Non-controlling interest	152,775	272,196

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(d) Investments in real estate, net:

The components of “Investments in real estate, net” were as follows:

	December 31, 2021	December 31, 2020
Escena, net	\$ 9,098	\$ 9,735
Townhome A (11 Beach Street)	—	5,896
Investment in real estate, net	<u>\$ 9,098</u>	<u>\$ 15,631</u>

Escena. In March 2008, a wholly owned subsidiary of New Valley purchased a loan collateralized by a substantial portion of a 450-acre approved master planned community in Palm Springs, California known as “Escena.” In April 2009, New Valley completed the foreclosure process and took title to the collateral. The project consists of 615 residential lots with site and public infrastructure, an 18-hole golf course, a completed clubhouse, and a seven-acre site approved for a 450-room hotel.

The assets have been classified as an “Investments in real estate, net” on the Company’s consolidated balance sheets and the components were as follows:

	December 31, 2021	December 31, 2020
Land and land improvements	\$ 8,520	\$ 8,911
Building and building improvements	1,926	1,926
Other	1,643	1,672
	12,089	12,509
Less accumulated depreciation	(2,991)	(2,774)
	<u>\$ 9,098</u>	<u>\$ 9,735</u>

The Company recorded operating income of \$63 and operating losses of \$735 and \$862 for the years ended December 31, 2021, 2020 and 2019, respectively, from Escena.

Investment in Sagaponack. In April 2015, New Valley invested \$12,502 in a residential real estate project located in Sagaponack, NY. In August 2020, New Valley sold the project for \$20,500 and recognized the revenue in accordance with the scope of ASC Topic 606 since New Valley has no continuing investment or involvement. The sales were presented as revenues and the cost of the investment as cost of goods sold on the consolidated statements of operations.

Townhome A (11 Beach Street). In November 2020, New Valley received, as part of a liquidating distribution from a real estate joint venture, Unit TH-A, a townhouse located in Manhattan, NY. In April 2021, New Valley sold the unit for \$6,750 and recognized the revenue in accordance with the scope of ASC Topic 606 since New Valley has no continuing investment or involvement. The sale was presented as revenue and the cost of the investment as cost of sales on the consolidated statements of operations.

Real Estate Market Conditions. Because of the risks and uncertainties of the real estate markets, the Company will continue to perform additional assessments to determine the impact of the markets, if any, on the Company’s consolidated financial statements. Thus, future impairment charges may occur.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

	December 31, 2021	December 31, 2020
Vector:		
5.75% Senior Secured Notes due 2029	\$ 875,000	\$ —
6.125% Senior Secured Notes due 2025	—	850,000
10.5% Senior Notes due 2026, net of unamortized discount of \$2,647 and \$3,040	552,353	551,960
Liggett:		
Revolving credit facility	24	—
Equipment loans	64	89
Other	32	64
Total notes payable, long-term debt and other obligations	1,427,473	1,402,113
Less:		
Debt issuance costs	(28,803)	(21,247)
Total notes payable, long-term debt and other obligations	1,398,670	1,380,866
Less:		
Current maturities	(79)	(57)
Amount due after one year	\$ 1,398,591	\$ 1,380,809

Senior Notes - Vector:***6.125% Senior Secured Notes due 2025:***

On January 27, 2017, the Company sold \$850,000 in aggregate principal amount of its 6.125% Senior Secured Notes due 2025 in a private offering to qualified institutional investors and non-U.S. persons pursuant to the exemptions from the registration requirements of the Securities Act of 1933 (“Securities Act”) contained in Rule 144A and Regulation S under the Securities Act.

The 6.125% Senior Secured Notes due 2025 paid interest on a semi-annual basis at a rate of 6.125% per year and had a maturity date of February 1, 2025. On February 1, 2021, the 6.125% Senior Secured Notes due 2025 were redeemed in full and the Company recorded a loss on the extinguishment of debt of \$21,362 in 2021, including \$13,014 of premium and \$8,348 of other costs and non-cash interest expense related to the recognition of previously unamortized deferred finance costs.

The 6.125% Senior Secured Notes due 2025 were guaranteed subject to certain customary automatic release provisions on a joint and several basis by all of the wholly-owned domestic subsidiaries of the Company that are engaged in the conduct of the Company’s cigarette businesses. In addition, some of the guarantees were collateralized by first priority or second priority security interests in certain assets of some of the subsidiary guarantors, including their common stock, pursuant to security and pledge agreements.

5.75% Senior Secured Notes due 2029:

On January 28, 2021, the Company completed the sale of \$875,000 in aggregate principal amount of its 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 contained in Rule 144A and Regulation S under the Securities Act. The aggregate net cash proceeds from the sale of the 5.75% Senior Secured Notes were approximately \$855,500 after deducting the initial purchaser’s discount and estimated expenses and fees payable by the Company in connection with the offering. The Company used the net cash proceeds from the 5.75% Senior Secured Notes offering, together with cash on hand, to redeem all of the Company’s outstanding 6.125% Senior Secured Notes due 2025, including accrued interest and any premium thereon, and to pay fees and expenses in connection with the offering of the 5.75% Senior Secured Notes.

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 November 1, 2026, the final stated maturity date of the 10.5% Senior

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Notes due 2026 (“10.5% Senior Notes”) if such 10.5% Senior Notes have not been repurchased and cancelled or refinanced by such date.

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 of the wholly-owned domestic subsidiaries of the Company that are engaged in the conduct of the Company’s cigarette businesses, which subsidiaries, as of the issuance date of the 5.75% Senior Secured Notes were also guarantors under the Company’s outstanding 10.5% Senior Notes. The 5.75% Senior Secured Notes are not guaranteed by New Valley, or any of the Company’s subsidiaries engaged in the Company’s real estate business conducted through its subsidiary, New Valley. 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 indenture and the security documents relating thereto. The Company does not provide any security for the 5.75% Senior Secured Notes.

As of December 31, 2021, the Company was in compliance with all debt covenants.

10.5% Senior Notes due 2026:

On November 2, 2018, the Company completed the sale of \$325,000 in aggregate principal amount of its 10.5% Senior 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 contained in Rule 144A and Regulation S under the Securities Act. The aggregate net proceeds from the initial sale of the 10.5% Senior Notes were approximately \$315,000 after deducting underwriting discounts, commissions, fees and offering expenses.

On November 18, 2019, the Company completed the sale of an additional \$230,000 in aggregate principal amount of its 10.5% Senior Notes. The Company received net proceeds of approximately \$220,400 after deducting underwriting discounts, commissions, fees and offering expenses. The Company used a portion of the net cash proceeds from the offering to retire the Company’s outstanding 5.5% Variable Interest Senior Convertible Notes in April 2020. As of December 31, 2021, the Company has outstanding \$555,000 aggregate principal amount of its 10.5% Senior Notes.

The Company pays cash interest on the 10.5% Senior Notes at a rate of 10.5% per year, payable semi-annually on May 1 and November 1 of each year. The 10.5% Senior Notes mature on November 1, 2026.

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 of the Company’s wholly-owned domestic subsidiaries that are engaged in the conduct of its cigarette businesses, and, prior to the spin-off, by DER Holdings LLC, through which the Company indirectly owned a 100% interest in Douglas Elliman as of December 31, 2021. In connection with the spin-off, the guarantee by DER Holdings LLC was released. DER Holdings LLC did not guarantee our 5.75% Senior Secured Notes.

As of December 31, 2021, the Company was in compliance with all debt covenants.

Variable Interest Senior Convertible Debt:**7.5% Variable Interest Senior Convertible Notes due 2019:**

In November 2012, the Company sold \$230,000 in aggregate principal amount of its 7.5% Variable Interest Senior Convertible Notes due 2019 (the “7.5% Convertible Notes”) in a public offering registered under the Securities Act. The notes matured on January 15, 2019 and the Company paid \$230,000 of principal.

5.5% Variable Interest Senior Convertible Notes due 2020:

On March 24, 2014, the Company completed the sale of \$258,750 in aggregate principal amount of its 5.5% Variable Interest Convertible Senior Notes due 2020 (the “5.5% Convertible Notes”). The 5.5% Convertible Notes matured on April 15, 2020 and the Company paid \$169,610 of principal.

Embedded Derivatives on the Variable Interest Senior Convertible Debt:

The portion of the interest on the Company’s convertible debt which was computed by reference to the cash dividends paid on the Company’s common stock was considered an embedded derivative within the convertible debt, which the Company was required to separately value. In accordance with authoritative guidance on accounting for derivatives and hedging, the Company had bifurcated these embedded derivatives and estimated the fair value of the embedded derivative liability including using a third-party valuation. The resulting discount created by allocating a portion of the issuance proceeds to the embedded derivative was then amortized to interest expense over the term of the debt using the effective interest method. Changes to the fair value of these embedded derivatives were reflected quarterly in the Company’s consolidated statements of operations as

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

“Change in fair value of derivatives embedded within convertible debt.” The value of the embedded derivative was contingent on changes in interest rates of debt instruments maturing over the duration of the convertible debt as well as projections of future cash and stock dividends over the term of the debt.

A summary of non-cash interest expense associated with the amortization of the debt discount created by the embedded derivative liability associated with the Company’s variable interest senior convertible debt is set forth in the following table:

	Year Ended December 31,		
	2021	2020	2019
7.5% Convertible Notes	\$ —	\$ —	\$ 2,031
5.5% Convertible Notes	—	4,053	16,481
Interest expense associated with embedded derivatives	<u>\$ —</u>	<u>\$ 4,053</u>	<u>\$ 18,512</u>

A summary of non-cash changes in fair value of derivatives embedded within convertible debt is set forth in the following table:

	Year Ended December 31,		
	2021	2020	2019
7.5% Convertible Notes	\$ —	\$ —	\$ 6,635
5.5% Convertible Notes	—	4,999	19,790
Gain on changes in fair value of derivatives embedded within convertible debt	<u>\$ —</u>	<u>\$ 4,999</u>	<u>\$ 26,425</u>

The following table reconciles the fair value of derivatives embedded within convertible debt:

	7.5% Convertible Notes	5.5% Convertible Notes	Total
Balance at January 1, 2019	\$ 6,635	\$ 24,789	\$ 31,424
Gain from changes in fair value of embedded derivatives	(6,635)	(19,790)	(26,425)
Balance at December 31, 2019	—	4,999	4,999
Gain from changes in fair value of embedded derivatives	—	(4,999)	(4,999)
Balance at December 31, 2020	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Beneficial Conversion Feature on Variable Interest Senior Convertible Debt:

After giving effect to the recording of the embedded derivative liability as a discount to the convertible debt, the Company’s common stock had a fair value at the issuance date of the debt in excess of the conversion price resulting in a beneficial conversion feature. The accounting guidance on debt with conversion and other options requires that the intrinsic value of the beneficial conversion feature be recorded to additional paid-in capital and as a discount on the debt. The discount is then amortized to interest expense over the term of the debt using the effective interest method. The beneficial conversion feature has been recorded, net of income taxes, as an increase to stockholders’ deficiency.

A summary of non-cash interest expense associated with the amortization of the debt discount created by the beneficial conversion feature on the Company’s variable interest senior convertible debt is set forth in the following table:

	Year Ended December 31,		
	2021	2020	2019
Amortization of beneficial conversion feature:			
7.5% Convertible Notes	\$ —	\$ —	\$ 1,328
5.5% Convertible Notes	—	1,223	4,973
Interest expense associated with beneficial conversion feature	<u>\$ —</u>	<u>\$ 1,223</u>	<u>\$ 6,301</u>

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Unamortized Debt Discount on Variable Interest Senior Convertible Debt:

The following table reconciles unamortized debt discount within convertible debt:

	7.5% Convertible Notes	5.5% Convertible Notes	Total
Balance at January 1, 2019	\$ 3,359	\$ 29,465	\$ 32,824
Partial redemption of 5.5% convertible notes	—	(2,735)	(2,735)
Amortization of embedded derivatives	(2,031)	(16,481)	(18,512)
Amortization of beneficial conversion feature	(1,328)	(4,973)	(6,301)
Balance at December 31, 2019	—	5,276	5,276
Amortization of embedded derivatives	—	(4,053)	(4,053)
Amortization of beneficial conversion feature	—	(1,223)	(1,223)
Balance at December 31, 2020	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Revolving Credit Agreement — Liggett:

In January, 2015, Liggett and 100 Maple LLC (“Maple”), a subsidiary of Liggett, entered into a Third Amended and Restated Credit Agreement (the “Credit Agreement”), with Wells Fargo Bank, National Association (“Wells Fargo”), as agent and lender.

On October 31, 2019, Liggett and Maple amended the Credit Agreement to, among other things, update the borrowing base to adjust the advance rates in respect of eligible inventory and add certain eligible real property. On March 22, 2021, Liggett, Maple and Vector Tobacco entered into Amendment No. 4 and Joinder to the Credit Agreement with Wells Fargo. The Credit Agreement was amended to, among other things, (i) add Vector Tobacco as a borrower under the Credit Agreement, (ii) extend the maturity of the Credit Agreement to March 22, 2026, and (iii) increase the amount of the maximum credit line thereunder from \$60,000 to \$90,000.

Since October 31, 2019, all borrowings under the Credit Agreement have been limited to a borrowing base equal to the sum of (I) the lesser of 85% of eligible trade receivables less certain reserves and \$15,000; plus (II) 80% of the value of eligible inventory consisting of packaged cigarettes; plus (III) the designated percentage of the value of eligible inventory consisting of leaf tobacco (i.e., 65% of Liggett’s eligible cost of inventory consisting of leaf tobacco less certain reserves or 85% of the net orderly liquidation value of eligible inventory); plus (IV) the lesser of (a) the real property subline amount or (b) 60% of the fair market value of eligible real property. The obligations under the Credit Agreement are collateralized on a first priority basis by all inventories, receivables and certain other personal property of Liggett and Maple, a mortgage on Liggett’s manufacturing facility and certain real property of Maple, subject to certain permitted liens.

The term of the Credit Agreement expires on March 22, 2026. Loans under the Credit Agreement bear interest at a rate equal to LIBOR plus 2.25%. The interest rate applicable to this Credit Agreement at December 31, 2021 was 2.35%. The Credit Agreement, as amended, permitted the guaranty of the 6.125% Senior Secured Notes due 2025, and permits the guaranty of the 5.75% Senior Secured Notes and the 10.5% Senior Notes, by each of Liggett, Maple and Vector Tobacco. Wells Fargo, Liggett, Maple, Vector Tobacco and the collateral agent for the holders of the 5.75% Senior Secured Notes have entered into an intercreditor agreement, pursuant to which the liens of such collateral agent on the assets that are subject to the Credit Agreement are subordinated to the liens of Wells Fargo on such assets.

The Credit Agreement contains customary affirmative and negative covenants, including covenants that limit Liggett’s, Maple’s, Vector Tobacco’s and their subsidiaries’ ability to incur, create or assume certain indebtedness, to incur or assume certain liens, to purchase, hold or acquire certain investments, to declare or make certain dividends and distributions and to engage in certain mergers, consolidations and asset sales. The Credit Agreement also requires the Company to comply with specified financial covenants, including that Liggett’s earnings before interest, taxes, depreciation and amortization, as defined under the Credit Agreement, on a trailing twelve month basis, shall not be less than \$150,000 if Liggett’s excess availability, as defined under the Credit Agreement, is less than \$30,000. The covenants also require that annual capital expenditures, as defined under the Credit Agreement (before a maximum carryover amount of \$10,000), shall not exceed \$20,000 during any fiscal year. The Credit Agreement also contains customary events of default. Liggett was in compliance with these covenants as of December 31, 2021.

As of December 31, 2021, there was \$24 in outstanding balance under the Credit Agreement. Availability, as determined under the Credit Agreement, was \$80,771 based on eligible collateral at December 31, 2021.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
Fair Value of Notes Payable and Long-Term Debt:

The estimated fair value of the Company's notes payable and long-term debt were as follows:

	December 31, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior Notes	\$ 1,427,353	\$ 1,426,176	\$ 1,401,960	\$ 1,464,208
Liggett and other	120	124	153	161
Notes payable and long-term debt	<u>\$ 1,427,473</u>	<u>\$ 1,426,300</u>	<u>\$ 1,402,113 ⁽¹⁾</u>	<u>\$ 1,464,369</u>

⁽¹⁾ The carrying value does not include the carrying value of the embedded derivative. See Note 18.

Notes payable and long-term debt are carried on the 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 18 if such liabilities were recorded on the 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 as described in Note 1. The Company used a derived price based upon quoted market prices and trade activity as of December 31, 2021 to determine the fair value of its publicly-traded notes and debentures. The carrying value of the revolving credit facility is equal to the fair value. The fair value of the equipment loans and other obligations was determined by calculating the present value of the required future cash flows. However, considerable judgment is required to 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.

Scheduled Maturities:

Scheduled maturities of notes payable and long-term debt were as follows:

Year Ending December 31:	Principal	Unamortized Discount/ (Premium)	Net
2022	\$ 79	\$ —	\$ 79
2023	33	—	33
2024	8	—	8
2025	—	—	—
2026	555,000	2,647	552,353
Thereafter	875,000	—	875,000
Total	<u>\$ 1,430,120</u>	<u>\$ 2,647</u>	<u>\$ 1,427,473</u>

12. EMPLOYEE BENEFIT PLANS***Defined Benefit Plans and Postretirement Plans:***

Defined Benefit Plans. The Company sponsors four defined benefit pension plans (two qualified and two non-qualified) covering virtually all individuals who were employed by Liggett on a full-time basis prior to 1994. Future accruals of benefits under these four defined benefit plans were frozen between 1993 and 1995. These benefit plans provide pension benefits for eligible employees based primarily on their compensation and length of service. Contributions are made to the two qualified pension plans in amounts necessary to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974. The plans' assets and benefit obligations were measured at December 31, 2021 and 2020, respectively.

The Company also sponsors a Supplemental Retirement Plan ("SERP") where the Company will pay supplemental retirement benefits to certain key employees, including certain executive officers of the Company. The plan meets the applicable requirements of Section 409A of the Internal Revenue Code and is intended to be unfunded for tax purposes. Payments under the SERP will be made out of the general assets of the Company. The SERP is a defined benefit plan. Under the SERP, the benefit payable to a participant at his normal retirement date is a lump sum amount which is the actuarial equivalent of a predetermined annual retirement benefit set by the Company's Board of Directors. Normal retirement date is defined as the January 1 following the attainment by the participant of the latter of age 60 or the completion of eight years of employment following January 1, 2002 with the Company or a subsidiary.

The SERP provides the Company's President and Chief Executive Officer with an additional benefit paid as a lump sum under the SERP that is actuarially equivalent to a \$1,788 lifetime annuity. In addition, in the event of a termination of his employment under the circumstances where he is entitled to severance payments under his employment agreement, he will be credited with an additional 36 months of service towards vesting under the SERP.

At December 31, 2021, the aggregate lump sum equivalents of the annual retirement benefits payable under the Amended SERP at normal retirement dates occurring during the following years is as follows: 2022 to 2025 – none; 2026 – \$59,116 and 2027 to 2031 – \$6,866. In the case of a participant who becomes disabled prior to his normal retirement date or whose service is terminated without cause, the participant's benefit consists of a pro-rata portion of the full projected retirement benefit to which he would have been entitled had he remained employed through his normal retirement date, as actuarially discounted back to the date of payment. A participant who dies while working for the Company or a subsidiary (and before becoming disabled or attaining his normal retirement date) will be paid an actuarially discounted equivalent of his projected retirement benefit; conversely, a participant who retires beyond his normal retirement date will receive an actuarially increased equivalent of his projected retirement benefit.

Postretirement Medical and Life Plans. The Company provides certain postretirement medical and life insurance benefits to certain employees and retirees. Substantially all of the Company's manufacturing employees as of December 31, 2021 are eligible for postretirement medical benefits if they reach retirement age while working for Liggett or certain affiliates. Retirees are required to fund 100% of participant medical premiums and, pursuant to union contracts, Liggett reimburses approximately 74 hourly retirees, who retired prior to 1991, for Medicare Part B premiums. In addition, the Company provides life insurance benefits to approximately 89 active employees and 349 retirees who reach retirement age and are eligible to receive benefits under two of the Company's defined benefit pension plans. The Company's postretirement liabilities are comprised of Medicare Part B and life insurance premiums.

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

The following table provides a reconciliation of benefit obligations, plan assets and the funded status of the pension plans and other postretirement benefits:

	Pension Benefits		Other Postretirement Benefits	
	2021	2020	2021	2020
Change in benefit obligation:				
Benefit obligation at January 1	\$ (125,842)	\$ (128,997)	\$ (9,101)	\$ (8,986)
Service cost	(415)	(592)	—	—
Interest cost	(2,284)	(3,545)	(224)	(286)
Plan settlement	—	7,255	—	—
Plan amendment	—	—	(48)	—
Benefits paid	6,452	7,008	471	500
Expenses paid	291	255	—	—
Actuarial gain (loss)	632	(7,226)	422	(329)
Benefit obligation at December 31	\$ (121,166)	\$ (125,842)	\$ (8,480)	\$ (9,101)
Change in plan assets:				
Fair value of plan assets at January 1	\$ 102,812	\$ 101,051	\$ —	\$ —
Actual return on plan assets	8,373	8,919	—	—
Plan settlement	—	(7,255)	—	—
Expenses paid	(291)	(255)	—	—
Contributions	103	7,360	471	500
Benefits paid	(6,452)	(7,008)	(471)	(500)
Fair value of plan assets at December 31	\$ 104,545	\$ 102,812	\$ —	\$ —
Unfunded status at December 31	\$ (16,621)	\$ (23,030)	\$ (8,480)	\$ (9,101)
Amounts recognized in the consolidated balance sheets:				
Prepaid pension costs	\$ 44,585	\$ 35,209	\$ —	\$ —
Other accrued liabilities	(95)	(100)	(621)	(624)
Non-current employee benefit liabilities	(61,111)	(58,139)	(7,859)	(8,477)
Net amounts recognized	\$ (16,621)	\$ (23,030)	\$ (8,480)	\$ (9,101)

	Pension Benefits			Other Postretirement Benefits		
	2021	2020	2019	2021	2020	2019
Service cost — benefits earned during the period	\$ 415	\$ 592	\$ 533	\$ —	\$ —	\$ 3
Interest cost on projected benefit obligation	2,284	3,545	4,860	224	286	347
Expected return on assets	(3,458)	(3,869)	(4,874)	—	—	—
Prior service cost	—	—	—	4	4	4
Settlement loss	—	1,805	—	—	—	—
Amortization of net loss (gain)	1,835	1,836	2,001	86	11	(40)
Net expense	\$ 1,076	\$ 3,909	\$ 2,520	\$ 314	\$ 301	\$ 314

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

As of December 31, 2021, accumulated other comprehensive (loss) income, before income taxes, consisted of the following:

	Defined Benefit Pension Plans	Post- Retirement Plans	Total
Accumulated other comprehensive loss as of January 1, 2021	\$ (28,199)	\$ (1,106)	\$ (29,305)
Amortization of prior service costs	—	4	4
Plan amendment	—	(48)	(48)
Amortization of loss	1,835	86	1,921
Net gain arising during the year	5,547	420	5,967
Accumulated other comprehensive loss as of December 31, 2021	<u>\$ (20,817)</u>	<u>\$ (644)</u>	<u>\$ (21,461)</u>

As of December 31, 2020, accumulated other comprehensive (loss) income, before income taxes, consisted of the following:

	Defined Benefit Pension Plans	Post- Retirement Plans	Total
Accumulated other comprehensive (loss) income as of January 1, 2020	\$ (29,664)	\$ (794)	\$ (30,458)
Amortization of prior service costs	—	4	4
Effect of settlement	1,805	—	1,805
Amortization of loss	1,836	11	1,847
Net loss arising during the year	(2,176)	(327)	(2,503)
Accumulated other comprehensive loss as of December 31, 2020	<u>\$ (28,199)</u>	<u>\$ (1,106)</u>	<u>\$ (29,305)</u>

As of December 31, 2021, our total accumulated benefit obligations, as well as our projected benefit obligations in excess of the fair value of the related plan assets, for defined benefit pension plans were as follows:

	December 31,	
	2021	2020
Accumulated benefit obligation	\$ 61,206	\$ 58,239
Fair value of plan assets	\$ —	\$ —
Projected benefit obligation	\$ 61,206	\$ 58,239
Fair value of plan assets	\$ —	\$ —

The information for other postretirement benefit plans with an accumulated postretirement benefit obligation in excess of plan assets has been disclosed in the Obligations table above because all the other postretirement benefit plans are unfunded or underfunded.

The assumptions used for the pension benefits and other postretirement benefits were:

	Pension Benefits			Other Postretirement Benefits		
	2021	2020	2019	2021	2020	2019
Weighted average assumptions:						
Discount rates — benefit obligation	1.80% - 2.70%	1.40% - 2.30%	2.55% - 3.10%	2.85%	2.55%	3.30%
Discount rates — service cost	1.40% - 2.30%	2.55% - 3.10%	3.90% - 4.25%	2.55%	3.30%	4.35%
Assumed rates of return on invested assets	3.50%	4.00 %	5.50%	N/A	N/A	N/A
Salary increase assumptions	N/A	N/A	N/A	3.00%	3.00%	3.00%

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Discount rates were determined by a quantitative analysis examining the prevailing prices of high quality bonds to determine an appropriate discount rate for measuring obligations. The aforementioned analysis analyzes the cash flow from each of the Company's four benefit plans as well as a separate analysis of the cash flows from the postretirement medical and life insurance plans sponsored by Liggett. The aforementioned analyses then construct a hypothetical bond portfolio whose cash flow from coupons and maturities match the year-by-year, projected benefit cash flow from the respective pension or retiree health plans. The Company uses the lower discount rate derived from the two independent analyses in the computation of the benefit obligation and service cost for each respective retirement liability.

The Company considers input from its external advisors and historical returns in developing its expected rate of return on plan assets. The expected long-term rate of return is the weighted average of the target asset allocation of each individual asset class. The Company's actual 10-year annual rate of return on its pension plan assets was 7.74%, 6.91% and 7.59% for the years ended December 31, 2021, 2020 and 2019, respectively, and the Company's actual five-year annual rate of return on its pension plan assets was 7.86%, 7.51% and 5.41% for the years ended December 31, 2021, 2020 and 2019, respectively.

Gains and losses resulted from changes in actuarial assumptions and from differences between assumed and actual experience, including, among other items, changes in discount rates and changes in actual returns on plan assets as compared to assumed returns. These gains and losses are only amortized to the extent that they exceed 10% of the greater of Projected Benefit Obligation and the fair value of assets. For the year ended December 31, 2021, Liggett used a 12.39-year period for its Hourly Plan and a 11.61-year period for its Salaried Plan to amortize pension fund gains and losses on a straight line basis. Such amounts are reflected in the pension expense calculation beginning the year after the gains or losses occur. The amortization of deferred losses negatively impacts pension expense in the future.

Plan assets are invested employing multiple investment management firms. Managers within each asset class cover a range of investment styles and focus primarily on issue selection as a means to add value. Risk is controlled through a diversification among asset classes, managers, styles and securities. Risk is further controlled both at the manager and asset class level by assigning excess return and tracking error targets. Investment managers are monitored to evaluate performance against these benchmark indices and targets.

Allowable investment types include equity, investment grade fixed income, high yield fixed income, hedge funds and short term investments. The equity fund is comprised of common stocks and mutual funds of large, medium and small companies, which are predominantly U.S. based. The investment grade fixed income fund includes managed funds investing in fixed income securities issued or guaranteed by the U.S. government, or by its respective agencies, mortgage backed securities, including collateralized mortgage obligations, and corporate debt obligations. The high yield fixed income fund includes a fund which invests in non-investment grade corporate debt securities. The hedge funds invest in both equity, including common and preferred stock, and debt obligations, including convertible debentures, of private and public companies. The Company generally utilizes its short-term investments, including interest-bearing cash, to pay benefits and to deploy in special situations.

The Liggett Employee Benefits Committee has established the following target assets allocation to equal 35% equity investments and 65% investment grade fixed income, with a rebalancing range of approximately plus or minus 5% around the target asset allocations.

Vector's defined benefit retirement plan allocations by asset category, were as follows:

Asset category:	Plan Assets at December 31,	
	2021	2020
Equity securities	38 %	35 %
Investment grade fixed income securities	62 %	65 %
High yield fixed income securities	— %	— %
Total	100 %	100 %

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

The defined benefit plans' recurring financial assets subject to fair value measurements and the necessary disclosures were as follows:

Fair Value Measurements as of December 31, 2021					
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:					
Insurance contracts	\$ 1,868	\$ —	\$ 1,868	\$ —	
Amounts in individually managed investment accounts:					
Cash, mutual funds and common stock	91	91	—	—	
Common collective trusts at NAV ⁽¹⁾	102,586	—	—	—	
Total	\$ 104,545	\$ 91	\$ 1,868	\$ —	

(1) 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.

Fair Value Measurements as of December 31, 2020					
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:					
Insurance contracts	\$ 2,236	\$ —	\$ 2,236	\$ —	
Amounts in individually managed investment accounts:					
Cash, mutual funds and common stock	78	78	—	—	
Common collective trusts at NAV ⁽¹⁾	100,498	—	—	—	
Total	\$ 102,812	\$ 78	\$ 2,236	\$ —	

(1) 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 included in Level 1 are based on quoted market prices from various stock exchanges. The Level 2 investments are based on quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets in markets that are not active.

For 2021 measurement purposes, annual increases in Medicare Part B trends were assumed to equal rates between 4.21% and 7.19% between 2022 and 2029 and 4.5% thereafter. For 2020 measurement purposes, annual increases in Medicare Part B trends were assumed to equal rates between 2.87% and 6.06% between 2021 and 2028 and 4.5% thereafter.

To comply with ERISA's minimum funding requirements, the Company does not currently anticipate that it will be required to make any contributions to the pension plan year beginning on January 1, 2022 and ending on December 31, 2022. Any additional funding obligation that the Company may have for subsequent years is contingent on several factors and is not reasonably estimable at this time.

Estimated future pension and postretirement medical benefits payments were as follows:

	Pension	Postretirement Medical
2022	\$ 6,347	\$ 621
2023	5,993	627
2024	5,648	629
2025	5,289	606
2026	64,060	590
2027 - 2031	26,666	2,596

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Profit Sharing and 401(k) Plans:

The Company maintains 401(k) plans for substantially all U.S. employees which allow eligible employees to invest a percentage of their pre-tax compensation. The Company contributed to the 401(k) plans and expensed \$1,473, \$1,465 and \$1,350 for the years ended December 31, 2021, 2020 and 2019, respectively.

VECTOR GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
13. INCOME TAXES

The amounts provided for income taxes were as follows:

	Year Ended December 31,		
	2021	2020	2019
Current:			
U.S. Federal	\$ 33,398	\$ 30,583	\$ 31,002
State	14,945	12,910	9,705
	<u>48,343</u>	<u>43,493</u>	<u>40,707</u>
Deferred:			
U.S. Federal	11,399	7,343	(6,075)
State	3,065	3,285	(3,547)
	<u>14,464</u>	<u>10,628</u>	<u>(9,622)</u>
Total	<u>\$ 62,807</u>	<u>\$ 54,121</u>	<u>\$ 31,085</u>

The tax effect of temporary differences which give rise to a significant portion of deferred tax assets and liabilities is as follows:

	December 31, 2021	December 31, 2020
Deferred tax assets:		
Employee benefit accruals	\$ 7,828	\$ 10,529
Impairment of investments	12,337	13,961
Impact of timing of settlement payments	10,854	20,137
Various U.S. federal and state tax loss carryforwards	2,378	3,123
Operating lease liabilities	3,277	3,884
Current expected credit losses	4,111	4,299
Other	3,910	2,852
	<u>44,695</u>	<u>58,785</u>
Less: Valuation allowance	(348)	(852)
Net deferred tax assets	<u>\$ 44,347</u>	<u>\$ 57,933</u>
Deferred tax liabilities:		
Basis differences on non-consolidated entities	\$ (24,441)	\$ (22,809)
Basis differences on fixed and intangible assets	(35,154)	(35,555)
Basis differences on inventory	(10,808)	(10,698)
Basis differences on long-term investments	(4,383)	(912)
Basis differences on available for sale securities	(1,490)	(3,579)
Operating lease right of use assets	(2,839)	(3,324)
	<u>\$ (79,115)</u>	<u>\$ (76,877)</u>
Net deferred tax liabilities	<u>\$ (34,768)</u>	<u>\$ (18,944)</u>

The Company files a consolidated U.S. income tax return that includes its more than 80%-owned U.S. subsidiaries. Stand alone subsidiaries had tax-effected federal and state and local net operating loss (“NOL”) carryforwards of \$2,378 and \$3,123 at December 31, 2021 and 2020, respectively, expiring through tax year 2027. The Company records a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company had valuation allowances of \$348 and \$852 at December 31, 2021 and 2020, respectively. The valuation allowances at December 31, 2021 and 2020 primarily related to state net operating loss carryforwards of stand alone subsidiaries.

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act into law. The Act includes several significant tax and payroll-related provisions for corporations, including the usage of net operating losses, bonus depreciation, interest expense, and certain payroll benefits. The Company determined that there was a minimal impact of the CARES Act on its financial statements and required disclosures.

The consolidated balance sheets of the Company include deferred income tax assets and liabilities, which represent temporary differences in the application of accounting rules established by U.S. GAAP and income tax laws.

Differences between the amounts provided for income taxes and amounts computed at the federal statutory tax rate are summarized as follows:

	Year Ended December 31,		
	2021	2020	2019
Income before provision for income taxes	\$ 209,961	\$ 181,043	\$ 125,015
Federal income tax expense at statutory rate	44,092	38,018	26,253
Increases (decreases) resulting from:			
State income taxes, net of federal income tax benefits	13,946	12,974	6,047
Non-deductible expenses	6,205	2,859	2,048
Excess tax benefits on stock-based compensation	(561)	(206)	(1,488)
Changes in valuation allowance, net of equity and tax audit adjustments	(504)	(440)	(2,525)
Other	(371)	916	750
Income tax expense	\$ 62,807	\$ 54,121	\$ 31,085

The Company’s income tax expense is principally attributable to the Company’s federal and state income taxes based on the Company’s earnings. The non-deductible expenses presented in the table above largely relate to the Company’s non-deductible executive compensation and spin-off expenses. The federal and state NOLs and valuation allowance are decreased by the spin-off entity and NOLs expiration.

The following table summarizes the activity related to the unrecognized tax benefits:

Balance at January 1, 2019	\$ 391
Additions based on tax positions related to prior years	1,586
Expirations of the statute of limitations	(330)
Balance at December 31, 2019	1,647
Additions based on tax positions related to prior years	458
Settlements	(402)
Expirations of the statute of limitations	(50)
Balance at December 31, 2020	1,653
Additions based on tax positions related to prior years	1,640
Settlements	(1,065)
Expirations of the statute of limitations	(19)
Balance at December 31, 2021	\$ 2,209

In the event the unrecognized tax benefits of \$2,209 at December 31, 2021 were recognized, such recognition would impact the effective tax rate. The Company classifies all tax-related interest and penalties as income tax expense.

It is reasonably possible the Company may recognize up to approximately \$45 of unrecognized tax benefits over the next 12 months, primarily pertaining to expiring statutes of limitations on prior state and local income tax return positions.

The Company files U.S. and state and local income tax returns in jurisdictions with varying statutes of limitations. The Company, from time to time, receives notices related to audits and adjustments related to its partnerships.

14. STOCK COMPENSATION

The Company granted equity compensation under its Amended and Restated 1999 Long-Term Incentive Plan (the “1999 Plan”) until the 1999 Plan expired on December 31, 2013. On May 16, 2014, the Company’s stockholders approved the 2014 Management Incentive Plan (the “2014 Plan”). The 2014 Plan replaced the 1999 Plan. Like the 1999 Plan, the 2014 Plan provides for the Company to grant stock options, stock appreciation rights and restricted stock. The 2014 Plan also provides for awards based on a multi-year performance period and for annual short-term awards based on a twelve-month performance period. Shares available for issuance under the 2014 Plan are 6,377,538 shares. The Company may satisfy its obligations under any award granted under the 2014 Plan by issuing new shares. Awards previously granted under the 1999 Plan remain outstanding in accordance with their terms.

Stock Options. The Company recognized compensation expense of \$849, \$1,428 and \$1,923 related to stock options in the years ended December 31, 2021, 2020 and 2019, respectively.

All awards have a contractual term of ten years and awards vest over a period of two to seven years depending upon each grant. The fair value of option grants is estimated at the date of grant using the Black-Scholes option pricing model. The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including expected stock price characteristics which are significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock-based compensation awards.

The assumptions used under the Black-Scholes option pricing model in computing fair value of options are based on the expected option life considering both the contractual term of the option and expected employee exercise behavior, the interest rate associated with U.S. Treasury issues with a remaining term equal to the expected option life and the expected volatility of the Company’s common stock over the expected term of the option. The assumptions used for grants in the year ended December 31, 2019 were as follows:

	2019
Risk-free interest rate	2.5% - 2.7%
Expected volatility	20.24% - 20.45%
Dividend yield	0.0 %
Expected holding period	4 - 10 years
Weighted-average grant date fair value ⁽¹⁾	\$2.36 - \$4.08

⁽¹⁾ Per share amounts have not been adjusted to give effect to the stock dividend in 2019.

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

A summary of employee stock option transactions follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value(1)
Outstanding on January 1, 2019	5,860,833	\$ 13.16	4.1	\$ 1,095
Granted	406,875	\$ 10.92		
Exercised	(1,824,351)	\$ 8.67		
Canceled	(11)	\$ —		
Outstanding on December 31, 2019	4,443,346	\$ 14.80	5.0	\$ 4,427
Exercised	(620,527)	\$ 11.14		
Outstanding on December 31, 2020	3,822,819	\$ 15.40	4.6	\$ 487
Exercised	—	\$ —		
Outstanding on December 31, 2021	3,822,819	\$ 15.40	3.6	\$ 238
Options exercisable at:				
December 31, 2019	2,689,673			
December 31, 2020	2,540,150			
December 31, 2021	2,988,727			

⁽¹⁾ The aggregate intrinsic value represents the amount by which the fair value of the underlying common stock (\$11.48, \$11.65 and \$13.39 at December 31, 2021, 2020 and 2019, respectively) exceeds the option exercise price.

Additional information relating to options outstanding at December 31, 2021 follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable			
	Outstanding as of 12/31/2021	Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price	Exercisable as of 12/31/2021	Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price	Aggregate Intrinsic Value
\$9.86 - \$11.83	1,462,190	2.8	\$ 11.32	1,055,315	1.2	\$ 11.47	\$ —
\$11.83 - \$13.80	—	—	\$ —	—	—	\$ —	—
\$13.80 - \$15.77	519,278	2.4	\$ 14.68	519,278	2.4	\$ 14.68	—
\$15.77 - \$17.74	—	—	\$ —	—	—	\$ —	—
\$17.74 - \$19.71	1,841,351	4.6	\$ 18.84	1,414,134	4.1	\$ 18.96	—
	3,822,819	3.6	\$ 15.40	2,988,727	2.8	\$ 15.57	\$ 238

As of December 31, 2021, there was \$381 of total unrecognized compensation cost related to unvested stock options. The cost is expected to be recognized over a weighted-average period of approximately 0.65 years at December 31, 2021.

As a result of adopting ASU 2016-09, the Company reflects the net excess tax benefits of stock-based compensation in its consolidated financial statements as a component of “Cash Flows from Operating Activities.”

The Company has elected to use the long-form method under which each award grant is tracked on an employee-by-employee basis and grant-by-grant basis to determine if there is a tax benefit or tax deficiency for such award. The Company then compares the fair value expense to the tax deduction received for each grant in order to calculate the related tax benefits and deficiencies. All excess tax benefits and deficiencies are recognized as a component of income tax expense or benefit on the income statement.

The total intrinsic value of options exercised during the year ended December 31, 2020 was \$835. Tax benefits related to option exercises of \$104 were recorded as reductions to income tax expense for the year ended December 31, 2020.

The total intrinsic value of options exercised during the year ended December 31, 2019 was \$6,577. Tax benefits related to option exercises of \$1,546 were recorded as reductions to income tax expense for the year ended December 31, 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Restricted Stock Awards. In 2021, the Company granted 623,500 restricted shares of the Company's common stock pursuant to the 2014 Plan. The shares vest over a period of four years and the Company will recognize \$8,919 of expense over the vesting period. The Company recognized expense of \$4,245 for the year ended December 31, 2021.

In 2021, the Company granted an award of 250,000 shares of its common stock pursuant to its 2014 Plan subject to service and performance-based vesting (and continued employment) over a period of four-years. The Company will recognize \$3,578 of expense over the vesting period. The Company recognized expense of \$1,699 for the year ended December 31, 2021.

In 2020, the Company granted 425,000 restricted shares of the Company's common stock pursuant to the 2014 Plan. The shares vest over a period of four years and the Company will recognize \$5,041 of expense over the vesting period. The Company recognized expense of \$2,271 and \$747 for the years ended December 31, 2021 and 2020, respectively.

In 2019, the Company granted 63,000 restricted shares of the Company's common stock pursuant to the 2014 Plan. The shares vest over a period of three years and the Company will recognize \$564 of expense over the vesting period. The Company recognized expense of \$209, \$188 and \$124 for the years ended December 31, 2021, 2020, and 2019, respectively.

The Company recognized expense of \$5,525, \$7,022, and \$7,043 for the years ended December 31, 2021, 2020 and 2019, respectively, related to performance based restricted stock awards granted in 2013, 2014 and 2015.

As of December 31, 2021, there was \$10,627 of total unrecognized compensation costs related to unvested restricted stock awards. The cost is expected to be recognized over a weighted-average period of approximately 1.41 years.

As of December 31, 2020, there was \$12,081 of total unrecognized compensation costs related to unvested restricted stock awards.

The Company's accounting policy is to treat dividends paid on unvested restricted stock as a reduction to additional paid-in capital on the Company's consolidated balance sheets.

Included in the stock compensation costs for the year ended December 31, 2021, were expenses of \$4,317 associated with the acceleration of stock compensation in connection with the Company's spin-off of Douglas Elliman.

15. 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 years ended December 31, 2021, 2020, and 2019, Liggett incurred tobacco product liability legal expenses and costs totaling \$6,256, \$6,476, and \$7,363, respectively. The tobacco product liability legal expenses and costs are included in the operating, selling, administrative and general expenses and litigation settlement and judgment expense line items in the consolidated statements of operations. Legal defense costs are expensed as incurred.

Litigation is subject to uncertainty and it is possible that 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Bonds. Although Liggett has been able to obtain required bonds or relief from bonding requirements in order 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 December 31, 2021, Liggett had no outstanding bonds.

In June 2009, Florida amended its existing bond cap statute by adding a \$200,000 bond cap that applies to all *Engle* progeny cases in the aggregate and establishes individual bond caps for individual *Engle* progeny cases in amounts that vary depending on the number of judgments in effect at a given time. The maximum amount of any such bond for an appeal in the Florida state courts will be no greater than \$5,000. In several cases, plaintiffs challenged the constitutionality of the bond cap statute, but to date the courts have upheld the constitutionality of the statute. 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 of such challenges.

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 15: (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 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, including with respect to the remaining *Engle* progeny cases. 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, as well as valid bases for appeal of adverse verdicts. 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.

Individual Actions

As of December 31, 2021, there were 79 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:

State	Number of Cases
Florida	44
Illinois	19
Nevada	7
New Mexico	5
Louisiana	2
Hawaii	1
Massachusetts	1

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 and punitive damages. Although alleged damages often are not determinable from

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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. Although the Company was not named as a defendant in the *Engle* case, it was named as a defendant in substantially all of the *Engle* progeny cases where Liggett was named as a defendant.

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. Many were overturned on appeal. As of December 31, 2021, 25 *Engle* progeny cases where Liggett was a defendant at trial resulted in verdicts.

There 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. Several of the adverse verdicts were overturned on appeal and new trials were ordered. In certain cases, the judgments were entered jointly and severally with other defendants and Liggett may face the risk that one or more co-defendants decline or otherwise fail to participate in the bonding required for an appeal or to pay their proportionate or jury-allocated share of a judgment. As a result, under certain circumstances, Liggett may have to pay more than its proportionate share of any bonding or judgment related amounts. Except as discussed in this Note 15, management is unable to estimate the possible loss or range of loss from the remaining *Engle* progeny cases as there are currently multiple defendants in each case and, in most cases, discovery has not occurred or is limited. As a result, the Company lacks information about whether plaintiffs are in fact *Engle* class members, the relevant smoking history, the nature of the alleged injury and the availability of various defenses, among other things. Further, plaintiffs typically do not specify the amount of their demand for damages. 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.

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 \$3,600 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 subsequently entered into two separate settlement agreements with a total of 152 *Engle* progeny plaintiffs where Liggett paid a total of \$23,150. On an individual basis, Liggett settled an additional 204 *Engle* progeny cases for approximately \$8,100 in the aggregate.

Notwithstanding the comprehensive nature of the *Engle* progeny settlements, 28 plaintiffs’ claims remain pending in state court. Therefore, the Company and Liggett may still be subject to periodic adverse judgments which could have a material adverse effect on the Company’s consolidated financial position, results of operations and cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Judgments Paid in Engle Progeny Cases.

As of December 31, 2021, Liggett had paid in the aggregate \$40,111, including interest and attorneys' fees, to satisfy the judgments in the following *Engle* progeny cases: *Lukacs, Campbell, Douglas, Clay, Tullo, Ward, Rizzuto, Lambert, Buchanan* and *Santoro*.

Maryland Cases

Liggett was a defendant in 16 multi-defendant personal injury cases in Maryland alleging claims arising from asbestos and tobacco exposure ("synergy cases"). In July 2016, the Court of Appeals (Maryland's highest court) ruled that joinder of tobacco and asbestos cases may be possible in certain circumstances, but plaintiffs must demonstrate at the trial court level how such cases may be joined while providing appropriate safeguards to prevent embarrassment, delay, expense or prejudice to defendants and "the extent to which, if at all, the special procedures applicable to asbestos cases should extend to tobacco companies." The Court of Appeals remanded these issues to be determined at the trial court level. In June 2017, the trial court issued an order dismissing all synergy cases against the tobacco defendants, including Liggett, without prejudice. Plaintiffs may seek appellate review or file new cases against the tobacco companies.

Liggett Only Cases

There are currently six cases where Liggett is the sole defendant: *Baluja, Cowart* and *Cellini* are Individual Actions and *Tumin, Forbing* and *Alvarez* are *Engle* progeny cases. It is possible that cases where Liggett is the only defendant could increase as a result of the remaining *Engle* progeny cases and newly filed Individual Actions.

Upcoming Trials

As of December 31, 2021, there were two *Engle* progeny cases (*Duncan* and *O'Rourke*) and 12 individual Actions (*Barnes, Baron, Camacho, Clark, Cupp, Geist, Harcourt, Johnson, Lane, Mendez, Rowan* and *Tully*) scheduled for trial through December 31, 2022, where Liggett is a named defendant. Trial dates are subject to change and additional cases could be set for trial during this time.

Class Actions

As of December 31, 2021, 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.

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.

In November 1997, in *Young v. American Tobacco Co.*, a purported personal injury class action was commenced on behalf of plaintiff and all similarly situated residents in Louisiana who, though not themselves cigarette smokers, allege they were exposed to secondhand smoke from cigarettes that were manufactured by the defendants, including Liggett, and suffered injury as a result of that exposure. The plaintiffs seek to recover an unspecified amount of compensatory and punitive damages. No class certification hearing has been held. A stay order entered on March 16, 2016 stays the case 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 commenced on behalf of all West Virginia residents who allegedly have claims arising from their exposure to cigarette smoke and asbestos fibers. The operative complaint seeks to recover unspecified compensatory and punitive damages on behalf of the putative class. The case is stayed as a result of the December 2000 bankruptcy of three of the defendants.

Health Care Cost Recovery Actions

As of December 31, 2021, one Health Care Cost Recovery Action was pending against Liggett, *Crow Creek Sioux Tribe v. American Tobacco Company*, a South Dakota case filed in 1997, where the plaintiff seeks to recover damages from Liggett

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 typically assert 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.

Department of Justice Lawsuit

In September 1999, the United States government commenced litigation against Liggett and other cigarette manufacturers in the United States District Court for the District of Columbia. The action sought to recover, among other things, an unspecified amount of health care costs paid and to be paid by the federal government for smoking-related illnesses allegedly caused by the fraudulent and tortious conduct of defendants. In August 2006, the trial court entered a Final Judgment against each of the cigarette manufacturing defendants, except Liggett. The judgment was affirmed on appeal. As a result, the cigarette manufacturing defendants, other than Liggett, are now subject to the trial court’s Final Judgment which ordered, among other things, the issuance of “corrective statements” in various media regarding the adverse health effects of smoking, the addictiveness of smoking and nicotine, the lack of any significant health benefit from smoking “low tar” or “lights” cigarettes, defendants’ manipulation of cigarette design to ensure optimum nicotine delivery and the adverse health effects of exposure to environmental tobacco smoke.

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.

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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.

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 4.1% of the total cigarettes sold in the United States in 2021. 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. On December 30, 2021, Liggett and Vector Tobacco pre-paid \$169,500 of their approximate \$181,000 2021 MSA obligation, the balance of which will be paid in April 2022, subject to applicable disputes or adjustments.

Certain MSA Disputes

NPM Adjustment. Liggett and Vector Tobacco contend that they are entitled to an NPM Adjustment for each year from 2003 - 2021. 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 - 2020, 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.

In June 2010, after the PMs prevailed in 48 of 49 motions to compel arbitration, the parties commenced the arbitration for the 2003 NPM Adjustment. That arbitration concluded in September 2013. It was followed by various challenges filed in state courts by states that did not prevail in the arbitration. Those challenges resulted in reductions, but not elimination of, the amounts awarded.

The PMs settled most of the disputed NPM Adjustment years with 38 states representing approximately 75% of the MSA share for 2003 - 2022. The 2004 NPM Adjustment arbitration commenced in 2016, with the arbitration panel issuing interim decisions on most individual states in September 2021, finding two of them liable for the NPM Adjustment; the final individual state hearing was held in February 2022; and a second phase addressing the effect of the settlements on recovery of the NPM Adjustment to start thereafter. The parties have selected an arbitration panel to address the NPM Adjustments for 2005 - 2007, and are engaged in discovery, with a common hearing set for July 2022 and individual state hearings likely to start in the third quarter of 2022.

As a result of the settlement and arbitration award described above, Liggett and Vector Tobacco reduced cost of sales for the year ended December 31, 2021 by \$7,896, for an aggregate reduction in costs of sales for years 2013 - 2021 of \$62,278. Liggett and Vector Tobacco may be entitled to further adjustments. As of December 31, 2021, Liggett and Vector Tobacco had accrued approximately \$13,200 related to the disputed amounts withheld from the non-settling states for 2004 - 2010, which may be subject to payment, with interest, if Liggett and Vector Tobacco lose the disputes for those years. As of December 31, 2021, there remains approximately \$49,800 in the disputed payments account relating to Liggett and Vector Tobacco’s 2011 - 2020 NPM Adjustment disputes with the non-settling states. If Liggett and Vector Tobacco lose the disputes for all or any of those years, pursuant to the MSA, no interest would be due on the amounts paid into the disputed payment account.

Other State Settlements. The MSA replaced Liggett’s prior settlements with all states and territories except for Florida, Mississippi, Texas and Minnesota. 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. Except as described below, Liggett’s agreements with these states remain in full force and effect. These states’ settlement agreements with Liggett contained most favored nation provisions which could reduce Liggett’s payment obligations based on subsequent settlements or resolutions by those states with certain other tobacco companies. Beginning in 1999, Liggett determined that, based on settlements or resolutions with United States Tobacco Company, Liggett’s payment obligations to those four states were eliminated. With respect to all non-economic obligations under the previous settlements, Liggett believes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 a dispute with Minnesota regarding its settlement agreement, Liggett agreed to pay \$100 a year in any year cigarettes manufactured by Liggett are sold in that state. Further, the Attorneys General for Florida, Mississippi and Texas advised Liggett that they believed Liggett had failed to make payments under the respective settlement agreements with those states. In 2010, Liggett settled with Florida and agreed to pay \$1,200 and to make further annual payments of \$250 for a period of 21 years, starting in March 2011, with the payments from year 12 forward being 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 (the "1996 Agreement") alleging that Liggett owes Mississippi at least \$27,000 in compensatory damages and interest. In April 2017, the Chancery Court ruled, over Liggett's objections, that the 1996 Agreement should be enforced as Mississippi claims and referred the matter first to arbitration and then to a Special Master for further proceedings to determine the amount of damages, if any, to be awarded. In April 2021, following confirmation of the final arbitration award, the parties stipulated that the unpaid principal (exclusive of interest) purportedly due from Liggett to Mississippi pursuant to the 1996 Agreement was approximately \$16,700, subject to Liggett's right to litigate and/or appeal the enforceability of the 1996 Agreement (and all issues other than the calculation of the principal amount allegedly due).

In September 2019, the Special Master held a hearing regarding Mississippi's claim for pre- and post-judgment interest. In August 2021, the Special Master issued a final report with proposed findings and recommendations that pre-judgment interest, in the amount of approximately \$18,800, is due from Liggett from April 2005 - August 3, 2021. On November 18, 2021, a hearing was held on Liggett's objection to the final report in Mississippi Chancery Court. A ruling is pending. If the Mississippi Chancery Court rejects Liggett's objections and enters final judgment adopting the Special Master's findings and recommendations, additional interest amounts will accrue if the judgment is not overturned on appeal. Liggett continues to assert that the April 2017 Chancery Court order is in error because the most favored nations provision in the 1996 Agreement eliminated all of Liggett's payment obligations to Mississippi, and has reserved all rights to appeal this and other issues at the conclusion of the case. In the event Liggett appeals an adverse judgment, the posting of a bond will likely be required.

Liggett may be required to make additional payments to Mississippi and Texas which could have a material adverse effect on the Company's consolidated financial position, results of operations and cash flows.

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.

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 15, 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 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.

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

The activity in the Company's accruals for the MSA and tobacco litigation for the three years ended December 31, 2021 was as follows:

	<i>Current Liabilities</i>			<i>Non-Current Liabilities</i>		
	Payments due under Master Settlement Agreement	Litigation Accruals	Total	Payments due under Master Settlement Agreement	Litigation Accruals	Total
Balance as of January 1, 2019	\$ 36,561	\$ 310	\$ 36,871	\$ 16,383	\$ 21,794	\$ 38,177
Expenses	165,471	990	166,461	—	—	—
Change in MSA obligations capitalized as inventory	4,936	—	4,936	—	—	—
Payments	(171,960)	(670)	(172,630)	—	—	—
Reclassification to/(from) non-current liabilities	(892)	3,338	2,446	892	(3,338)	(2,446)
Interest on withholding	—	281	281	—	2,138	2,138
Balance as of December 31, 2019	34,116	4,249	38,365	17,275	20,594	37,869
Expenses	175,538	312	175,850	—	—	—
NPM Settlement adjustment	299	—	299	—	—	—
Change in MSA obligations capitalized as inventory	182	—	182	—	—	—
Payments, net of credits received	(170,513)	(4,334)	(174,847)	(197)	—	(197)
Reclassification to/(from) non-current liabilities	(855)	3,252	2,397	855	(3,252)	(2,397)
Interest on withholding	—	488	488	—	1,926	1,926
Balance as of December 31, 2020	38,767	3,967	42,734	17,933	19,268	37,201
Expenses	173,786	211	173,997	—	—	—
Change in MSA obligations capitalized as inventory	(670)	—	(670)	—	—	—
Payments, net of credits received	(204,706)	(4,091)	(208,797)	—	—	—
Reclassification to/(from) non-current liabilities	4,709	3,351	8,060	(4,709)	(3,351)	(8,060)
Interest on withholding	—	480	480	—	1,763	1,763
Balance as of December 31, 2021	\$ 11,886	\$ 3,918	\$ 15,804	\$ 13,224	\$ 17,680	\$ 30,904

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.

Liggett and the Company have received three separate 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

16. SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended December 31,		
	2021	2020	2019
Cash paid during the period for:			
Interest, including interest related to finance leases	\$ 111,759	\$ 118,807	\$ 118,966
Income taxes, net	92,698	41,372	44,184
Non-cash investing and financing activities:			
Issuance of stock dividend	—	—	703

17. RELATED PARTY TRANSACTIONS

Ladenburg Thalmann Financial Services Inc. Prior to February 14, 2020, the Company owned 15,191,205 common shares (or approximately 10.2%) of LTS, which was a publicly-traded diversified financial services company prior to its merger with Advisor Group. The Company accounted for its investment in LTS under the equity method of accounting. In connection with the merger, in February 2020, the Company received cash proceeds of \$53,169. The Company recorded equity in earnings of \$53,424 for the year ended December 31, 2020. The Company also received \$6,009 for the redemption of its 240,000 shares of LTS 8% Series A Cumulative Redeemable Preferred Stock.

Prior to the merger, the Company and LTS were parties to a management agreement and LTS paid the Company \$103 and \$850 under the agreement for 2020 and 2019, respectively; these amounts were recorded as equity income.

LTS paid cash compensation to the President and Chief Executive Officer of the Company, who served as Vice Chairman of LTS, prior to the merger, of \$19 and \$1,600 for 2020 and 2019, respectively. LTS paid cash compensation to the Company's Executive Vice President and COO (the "Company's COO"), who served as President and CEO of LTS, of \$41 and \$2,142 for 2020 and 2019, respectively. At the closing of the transaction, the Company's COO resigned as Chairman, President and Chief Executive Officer of LTS, and the Company's management agreement with LTS was terminated.

Dr. Philip Frost, who beneficially owns more than 5% of the Company's common stock, was a director of LTS until September 2018 and was the largest shareholder of LTS until December 2018.

Castle Brands Inc. Prior to October 2019, the Company owned 12,895,017 shares (or approximately 7.6%) of Castle, which was a publicly-traded spirits company prior to its acquisition by Pernod Ricard. The Company accounted for its investment in Castle under the equity method of accounting. In connection with the acquisition, in October 2019, the Company received cash proceeds of \$16,377 and recorded a pre-tax gain of \$16,377.

Prior to the acquisition, the Company and Castle were parties to a management agreement and Castle paid the Company \$75 in 2019 under the agreement. Castle paid retention payments of \$515 in 2019 to the Company's COO who served as President and Chief Executive Officer as well as a director of Castle until October 2019. Dr. Frost was a director of Castle and was the largest shareholder of Castle until October 2019. At the closing of the transaction, the Company's COO resigned as President and Chief Executive Officer of Castle and the Company's management agreement with Castle was terminated.

Insurance. The Company's Chief Executive Officer, a firm in which he is a shareholder, and affiliates of that firm received insurance commissions aggregating approximately \$241, \$265 and \$215 in 2021, 2020 and 2019, respectively, on various insurance policies issued for the Company and its subsidiaries.

Consulting services. Beginning in April 2020, a director of the Company, who served as President and Chief Executive Officer of Liggett Group and Liggett Vector Brands until March 2020, has served as Non-Executive Chairman of the Board of Managers of Liggett Vector Brands and as a Senior Advisor to Liggett. The director has been receiving compensation of \$60 per month for his services as well as access to an office, administrative support and reimbursement of expenses reasonably incurred in connection with the services. The director received \$540 in 2021.

Other. In addition, the Company had made investments in other entities where Dr. Frost has had relationships. In 2020, the Company liquidated its investments in BioCardia, Inc. (OTC: BCDA) and Cocrystal Pharma, Inc. (NASDAQ: COCP). Dr. Frost was a more than 10% shareholder of BioCardia, Inc. and a director and was a more than 5% shareholder of CoCrystal as of the date the investments were liquidated.

In September 2012, the Company entered into an office lease with an entity affiliated with Dr. Frost. The lease is for space in an office building in Miami, Florida and will expire on April 20, 2023. The Lease provides for payments of \$36 per

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

month increasing to \$41 per month. The Company recorded rental expense of \$458 for the three years ended December 31, 2021, 2020 and 2019, associated with the lease.

Douglas Elliman Inc. On December 29, 2021, the Company completed the Spin-off of Douglas Elliman, which included the real estate services and PropTech investment business formerly owned by the Company through its subsidiary, New Valley.

Vector Group and Douglas Elliman entered into the Distribution Agreement and the Transition Services Agreement with respect to transition services and a number of ongoing commercial relationships. Under the Transition Services Agreement, Douglas Elliman will pay the Company \$4,200 in 2022.

Following the spin-off, there is an overlap between certain officers of Vector Group and Douglas Elliman. Howard M. Lorber serves as the President and Chief Executive Officer of Vector Group and of Douglas Elliman. Richard J. Lampen serves as the Chief Operating Officer of Vector Group and of Douglas Elliman, J. Bryant Kirkland III serves as the Chief Financial Officer and Treasurer of Vector Group and of Douglas Elliman, Marc N. Bell serves as the General Counsel and Secretary of Vector Group and of Douglas Elliman, and J. David Ballard serves as Senior Vice President, Enterprise Efficiency and Chief Technology Officer of Vector Group and of Douglas Elliman. Furthermore, immediately following the spin-off, three of the members of our Board of Directors, Messrs. Lorber and Lampen as well as Wilson L. White, will also serve as directors of Douglas Elliman.

Douglas Elliman Realty LLC has been engaged by certain 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 of approximately \$8,956, \$10,783 and \$18,952 from these projects for the years ended December 31, 2021, 2020 and 2019, respectively.

A son of the Company's President and Chief Executive Officer is an associate broker with Douglas Elliman and he received commissions and other payments of \$925, \$870 and \$712, respectively, in accordance with brokerage activities in 2021, 2020 and 2019, respectively.

VECTOR GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
18. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

Description	Fair Value Measurements as of December 31, 2021			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds ⁽¹⁾	\$ 130,583	\$ 130,583	\$ —	\$ —
Commercial paper ⁽¹⁾	24,426	—	24,426	—
Certificates of deposit ⁽²⁾	110	—	110	—
Investment securities at fair value				
Equity securities at fair value				
Marketable equity securities	19,560	19,560	—	—
Mutual funds invested in debt securities	23,221	23,221	—	—
Total equity securities at fair value	42,781	42,781	—	—
Debt securities available for sale				
U.S. government securities	6,481	—	6,481	—
Corporate securities	47,531	—	47,531	—
U.S. government and federal agency	19,572	—	19,572	—
Commercial paper	29,103	—	29,103	—
Foreign fixed-income securities	1,219	—	1,219	—
Total debt securities available for sale	103,906	—	103,906	—
Total investment securities at fair value	146,687	42,781	103,906	—
Long-term investments				
Long-term investment securities at fair value ⁽³⁾	32,089	—	—	—
Total	\$ 333,895	\$ 173,364	\$ 128,442	\$ —
Liabilities:				
Fair value of contingent liability	\$ 2,646	\$ —	\$ —	\$ 2,646
Total	\$ 2,646	\$ —	\$ —	\$ 2,646

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

⁽²⁾ Amounts included in current restricted assets and non-current restricted assets on the consolidated balance sheets.

⁽³⁾ 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 CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Description	Fair Value Measurements as of December 31, 2020			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds ⁽¹⁾	\$ 194,095	194,095	\$—	—
Commercial paper ⁽¹⁾	44,397	—	44,397	—
Certificates of deposit ⁽²⁾	1,542	—	1,542	—
Money market funds securing legal bonds ⁽²⁾	535	535	—	—
Investment securities at fair value				
Equity securities at fair value				
Marketable equity securities	21,155	21,155	—	—
Mutual funds invested in debt securities	23,226	23,226	—	—
Total equity securities at fair value	44,381	44,381	—	—
Debt securities available for sale				
U.S. government securities	19,200	—	19,200	—
Corporate securities	52,434	—	52,434	—
U.S. government and federal agency	10,484	—	10,484	—
Commercial paper	9,086	—	9,086	—
Total debt securities available for sale	91,204	—	91,204	—
Total investment securities at fair value	135,585	44,381	91,204	—
Long-term investments				
Long-term investment securities at fair value ⁽³⁾	33,981	—	—	—
Total	\$ 410,835	239,811	137,843	—

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

⁽²⁾ Amounts included in current restricted assets and non-current restricted assets on the consolidated balance sheets.

⁽³⁾ 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 the Level 2 certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is the rate offered by the financial institution. 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.

The fair value of the Level 3 contingent liability was derived using a Monte Carlo valuation model. As part of the acquisition of the 29.41% non-controlling interest in Douglas Elliman Realty LLC, New Valley entered into a four-year payout agreement that requires it to pay the sellers a portion of the fair value in excess of the purchase price of Douglas Elliman Realty LLC should a sale of a controlling interest in Douglas Elliman Realty LLC occur. In connection with the Spin-off, Vector agreed to indemnify Douglas Elliman for this contingent liability and accordingly remains potentially liable therefor.

The contingent liability is recorded within “Other liabilities” in the consolidated balance sheets, and any change in fair value will be recorded in “Other, net” within the consolidated statements of operations. The value of the contingent liability is calculated using the outstanding payable owed to the sellers and the estimated fair value of Douglas Elliman Realty LLC. The liability is contingent upon the sale of a controlling interest in Douglas Elliman Realty LLC prior to October 1, 2022.

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

The unobservable inputs related to the valuations of the Level 3 assets and liabilities were as follows at December 31, 2021:

Quantitative Information about Level 3 Fair Value Measurements				
	Fair Value at December 31, 2021	Valuation Technique	Unobservable Input	Range (Actual)
Fair value of contingent liability	\$ 2,646	Monte Carlo simulation model	Estimated fair value of the Douglas Elliman reporting unit	\$ 776,351
			Risk-free rate for a 0.75-year term	0.39 %
			Leverage-adjusted equity volatility of peer firms	26.13 %

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 as a result of impairment charges. The Company had no nonrecurring nonfinancial assets subject to fair value measurements except for investments in real estate ventures that were impaired as of December 31, 2021 and 2020, respectively.

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

Fair Value Measurement Using:						
Description	Year Ended December 31, 2021	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	\$ 2,713	\$ —	\$ —	\$ —	\$ —	\$ —

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 decrease 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 \$2,713 of impairment charges were included in equity in losses from real estate ventures for the year ended December 31, 2021.

Fair Value Measurement Using:						
Description	Year Ended December 31, 2020	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	\$ 16,513	\$ —	\$ —	\$ —	\$ —	\$ —

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 decrease 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 \$16,513 of impairment charges were included in equity in losses from real estate ventures for the year ended December 31, 2020.

VECTOR GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
19. SEGMENT INFORMATION

The Company's business segments 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 and non-controlling interests for the years ended December 31, 2021, 2020 and 2019 was as follows:

	Tobacco	Real Estate	Corporate and Other	Total
2021				
Revenues	\$ 1,202,497	\$ 18,203	\$ —	\$ 1,220,700
Operating income (loss)	360,317 ⁽¹⁾	4,066	(43,944) ⁽⁵⁾	320,439
Equity in earnings from real estate ventures	—	10,250	—	10,250
Identifiable assets of continuing operations	302,051	128,256 ⁽⁴⁾	440,780 ⁽⁷⁾	871,087
Depreciation and amortization	6,525	249	1,042	7,816
Capital expenditures	5,827	3	3,570	9,400
2020				
Revenues	\$ 1,204,501	\$ 24,181	\$ —	\$ 1,228,682
Operating income (loss)	319,536 ⁽²⁾	(610)	(24,498) ⁽⁶⁾	294,428
Equity in losses from real estate ventures	—	(44,728)	—	(44,728)
Identifiable assets of continuing operations	357,518	103,523 ⁽⁴⁾	428,386 ⁽⁷⁾	889,427
Depreciation and amortization	7,877	337	878	9,092
Capital expenditures	4,491	100	8,346	12,937
2019				
Revenues	\$ 1,114,840	\$ 4,763	\$ —	\$ 1,119,603
Operating income (loss)	261,630 ⁽³⁾	550	(27,565)	234,615
Equity in losses from real estate ventures	—	(27,760)	—	(27,760)
Identifiable assets of continuing operations	336,566	177,943 ⁽⁴⁾	501,973 ⁽⁷⁾	1,016,482
Depreciation and amortization	7,824	395	994	9,213
Capital expenditures	4,173	197	126	4,496

⁽¹⁾ Operating income includes \$2,722 received from a litigation settlement associated with the MSA expense (which reduced cost of sales) and \$211 of litigation settlement and judgment expense.

⁽²⁾ Operating income includes \$337 of litigation settlement and judgment expense and \$299 of expense from MSA settlement.

⁽³⁾ Operating income includes \$990 of litigation settlement and judgment expense.

⁽⁴⁾ Includes real estate investments accounted for under the equity method of accounting of \$105,062, \$85,400 and \$131,556 as of December 31, 2021, 2020 and 2019, respectively.

⁽⁵⁾ Operating loss includes transaction charges of \$10,468 and accelerated stock compensation of \$4,317 related to the spin-off of Douglas Elliman; and \$910 of gain on sale of assets.

⁽⁶⁾ Operating loss includes \$2,283 of gain on sale of assets.

⁽⁷⁾ Corporate and Other identifiable assets primarily includes cash of \$167,383, investment securities of \$146,687 and long-term investments of \$53,073 as of December 31, 2021. Corporate and other identifiable assets primarily includes cash of \$211,729, investment securities of \$135,585, and long-term investments of \$52,291 as of December 31, 2020. Corporate and other identifiable assets primarily includes cash of \$272,459, investment securities of \$129,641, and long-term investments of \$61,723 as of December 31, 2019.

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

20. QUARTERLY FINANCIAL RESULTS (UNAUDITED)

Unaudited quarterly data for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Revenues	\$ 313,673	\$ 298,485	\$ 337,554	\$ 270,988
Gross Profit	110,373	111,041	125,148	104,596
Operating income	68,556	82,015	93,893	75,975
Net income from continuing operations	30,711	29,912	64,981	21,550
Net income from discontinued operations	14,531	18,857	28,324	10,407
Net income applicable to common shares attributed to Vector Group Ltd.	\$ 45,312	\$ 48,889	\$ 93,305	\$ 31,957
Per basic common share:				
Net income from continuing operations applicable to common shares attributed to Vector Group Ltd.	\$ 0.20	\$ 0.19	\$ 0.41	\$ 0.14
Net income from discontinued operations applicable to common shares attributed to Vector Group Ltd.	0.09	0.12	0.19	0.06
Net income applicable to common shares attributed to Vector Group Ltd.	\$ 0.29	\$ 0.31	\$ 0.60	\$ 0.20
Per diluted common share:				
Net income from continuing operations applicable to common shares attributed to Vector Group Ltd.	\$ 0.20	\$ 0.19	\$ 0.41	\$ 0.14
Net income from discontinued operations applicable to common shares attributed to Vector Group Ltd.	0.09	0.12	0.19	0.06
Net income applicable to common shares attributed to Vector Group Ltd.	\$ 0.29	\$ 0.31	\$ 0.60	\$ 0.20

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Revenues	\$ 287,129	\$ 339,835	\$ 312,831	\$ 288,887
Gross Profit	105,872	114,406	98,201	90,601
Operating income	74,011	84,130	71,803	64,484
Net income from continuing operations	21,839	29,387	29,762	45,934
Net income (loss) from discontinued operations	10,417	8,752	(3,988)	(49,165)
Net income (loss) applicable to common shares attributed to Vector Group Ltd.	\$ 32,256	\$ 38,139	\$ 25,774	\$ (3,231)
Per basic common share:				
Net income from continuing operations applicable to common shares attributed to Vector Group Ltd.	\$ 0.14	\$ 0.19	\$ 0.20	\$ 0.30
Net income (loss) from discontinued operations applicable to common shares attributed to Vector Group Ltd.	0.07	0.06	(0.03)	(0.33)
Net income (loss) applicable to common shares attributed to Vector Group Ltd.	\$ 0.21	\$ 0.25	\$ 0.17	\$ (0.03)
Per diluted common share:				
Net income from continuing operations applicable to common shares attributed to Vector Group Ltd.	\$ 0.14	\$ 0.19	\$ 0.19	\$ 0.30
Net income (loss) from discontinued operations applicable to common shares attributed to Vector Group Ltd.	0.07	0.06	(0.03)	(0.33)
Net income (loss) applicable to common shares attributed to Vector Group Ltd.	\$ 0.21	\$ 0.25	\$ 0.16	\$ (0.03)

VECTOR GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

It may not be possible to recalculate EPS attributable to common stockholders by adjusting EPS from continuing operations by EPS from discontinued operations as each amount is calculated independently.

VECTOR GROUP LTD.
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(Dollars in Thousands)

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at End of Period
Year Ended December 31, 2021				
Allowances for:				
Cash discounts	334	28,663	28,671	326
Deferred tax valuation allowance	852	—	504	348
Sales returns	7,356	2,439	3,126	6,669
Total	<u>\$ 8,542</u>	<u>\$ 31,102</u>	<u>\$ 32,301</u>	<u>\$ 7,343</u>
Year Ended December 31, 2020				
Allowances for:				
Cash discounts	319	28,046	28,031	334
Deferred tax valuation allowance	1,292	—	440	852
Sales returns	7,785	2,617	3,046	7,356
Total	<u>\$ 9,396</u>	<u>\$ 30,663</u>	<u>\$ 31,517</u>	<u>\$ 8,542</u>
Year Ended December 31, 2019				
Allowances for:				
Cash discounts	317	25,970	25,968	319
Deferred tax valuation allowance	3,817	—	2,525	1,292
Sales returns	6,935	4,068	3,218	7,785
Total	<u>\$ 11,069</u>	<u>\$ 30,038</u>	<u>\$ 31,711</u>	<u>\$ 9,396</u>

SUBSIDIARIES OF THE COMPANY

The following is a list of our active subsidiaries as of December 31, 2021, including the jurisdiction of incorporation of each and the names under which such subsidiaries conduct business. In the case of each subsidiary which is indented, its immediate parent owns beneficially all of the voting securities.

VGR Holding LLC	Delaware
Liggett Group LLC	Delaware
Vector Tobacco LLC	Virginia
New Valley LLC	Delaware

Not included above are other subsidiaries which, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary, as such term is defined by Rule 1-02(w) of Regulation S-X.

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 Vector Brands LLC	Delaware
Vector Tobacco LLC	Virginia
100 Maple LLC	Delaware
Eve Holdings LLC	Delaware
Zoom E-Cigs LLC	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-118113 and 333-196274 on Form S-8 and Registration Statement Nos. 333-230954 and 333-231085 of Form S-3 of our reports dated March 2, 2022, relating to the financial statements of Vector Group Ltd. and the effectiveness of Vector Group Ltd.'s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2021.

/s/ Deloitte & Touche LLP

Miami, Florida

March 2, 2022

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

I, Howard M. Lorber, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 2, 2022

/s/ Howard M. Lorber

Howard M. Lorber

President and Chief Executive Officer

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

I, J. Bryant Kirkland III, certify that:

1. I have reviewed this annual report on Form 10-K 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):
 - (c) 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
 - (d) 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: March 2, 2022

/s/ J. Bryant Kirkland III

J. Bryant Kirkland III

Senior Vice President, Treasurer and Chief Financial Officer

SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with the Annual Report of Vector Group Ltd. (the “Company”) on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Howard M. Lorber, 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; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 2, 2022

/s/ Howard M. Lorber

Howard M. Lorber

President and Chief Executive Officer

SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

In connection with the Annual Report of Vector Group Ltd. (the “Company”) on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, J. Bryant Kirkland III, 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; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 2, 2022

/s/ J. Bryant Kirkland III

J. Bryant Kirkland III

Senior Vice President, Treasurer and Chief Financial Officer

I. INDIVIDUAL CASES

A. Engle Progeny Cases.

Pursuant to the Florida Supreme Court's ruling in *Engle v. Liggett Group Inc.*, which decertified the *Engle* class on a prospective basis, former class members had until January 2008 to file individual lawsuits. Lawsuits by individuals requesting the benefit of the *Engle* ruling are referred to as the "*Engle* progeny" cases. Liggett has resolved the claims of all but 28 *Engle* progeny plaintiffs. For more information on the *Engle* case and on the settlement, see "Note 15. Contingencies."

(i) Engle Progeny Cases with trial dates through December 31, 2022.

Cox v. R.J. Reynolds Tobacco Co., et al. Case No. 11-023152, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 07/26/11). One individual suing as personal representative of the estate and survivors of a deceased smoker. The case is set for trial during the trial period starting 02/27/2023.

Duncan v. R.J. Reynolds Tobacco Co., et al. Case No. 08-0045, Circuit Court of the 7th Judicial Circuit, Volusia County (case filed 01/15/09). One individual suing as personal representative of the estate and survivors of a deceased smoker. The case is set for trial during the trial period starting 10/31/2022.

O'Rourke v. R.J. Reynolds, et al. Case No. 2009-030066-CICI, Circuit Court of the 7th Judicial Circuit, Volusia County (case filed 01/05/2009). One individual suing on behalf of the estate and survivors of a deceased smoker. The case is set for trial during the trial period starting 08/01/2022.

(ii) Post-Trial Engle Progeny Cases.

None.

B. Other Individual Cases.

Florida

Baluja v. Philip Morris USA Inc., et al., Case No. 20-CA-017956, Circuit Court of the 17th Judicial Circuit, Broward County (case filed 10/27/2020). One individual suing on behalf of the estate and survivors of a deceased smoker.

Barnes, et al. v. Philip Morris USA Inc., et al., Case No. 20-CA-000870, Circuit Court of the 8th Judicial Circuit, Alachua County (case filed 03/24/2020). Two individuals suing. The case is set for trial during the trial period starting 12/05/2022.

Baron, et al. v. Philip Morris USA Inc., et al., Case No. 17-CA-023133, Circuit Court of the 17th Judicial Circuit, Broward County (case filed 12/21/2017). Two individuals suing. The case is set for trial during the trial period starting 05/02/2022.

Bennett, et al. v. Philip Morris USA Inc., et al., Case No. 17-CA-023046, Circuit Court of the 17th Judicial Circuit, Broward County (case filed 12/20/2017). Three individuals suing on behalf of the estate and survivors of a deceased smoker. The case is set for trial during the trial period starting 01/17/2023.

Bennett v. R.J. Reynolds Tobacco Company, et al., Case No. 20-30196, Circuit Court of the 7th Judicial Circuit, Volusia County (case filed 02/27/2020). One individual suing on behalf of the estate and survivors of a deceased smoker. Vector Group is a named defendant but, not Liggett.

Bullock v. R.J. Reynolds Tobacco Company, et al., Case No. 21-CA-008954, Circuit Court of the 15th Judicial Circuit, Palm Beach County (case filed 09/30/2019 and transferred to PBC on 07/21/2021). One individual suing.

Carmichael. et al. v. R.J. Reynolds Tobacco Company, et al., Case No. 20-025134, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 11/20/2020). Two individuals suing.

Cellini v. Philip Morris USA, Inc., et al., Case No. 20-CA-011084, Circuit Court of the 17th Judicial Circuit, Broward County (case filed 07/08/2020). One individual suing. Liggett is the only remaining defendant in this case.

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.

Craig v. Philip Morris USA Inc., et al., Case No. 21-CA-008337, Circuit Court of the 17th Judicial Circuit, Broward County (case filed 04/23/2021). One individual suing on behalf of the estate and survivors of a deceased smoker.

Cravens v. Philip Morris USA Inc., et al., Case No. 19-CA-002944, Circuit Court of the 2nd Judicial Circuit, Leon County (case filed 12/30/2019). One individual suing.

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.

Cupp v. Philip Morris USA Inc., et al., Case No. 17-CA-020257, Circuit Court of the 17th Judicial Circuit, Broward County (case filed 11/06/2017). One individual suing. The case is set for trial during the trial period starting 09/2022.

DaSilva, et al. v. Philip Morris USA Inc., et al., Case No. 17-CA-022955, Circuit Court of the 17th Judicial Circuit, Broward County (case filed 12/19/2017). Two individuals suing.

Feld v. Philip Morris USA Inc., et al., Case No. 17-CA-020119, Circuit Court of the 17th Judicial Circuit, Broward County (case filed 11/03/2017). One individual suing.

Gonzalez v. Philip Morris USA Inc., et al., Case No. 18-36558, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 11/03/2017). One individual suing on behalf of the estate and survivors of a deceased smoker.

Griffin v. R.J. Reynolds Tobacco Company, et al., Case No. 19-015066, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 05/17/2019). One individual suing on behalf of the estate and survivors of a deceased smoker.

Harcourt v. Philip Morris USA Inc., et al., Case No. 17-CA-0202979, Circuit Court of the 17th Judicial Circuit, Broward County (case filed 11/07/2017). One individual suing on behalf of the estate and survivors of a deceased smoker. The case is set for trial during the trial period starting 11/01/2022.

Harper, et al. v. Liggett Group LLC, et al., Case No. 2021-013250-CA-01, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 06/17/2021). Two individuals suing.

Higgins v. R.J. Reynolds Tobacco Company, et al., Case No. 2022-CA000012AX, Circuit Court of the 12th Judicial Circuit, Manatee County (case filed 12/31/2021). One individual suing.

Horan v. Philip Morris USA Inc., et al., Case No. CACE21015827, Circuit Court of the 17th Judicial Circuit (case filed 08/16/2021). One individual suing on behalf of the estate and survivors of a deceased smoker.

Johnson v. R.J. Reynolds Tobacco Company, et al., Case No. 20-CA-000635, Circuit Court of the 2nd Judicial Circuit, Gadsden County (case filed 08/25/2020). One individual suing on behalf of the estate and survivors of a deceased smoker and for her own personal injuries. The case is set for trial starting 10/14/2022.

Kenney v. Philip Morris USA Inc., et al., Case No. 20-CA-018169, Circuit Court of the 17th Judicial Circuit, Broward County (case filed 10/30/2020). One individual suing on behalf of the estate and survivors of a deceased smoker.

Koedam v. Philip Morris USA Inc., et al., Case No. 19-CA-002970, Circuit Court of the 2nd Judicial Circuit, Leon County (case filed 01/03/2020). One individual suing.

Lane, et al. v. Philip Morris USA Inc., et al., Case No. 17-011591, Circuit Court of the 17th Judicial Circuit, Broward County (case filed 06/16/2017). Two individuals suing. The case is set for trial starting 10/2022.

Mathews v. R.J. Reynolds Tobacco Company, et al., Case No. 2021-CA-005316, Circuit Court of the 4th Judicial Circuit, Duval County (case filed 10/06/2021). One individual suing. Both Liggett and Vector are named defendants.

McMakin v. R.J. Reynolds Tobacco Company, et al., Case No. 20-30329, Circuit Court of the 7th Judicial Circuit, Volusia County, (case filed 03/30/2020). One individual suing on behalf of the estate and survivors of two deceased smokers. Vector Group is a named defendant, but, not Liggett.

Mendez v. Philip Morris USA Inc., et al., Case No. 18-042377, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 12/21/2018). One individual suing on behalf of the estate and survivors of a deceased smoker. The case is set for trial starting 09/06/2022.

Moon v. Philip Morris USA Inc., et al., Case No. 19-CA-002941, Circuit Court of the 2nd Judicial Circuit, Leon County (case filed 12/30/2019). One individual suing.

Nicholson, et al. v. R.J. Reynolds Tobacco Company, et al., Case No. 20-014354, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 07/08/2020). Two individuals suing. The case is abated pending resolution of an appeal by co-defendants regarding lack of personal jurisdiction.

Ochoa, et al. v. R.J. Reynolds Tobacco Company, et al., Case No. 20-0233114, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 10/28/2020). Two individuals suing.

Perez-Gell v. Philip Morris USA Inc., et al., Case No. 19-016287, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 05/30/2019). One individual suing on behalf of the estate and survivors of a deceased smoker.

Royal v. Philip Morris USA Inc., et al., Case No. 17-CA-020204, Circuit Court of the 17th Judicial Circuit, Broward County (case filed 10/16/2017). One individual suing on behalf of the estate and survivors of a deceased smoker.

Santana v. Philip Morris USA Inc., et al., Case No. 19-37329, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 01/03/2020). One individual suing on behalf of the estate and survivors of a deceased smoker.

Schnitzer v. Philip Morris USA Inc., et al., Case No. 18-026537, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 08/06/2018). One individual suing on behalf of the estate and survivors of a deceased smoker.

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.

Siders v. Philip Morris USA Inc., et al., Case No. 19-CA-002942, Circuit Court of the 2nd Judicial Circuit, Leon County (case filed 12/30/2019). One individual suing.

Smith v. Philip Morris USA Inc., et al., Case No. 20-008481, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 04/16/2020). One individual suing on behalf of the estate and survivors of a deceased smoker.

Sweet v. Philip Morris USA Inc., et al., Case No. 19-001243, Circuit Court of the 2nd Judicial Circuit, Leon County (case filed 12/23/2019). One individual suing on behalf of the estate and survivors of a deceased smoker.

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.

Tozzi, Jr. v. Philip Morris USA Inc., et al. Case No. 20-CA-018210, Court of the 17th Judicial Circuit, Broward County (case filed 10/30/2020). 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.

Watson, et al. v. R.J. Reynolds Tobacco Company, et al., Case No. 20-CA-009690-O, Circuit Court of the 9th Judicial Circuit, Orange County (case filed 09/25/2020). Two individuals suing.

Whitehurst v. Philip Morris USA Inc., et al., Case No. 19-016282, Circuit Court of the 11th Judicial Circuit, Miami-Dade County (case filed 05/30/2019). One individual suing on behalf of the estate and survivors of a deceased smoker.

Hawaii

Ricapor-Hall v. Philip Morris USA Inc., et al., Case No. 1CCV-21-0000334, Circuit Court, 1st Circuit (case filed 03/16/2021). One individual suing. The case is set for trial during the trial period starting 07/17/2023.

Illinois

Akers, et al. v. Philip Morris USA Inc., et al., Case No. 2019-L-011779, Circuit Court of Cook County, Illinois (case filed 10/24/2019). Two individuals suing.

Anderson J. v. Philip Morris USA Inc., et al., Case No. 2021-L-003338, Circuit Court of Cook County, Illinois (case filed 03/29/2021). One individual suing.

Brown, et al. v. Philip Morris USA Inc., et al., Case No. 2021-L-008025, Circuit Court of Cook County, Illinois (case filed 08/09/2021). Two individuals suing.

Bukowski, et al. v. Philip Morris USA, Inc., et al., Case No. 2019-L-010529, Circuit Court of Cook County, Illinois (case filed 09/24/2019). Two individuals suing.

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.

Castillo, et al. v. Philip Morris USA, Inc., et al., Case No. 2021-L-007336, Circuit Court of Cook County, Illinois (case filed 07/20/2021). Two individuals suing.

Cielsa v. R.J. Reynolds Tobacco Company, et al., Case No. 2021-L-005195, Circuit Court of Cook County, Illinois (case filed 05/20/2021). One individual suing.

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.

Demir v. R.J. Reynolds Tobacco Company, et al., Case No. 2021-L-004375, Circuit Court of Cook County, Illinois (case filed 04/28/2021). One individual suing.

Dispenza, et al. v. Philip Morris USA Inc., et al., Case No. 2020-L-008496, Circuit Court of Cook County, Illinois (case filed 08/12/2020). Two individuals suing.

Gorski v. Philip Morris USA, Inc., et al., Case No. 2021-L-008024, Circuit Court of Cook County, Illinois (case filed 08/12/2021). One individual suing.

Jones v. Philip Morris USA Inc., et al., Case No. 1:20-cv-03349, United States District Court, Northern District of Illinois (case filed 05/04/2020). One individual suing.

Jordan vs. R.J. Reynolds Tobacco Company, et al., Case No. 2021-L-000670, Circuit Court of Cook County, Illinois (case filed 01/20/2021). One individual suing.

Mitchell v. Philip Morris USA Inc., et al., Case No. 2018-L-011336, Circuit Court of Cook County, Illinois (case filed 10/22/2018). One individual suing.

Montgomery v. Philip Morris USA Inc., et al., Case No. 2021-L-010256, Circuit Court of Cook County, Illinois (case filed 10/19/2021). One individual suing.

Porter v. R.J. Reynolds Tobacco Company, et al., Case No. 2021-L-003418, Circuit Court of Cook County, Illinois (case filed 03/31/2021). One individual suing.

Sousa, et al. v. Philip Morris USA Inc., et al., Case No. 2021-L-008965, Circuit Court of Cook County, Illinois (case filed 09/07/2021). Two individuals suing.

Stoklosa v. Philip Morris USA Inc., et al., Case No. 2019-L012409, Circuit Court of Cook County, Illinois (case filed 11/15/2019). One individual suing.

Stone v. Philip Morris USA Inc., et al., Case No. 2020-L-008635, Circuit Court of Cook County, Illinois (case filed 08/17/2020). One individual suing on behalf of the estate and survivors of a deceased smoker.

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

Sandler v. Liggett Group LLC, et al., Case No. 121-CV-11542DJC, District of Massachusetts, Massachusetts (case filed 10/07/2021). One individual suing.

Nevada

Camacho, et al. v. Philip Morris USA Inc., et al., Case No. A-19-807650C, District Court, Clark County, Nevada, (case filed 12/30/2019). Two individuals suing. The case is set for trial starting 08/01/2022.

Clark v. Philip Morris USA Inc., et al., Case No. A-19-802987C, District Court, Clark County, Nevada, (case filed 10/04/2019). One individual suing on behalf of the estate and survivors of a deceased smoker. The case is set for trial in 09/2022.

Geist v. Philip Morris USA Inc., et al., Case No. A-19-807653C, 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 during the trial period starting 06/27/2022.

Kelly, et al. v. Philip Morris USA Inc., et al., Case No. A-20-820112-C, District Court, Clark County, Nevada (case filed 08/25/2020). Two individuals suing. The case is set for trial during the trial period starting 02/07/2023.

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 as personal representative of the estate and survivors of a deceased smoker. The case is set for trial during the trial period starting 11/21/2022.

Speed v. Philip Morris USA Inc., et al., Case No. A-20-819040-C, District Court, Clark County, Nevada, (case filed 08/04/2020). One individual suing on behalf of the estate and survivors of a deceased smoker. The case is set for trial during the trial period starting 04/17/2023.

Tully, et al. v. Philip Morris USA Inc., et al., Case No. A-19-807657C, District Court, Clark County, Nevada, (case filed 12/30/2019). Two individuals suing. The case is set for trial starting 05/23/2022.

New Mexico

Duran v. RJ Reynolds Tobacco Company, et al., Case No. D-0101-CV-2020-01683, 1st Judicial District, Santa Fe County, New Mexico (case filed 08/04/2020). One individual suing. The case is set for trial during the trial period starting 12/06/2023.

Grace v. RJ Reynolds Tobacco Company, et al., Case No. D-0101-CV-2020-01689, 1st Judicial District, Santa Fe County, New Mexico (case filed 08/05/2020). One individual suing on behalf of the estate and survivors of a deceased smoker. The case is set for trial during the trial period starting 05/24/2023.

Lopez, H. v. RJ Reynolds Tobacco Company, et al., Case No. D-0101-CV-2020-01686, 1st Judicial District, Santa Fe County, New Mexico (case filed 08/04/2020). One individual suing on behalf of the estate and survivors of a deceased smoker. The case is set for trial during the trial period starting 09/27/2023.

Lopez, T. v. RJ Reynolds Tobacco Company, et al., Case No. D-0101-CV-2020-01688, 1st Judicial District, Santa Fe County, New Mexico (case filed 08/05/2020). One individual suing on behalf of the estate and survivors of a deceased smoker.

Martinez, et al. v. RJ Reynolds Tobacco Company, et al., Case No. D-0101-CV-2020-01691, 1st Judicial District, Santa Fe County, New Mexico (case filed 08/05/2020). Two individuals suing. The case is set for trial during the trial period starting 05/31/2023.

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. The operative complaint seeks to recover unspecified compensatory and punitive damages on behalf of the putative class. The case is stayed as a result of the December 2000 bankruptcy petitions filed by three defendants (Nital Liquidators, Inc., Desseaux Corporation of North America and Armstrong World Industries).

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 personal injury class action is brought on behalf of plaintiff and all similarly situated residents in Louisiana who, though not themselves cigarette smokers, were exposed to secondhand smoke from cigarettes that were manufactured by the defendants, including Liggett, and suffered injury as a result of that exposure. The plaintiffs seek an unspecified amount of compensatory and punitive damages. No class certification hearing has been held. In March 2016, the court entered an order staying the case, including all discovery, 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.

Vector Group Ltd.
Condensed Consolidating Financial Statements
December 31, 2021
(in thousands of dollars)

Presented herein are Condensed Consolidating Balance Sheet as of December 31, 2021 and the related Condensed Consolidating Statements of Operations for the year ended December 31, 2021 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

	December 31, 2021				
	Parent/ Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidating Adjustments	Consolidated Vector Group Ltd.
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 167,347	\$ 14,930	\$ 11,134	\$ —	\$ 193,411
Investment securities at fair value	146,687	—	—	—	146,687
Accounts receivable - trade, net	—	16,062	5	—	16,067
Intercompany receivables	1,832	—	—	(1,832)	—
Inventories	—	94,615	—	—	94,615
Income taxes receivable, net	41,010	—	—	(30,062)	10,948
Other current assets	742	6,404	2,929	—	10,075
Total current assets	357,618	132,011	14,068	(31,894)	471,803
Property, plant and equipment, net	390	25,725	10,768	—	36,883
Investments in real estate, net	—	—	9,098	—	9,098
Long-term investment securities at fair value	53,073	—	—	—	53,073
Investments in real estate ventures	—	—	105,062	—	105,062
Operating lease right-of-use assets	4,699	6,211	62	—	10,972
Investments in consolidated subsidiaries	237,351	—	—	(237,351)	—
Goodwill and other intangible assets, net	—	107,511	—	—	107,511
Other assets	15,997	60,686	2	—	76,685
Total assets	\$ 669,128	\$ 332,144	\$ 139,060	\$ (269,245)	\$ 871,087
LIABILITIES AND STOCKHOLDERS' DEFICIENCY:					
Current liabilities:					
Current portion of notes payable and long-term debt	\$ —	\$ 51	\$ 28	\$ —	\$ 79
Intercompany payables	—	14	1,818	(1,832)	—
Income taxes payable, net	—	30,062	—	(30,062)	—
Current payments due under the Master Settlement Agreement	—	11,886	—	—	11,886
Current operating lease liability	1,787	1,993	58	—	3,838
Other current liabilities	44,288	104,016	1,183	—	149,487
Total current liabilities	46,075	148,022	3,087	(31,894)	165,290
Notes payable, long-term debt and other obligations, less current portion	1,398,550	37	4	—	1,398,591
Non-current employee benefits	60,551	8,419	—	—	68,970
Deferred income taxes, net	(849)	25,473	10,144	—	34,768
Non-current operating lease liability	4,149	4,704	—	—	8,853
Other liabilities, including litigation accruals and payments due under the Master Settlement Agreement	2,205	33,553	3,056	(2,646)	36,168
Total liabilities	1,510,681	220,208	16,291	(34,540)	1,712,640
Commitments and contingencies	—	—	—	—	—
Total stockholders' (deficiency) equity	(841,553)	111,936	122,769	(234,705)	(841,553)
Total liabilities and stockholders' deficiency	\$ 669,128	\$ 332,144	\$ 139,060	\$ (269,245)	\$ 871,087

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

	Year Ended December 31, 2021					Consolidated Vector Group Ltd.
	Parent/ Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidating Adjustments		
Revenues	\$ —	\$ 1,202,557	\$ 19,059	\$ (916)	\$ 1,220,700	
Expenses:						
Cost of sales	—	758,015	11,527	—	769,542	
Operating, selling, administrative and general expenses	57,475	71,151	3,708	(916)	131,418	
Litigation settlement and judgment expense	—	211	—	—	211	
Net gains on sales of assets	—	(910)	—	—	(910)	
Management fee expense	—	12,966	—	(12,966)	—	
Operating (loss) income	(57,475)	361,124	3,824	12,966	320,439	
Other income (expenses):						
Interest expense	(110,472)	(2,253)	(3)	—	(112,728)	
Loss on extinguishment of debt	(21,362)	—	—	—	(21,362)	
Equity in earnings from real estate ventures	—	—	10,250	—	10,250	
Equity in earnings from investments	2,675	—	—	—	2,675	
Equity in earnings (losses) in consolidated subsidiaries	353,517	—	—	(353,517)	—	
Management fee income	12,966	—	—	(12,966)	—	
Other, net	9,246	1,516	(75)	—	10,687	
Income before provision for income taxes	189,095	360,387	13,996	(353,517)	209,961	
Income tax benefit (expense)	30,368	(88,442)	(4,733)	—	(62,807)	
Income from continuing operations	219,463	271,945	9,263	(353,517)	147,154	
Income from discontinued operations, net of income taxes	—	100,063	72,119	(100,063)	72,119	
Net Income	219,463	372,008	81,382	(453,580)	219,273	
Net loss attributed to non-controlling interest	—	190	—	—	190	
Net income attributed to Vector Group Ltd.	\$ 219,463	\$ 372,198	\$ 81,382	\$ (453,580)	\$ 219,463	
Comprehensive loss attributed to non-controlling interest	\$ —	\$ 190	\$ —	\$ —	\$ 190	
Comprehensive income attributed to Vector Group Ltd.	\$ 224,814	\$ 378,735	\$ 81,382	\$ (460,117)	\$ 224,814	