VECTOR GROUP LTD
Form 10-Q
November 09, 2016

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

FORM 10-Q

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

For The Quarterly Period Ended September 30, 2016

VECTOR GROUP LTD.
(Exact name of registrant as specified in its charter)

Delaware	1-5759	65-0949535
(State or other jurisdiction of incorporation incorporation or organization)	Commission File Number	(I.R.S. Employer Identification No.)

4400 Biscayne Boulevard
Miami, Florida 33137
305-579-8000
(Address, including zip code and telephone number, including area code,
of the principal executive offices)

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.
x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
x Yes o No

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

x Large accelerated filer		o Smaller reporting company
	(Do not check if a smaller reporting company)	

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

At November 8, 2016, Vector Group Ltd. had 127,839,497 shares of common stock outstanding.

VECTOR GROUP LTD.

FORM 10-Q

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

	September 30, 2016	December 31, 2015
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 445,874	$ 240,368
Investment securities available for sale	175,653	181,976
Accounts receivable - trade, net	23,371	23,889
Inventories	87,622	86,516
Income taxes receivable, net	7,287	2,841
Restricted assets	4,749	9,195
Other current assets	39,169	38,954
Total current assets	783,725	583,739
Property, plant and equipment, net	77,887	75,632
Investments in real estate, net	23,630	23,318
Long-term investments	54,005	62,726
Investments in real estate ventures	211,825	217,168
Restricted assets	8,134	12,303
Goodwill and other intangible assets, net	261,919	263,959
Prepaid pension costs	21,628	20,650
Other assets	21,977	21,120
Total assets	$ 1,464,730	$ 1,280,615
LIABILITIES AND STOCKHOLDERS' DEFICIENCY:		
Current liabilities:		
Current portion of notes payable and long-term debt	$ 16,280	$ 8,919
Current payments due under the Master Settlement Agreement	82,759	29,241
Current portion of employee benefits	914	915
Income taxes payable, net	—	96
Litigation accruals	3,539	22,904
Other current liabilities	113,865	154,217
Total current liabilities	217,357	216,292
Notes payable, long-term debt and other obligations, less current portion	1,121,433	856,108
Fair value of derivatives embedded within convertible debt	120,820	144,042
Non-current employee benefits	55,451	55,055
Deferred income taxes, net	89,557	79,429
Payments due under the Master Settlement Agreement	22,257	20,094
Litigation accruals	23,225	24,718
Other liabilities	13,227	7,038
Total liabilities	1,663,327	1,402,776
Commitments and contingencies (Note 7)		
Stockholders' deficiency:		
Preferred stock, par value $1.00 per share, 10,000,000 shares authorized	—	—
Common stock, par value $0.10 per share, 250,000,000 shares authorized,127,839,497 and 123,792,329 shares issued and outstanding	12,784	12,379
Accumulated deficit	(287,060)	(210,113)
Accumulated other comprehensive loss	(6,856)	(8,313)
Total Vector Group Ltd. stockholders' deficiency	(281,132)	(206,047)

Non-controlling interest	82,535	83,886
Total stockholders' deficiency	(198,597)	(122,161)
Total liabilities and stockholders' deficiency	$ 1,464,730	$ 1,280,615

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues				
Tobacco*	$274,164	$264,170	$750,677	$747,145
Real estate	184,936	185,563	527,448	478,841
E-Cigarettes	4	201	52	881
Total Revenues	459,104	449,934	1,278,177	1,226,867
Expenses:				
Cost of sales:				
Tobacco*	186,343	174,418	491,688	506,315
Real estate	117,089	121,078	331,784	309,306
E-Cigarettes	10	421	23	1,518
Total cost of sales	303,442	295,917	823,495	817,139
Operating, selling, administrative and general expenses	86,298	79,352	250,048	233,449
Litigation settlement and judgment expense	—	3,750	2,350	5,843
Restructuring charges	—	1,548	41	1,548
Operating income	69,364	69,367	202,243	168,888
Other income (expenses):				
Interest expense	(37,365)	(32,898)	(104,454)	(96,405)
Change in fair value of derivatives embedded within convertible debt	6,112	7,044	23,222	18,760
Equity in earnings (losses) from real estate ventures	1,022	(916)	3,328	1,278
Equity in losses from investments	(1,526)	(1,103)	(2,108)	(2,654)
Gain (loss) on sale of investment securities available for sale	142	(821)	848	12,018
Impairment of investment securities available for sale	(54)	(12,211)	(4,916)	(12,211)
Other, net	1,328	1,342	2,956	5,100
Income before provision for income taxes	39,023	29,804	121,119	94,774
Income tax expense	13,316	13,694	46,682	37,739
Net income	25,707	16,110	74,437	57,035
Net income attributed to non-controlling interest	(2,532)	(3,644)	(7,909)	(5,741)
Net income attributed to Vector Group Ltd.	$23,175	$12,466	$66,528	$51,294
Per basic common share:				
Net income applicable to common share attributed to Vector Group Ltd.	$0.18	$0.10	$0.52	$0.40
Per diluted common share:				

Net income applicable to common share attributed to Vector Group Ltd.	$0.18	$0.10	$0.52	$0.40
Dividends declared per share	$0.38	$0.36	$1.14	$1.09

* Revenues and cost of sales include federal excise taxes of $116,024, $112,773, $313,731 and $319,044, respectively.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	$25,707	$16,110	$74,437	$57,035
Net unrealized gains (losses) on investment securities available for sale:				
Change in net unrealized gains (losses)	2,501	(33,796)	(2,953)	(17,379)
Net unrealized (gains) losses reclassified into net income	(88)	13,032	4,068	193
Net unrealized gains (losses) on investment securities available for sale	2,413	(20,764)	1,115	(17,186)
Net unrealized gains on long-term investments accounted for under the equity method:				
Change in net unrealized gains	—	—	—	1,190
Net unrealized losses reclassified into net income	—	—	—	1,624
Net unrealized gains on long-term investments accounted for under the equity method	—	—	—	2,814
Net change in forward contracts	9	15	27	47
Net change in pension-related amounts				
Net loss arising during the year	—	—	—	1,607
Amortization of loss	445	229	1,335	750
Net change in pension-related amounts	445	229	1,335	2,357
Other comprehensive income (loss)	2,867	(20,520)	2,477	(11,968)
Income tax effect on:				
Change in net unrealized gains (losses) on investment securities	(1,033)	1,728	1,212	(4,875)
Net unrealized (gains) losses reclassified into net income on investment securities	36	(5,389)	(1,672)	(80)
Change in unrealized gains on long-term investments accounted for under the equity method	—	—	—	(484)
Net unrealized gains reclassified into net income on long-term investments accounted for under the equity method	—	—	—	(672)
Forward contracts	(4)	(6)	(11)	(19)
Pension-related amounts	(183)	(95)	(549)	(975)
Income tax provision on other comprehensive income (loss)	(1,184)	(3,762)	(1,020)	(7,105)
Other comprehensive income (loss), net of tax	1,683	(24,282)	1,457	(19,073)
Comprehensive income (loss)	27,390	(8,172)	75,894	37,962

Comprehensive income attributed to non-controlling interest	(2,532)	(3,644)	(7,909)	(5,741)
Comprehensive income (loss) attributed to Vector Group Ltd.	$24,858	$(11,816)	$67,985	$32,221

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

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

	Vector Group Ltd. Stockholders' Deficiency						
	Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Non-controlling	
	Shares	Amount	Capital	Deficit	Loss	Interest	Total
Balance as of January 1, 2016	123,792,329	$12,379	$ —	$(210,113)	$(8,313)	$83,886	$(122,161)
Net income	—	—	—	66,528	—	7,909	74,437
Total other comprehensive income	—	—	—	—	1,457	—	1,457
Total comprehensive income	—	—	—	—	—	—	75,894
Distributions and dividends on common stock	—	—	(6,323)	(142,866)	—	—	(149,189)
Restricted stock grant	50,000	5	(5)	—	—	—	—
Surrender of shares in connection with restricted stock vesting	(87,561)	(8)	(1,960)	—	—	—	(1,968)
Effect of stock dividend	6,087,035	609	—	(609)	—	—	—
Cancellation of shares under share lending agreement	(2,034,212)	(204)	204	—	—	—	—
Exercise of stock options	31,906	3	395	—	—	—	398
Tax benefit of options exercised	—	—	412	—	—	—	412
Stock-based compensation	—	—	7,277	—	—	—	7,277
Contributions from non-controlling interest	—	—	—	—	—	248	248
Distributions to non-controlling interest	—	—	—	—	—	(9,508)	(9,508)
Balance as of September 30, 2016	127,839,497	$12,784	$ —	$(287,060)	$(6,856)	$82,535	$(198,597)

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

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

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Net cash provided by operating activities	$ 121,443	$ 140,018
Cash flows from investing activities:		
Sale of investment securities	81,235	161,029
Maturities of investment securities	4,343	2,653
Purchase of investment securities	(90,106)	(162,845)
Proceeds from sale or liquidation of long-term investments	1,000	1,288
Purchase of long-term investments	(50)	(10,000)
Investments in real estate ventures	(23,358)	(43,280)
Distributions from investments in real estate ventures	23,041	11,205
Increase in cash surrender value of life insurance policies	(451)	(1,225)
Decrease (increase) in restricted assets	8,615	(6,872)
Issuance of notes receivable	—	(4,410)
Proceeds from sale of fixed assets	45	3
Capital expenditures	(19,157)	(7,859)
Repayments of notes receivable	4,410	4,000
Pay downs of investment securities	7,842	5,743
Proceeds from sale of preferred securities	—	1,000
Investments in real estate, net	(130)	(12,512)
Net cash used in investing activities	(2,721)	(62,082)
Cash flows from financing activities:		
Proceeds from issuance of debt	243,620	1,519
Deferred financing costs	(6,600)	(624)
Repayments of debt	(4,698)	(4,968)
Borrowings under revolver	104,826	130,691
Repayments on revolver	(94,644)	(146,655)
Dividends and distributions on common stock	(147,270)	(139,430)
Contributions from non-controlling interest	248	—
Distributions to non-controlling interest	(9,508)	(564)
Proceeds from exercise of Vector options	398	1,321
Tax benefit of options exercised	412	756
Net cash provided by (used in) financing activities	86,784	(157,954)
Net increase (decrease) in cash and cash equivalents	205,506	(80,018)
Cash and cash equivalents, beginning of period	240,368	326,365
Cash and cash equivalents, end of period	$ 445,874	$ 246,347

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

VECTOR GROUP LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation:

The condensed consolidated financial statements of Vector Group Ltd. (the “Company” or “Vector”) include the accounts of VGR Holding LLC (“VGR Holding”), Liggett Group LLC (“Liggett”), Vector Tobacco Inc. (“Vector Tobacco”), Liggett Vector Brands LLC (“Liggett Vector Brands”), Zoom E-Cigs LLC (“Zoom”), New Valley LLC (“New Valley”) and other less significant subsidiaries. New Valley includes the accounts of Douglas Elliman Realty, LLC (“Douglas Elliman”) and other less significant subsidiaries. All intercompany balances and transactions have been eliminated.
Liggett and Vector Tobacco are engaged in the manufacture and sale of cigarettes in the United States. Zoom is engaged in the sale of electronic cigarettes in the United States. New Valley is engaged in the real estate business.
The unaudited, interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and, in management's opinion, contain all adjustments, consisting only of normal recurring items, necessary for a fair statement of the results for the periods presented. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission. The consolidated results of operations for interim periods should not be regarded as necessarily indicative of the results that may be expected for the entire year.
Revisions to December 31, 2015 Consolidated Balance Sheet. In April 2015, the Financial Accounting Standards Board (“FASB") issued Accounting Standard Update (“ASU”) No. 2015-03, “Interest-Imputation of Interest”, which requires debt issuance costs to be reported in the balance sheet as a direct deduction from the face amount of the note. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015. This amendment must be applied retrospectively to all periods presented. The Company adopted the provisions of this ASU retrospectively in the first quarter of 2016, and adjusted all prior periods accordingly. The adoption of this ASU will simplify the presentation of debt issuance costs and reduce complexity without decreasing the usefulness of information provided to users of financial statements.

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

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

The cumulative impacts of the application of the new ASU are presented in the table below:

	December 31, 2015		
	As Previously Reported	ASU Adoption	As Revised
Other assets	$51,261	$(30,141)	$21,120
Total assets	$1,310,756	$(30,141)	$1,280,615
Notes payable, long-term debt and other obligations, less current portion	$886,249	$(30,141)	$856,108
Total liabilities	1,432,917	(30,141)	1,402,776
Total stockholders' deficiency	(122,161)	—	(122,161)
Total liabilities and stockholders' deficiency	$1,310,756	$(30,141)	$1,280,615

Adoption of Equity Method. The Company adopted the equity method of accounting for its investments in Ladenburg Thalmann Financial Services Inc. (“LTS”) and Castle Brands Inc. (“Castle”) in 2015 because the Company determined that it had significant influence due to the evolution of the relationships with each company. In accordance with ASC 323-35-33, the Company has adjusted its condensed consolidated financial statements, retrospectively, on a step-by-step basis as if the equity method had been in effect since inception.
The cumulative impact of the retrospective application of the equity method of accounting for the two investments are presented in the table below:

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

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
	As Previously Reported	Revision	As Revised	As Previously Reported	Revision	As Revised
Operating, selling, administrative and general expenses	$79,114	$ 238	$79,352	$232,737	$712	$233,449
Operating income	69,605	(238)	69,367	169,600	(712)	168,888
Equity in losses from investments	(579)	(524)	(1,103)	(2,273)	(381)	(2,654)
Other, net	133	1,209	1,342	3,554	1,546	5,100
Income before provision for income taxes	29,357	447	29,804	94,321	453	94,774
Income tax expense	13,508	186	13,694	37,551	188	37,739
Net income	15,849	261	16,110	56,770	265	57,035
Net income attributed to Vector Group Ltd.	12,205	261	12,466	51,029	265	51,294
Other comprehensive loss, net of tax	(23,890)	(392)	(24,282)	(24,672)	5,599	(19,073)
Comprehensive (loss) income	(8,041)	(131)	(8,172)	32,098	5,864	37,962
Comprehensive (loss) income attributed to Vector Group Ltd.	$(11,685)	$ (131)	$(11,816)	$26,357	$5,864	$32,221

(b) Distributions and Dividends on Common Stock:

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

(c) Revenue Recognition:

Tobacco and E-Cigarettes sales: Revenues from sales are recognized upon the shipment of finished goods when title and risk of loss have passed to the customer, there is persuasive evidence of an arrangement, the sale price is fixed or determinable and collectibility is reasonably assured. The Company provides an allowance for expected sales returns, net of any related inventory cost recoveries (e.g. federal excise taxes). Certain sales incentives, including promotional price discounts, are classified as reductions of net sales. The Company includes federal excise taxes on tobacco sales

in revenues and cost of goods sold. Since the Company's primary line of business is tobacco, the Company's financial position and its results of operations and cash flows have been and could continue to be materially adversely affected by significant unit sales volume declines at the Company and industry levels, regulation, litigation and defense costs, increased tobacco costs or reductions in the selling price of cigarettes in the near term.

Real estate sales: Revenue is recognized only when persuasive evidence of an arrangement exists, the price is fixed or determinable, the transaction has been completed and collectibility of the resulting receivable is reasonably assured. Real estate commissions earned by the Company's real estate brokerage businesses are recorded as revenue on a gross basis upon the closing of a real estate transaction as evidenced when the escrow or similar account is closed, the transaction documents have been recorded and funds are distributed to all appropriate parties. Commission expenses are recognized concurrently with related revenues.

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

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

Property management fees and rental commissions earned are recorded as revenue when the related services are performed and the earnings process is complete.

(d) Earnings Per Share (“EPS”):

Information concerning the Company's common stock has been adjusted to give retroactive effect to the 5% stock dividend paid to Company stockholders on September 29, 2016. All per share amounts and references to share amounts have been updated to reflect the retrospective effect of the stock dividends.

Net income for purposes of determining basic and diluted EPS was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income attributed to Vector Group Ltd.	$23,175	$12,466	$66,528	$51,294
Income attributed to participating securities	(750)	(367)	(2,167)	(1,518)
Net income available to common shares attributed to Vector Group Ltd.	$22,425	$12,099	$64,361	$49,776

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Weighted-average shares for basic EPS	124,066,347	123,924,385	123,999,345	123,543,001
Plus incremental shares related to stock options and non-vested restricted stock	211,903	141,031	214,225	183,852
Weighted-average shares for diluted EPS	124,278,250	124,065,416	124,213,570	123,726,853

The following were outstanding during the three and nine months ended September 30, 2016 and 2015, but were not included in the computation of diluted EPS because the effect was anti-dilutive.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Weighted-average number of shares issuable upon conversion of debt	26,140,250	26,140,251	26,140,250	26,446,112
Weighted-average conversion price	$18.70	$ 18.70	$18.70	$ 18.60

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

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

(e) Fair Value of Derivatives Embedded within Convertible Debt:

The Company has estimated the fair value of the embedded derivatives based principally on the results of a valuation model. A readily determinable fair value of the embedded derivatives is not available. The estimated fair value of the derivatives embedded within the convertible debt is based principally on the present value of future dividend payments expected to be received by the convertible debt holders over the term of the debt. The discount rate applied to the future cash flows is estimated based on a spread in the yield of the Company's debt when compared to risk-free securities with the same duration. The valuation model assumes future dividend payments by the Company and utilizes interest rates and credit spreads for secured to unsecured debt, unsecured to subordinated debt and subordinated debt to preferred stock to determine the fair value of the derivatives embedded within the convertible debt. At September 30, 2016, the range of estimated fair values of the Company's embedded derivatives was between $119,621 and $121,299. The Company recorded the fair value of its embedded derivatives at the approximate midpoint of the range at $120,820 as of September 30, 2016. At December 31, 2015, the range of estimated fair values of the Company's embedded derivatives was between $143,422 and $144,660. The Company recorded the fair value of its embedded derivatives at the midpoint of the range at $144,042 as of December 31, 2015. The estimated fair value of the Company's embedded derivatives could change significantly based on future market conditions. (See Note 6.)

(f) Investment in Real Estate Ventures:

The Company's investment in real estate ventures are subject to evaluation under ASU No. 2015-02, “Consolidation” which requires all legal entities to be evaluated as either a voting interest entity or a Variable Interest Entities (“VIE”). The guidance is effective for financial statements of public companies issued for fiscal years beginning after December 15, 2015. The Company has followed the decision tree set forth in ASC 810-10-05-6 in analyzing each of its investments in real estate ventures. The Company examines specific criteria and uses judgment when determining if the real estate venture is a VIE and then if the Company is the primary beneficiary of a VIE. Factors considered in the qualification of a VIE include sufficient equity investment at risk, disproportionate voting rights and substantially all of the activities are conducted on behalf of an investor with disproportionately few voting rights, and characteristics of a controlling financial interest.

Accounting guidance requires the Company to perform the VIE primary-beneficiary assessment for entities determined to be VIEs. The Company is required to consolidate all VIEs in which the Company is the primary beneficiary. The guidance requires consolidation of VIEs that a reporting entity 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 affect the VIE's economic performance and (b) the obligation to absorb losses or the right to receive residual returns of 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 unconsolidated VIEs which is the carrying value. The Company's maximum exposure to loss in its investment in its 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.

(g) Other, Net:

Other, net consisted of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest and dividend income	$1,489	$1,510	$4,265	$5,045
Gain on long-term investment	190	137	190	361
Provision for loss on real estate held for sale	—	(229)	—	(229)
Loss on sale of assets	—	(75)	—	(75)
Impairment of long-term investments	—	—	(1,203)	—
Other expense	(351)	(1)	(296)	(2)
Other, net	$1,328	$1,342	$2,956	$5,100

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

(Dollars in Thousands, Except Per Share Amounts)
Unaudited

(h) Other Current Liabilities:
Other current liabilities consisted of:

	September 30, 2016	December 31, 2015
Accounts payable	$ 13,441	$ 19,639
Accrued promotional expenses	16,763	24,816
Accrued excise and payroll taxes payable, net	3,792	26,556
Accrued interest	18,850	28,147
Commissions payable	8,949	11,008
Accrued salary and benefits	27,401	22,774
Other current liabilities	24,669	21,277
Total other current liabilities	$ 113,865	$ 154,217

(i) Goodwill and Other Intangible Assets, Net:

The components of “Goodwill and other intangible assets, net” were as follows:

	September 30, 2016	December 31, 2015
Goodwill	$ 70,406	$ 70,791
Indefinite life intangibles:		
Intangible asset associated with benefit under the MSA	107,511	107,511
Trademark - Douglas Elliman	80,000	80,000
Intangibles with a finite life, net	4,002	5,657
Total goodwill and other intangible assets, net	$ 261,919	$ 263,959

(j) Commitments:

Douglas Elliman Lease Extension. On March 31, 2016, Douglas Elliman extended the duration of an existing lease and entered into a sublease for additional space in New York. The agreement extended the lease term from 2018 to 2032. The new agreements increase the Company’s lease commitments by $0 in 2016, $1,164 in 2017, $1,412 in 2018, $3,733 in 2019, $5,394 in 2020 and $69,460 thereafter.

(k) New Accounting Pronouncements:

In October 2016, the FASB issued ASU 2016-17, Interests Held through Related Parties That Are under Common Control (“ASU 2016-17”). ASU 2016-17 modifies existing guidance with respect to how a decision maker that holds an indirect interest in a VIE through a common control party determines whether it is the primary beneficiary of the VIE as part of the analysis of whether the VIE would need to be consolidated. Under ASU 2016-17, a decision maker

would need to consider only its proportionate indirect interest in the VIE held through a common control party. As a result of ASU 2016-17, in certain cases, previous consolidation conclusions may change. ASU 2016-17 is effective for the Company's fiscal year beginning January 1, 2017 with retrospective

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application to January 1, 2016. The Company is currently assessing the impact the adoption of ASU 2016-17 will have on the Company’s condensed consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”). ASU 2016-15 is intended to reduce diversity in practice on how certain cash receipts and payments are presented and classified in the statement of cash flows. The standard provides guidance in a number of situations including, among others, settlement of zero-coupon bonds, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, and distributions received from equity method investees. ASU 2016-15 also provides guidance for classifying cash receipts and payments that have aspects of more than one class of cash flows. ASU 2016-15 is effective for the Company's fiscal year beginning January 1, 2018. Early adoption is permitted. The standard requires application using a retrospective transition method. The Company is currently assessing the impact the adoption of ASU 2016-15 will have on the Company’s condensed consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). ASU 2016-09 modifies U.S. GAAP by requiring the following, among others: (1) all excess tax benefits and tax deficiencies are to be recognized as income tax expense or benefit on the income statement (excess tax benefits are recognized regardless of whether the benefit reduces taxes payable in the current period); (2) excess tax benefits are to be classified along with other income tax cash flows as an operating activity in the statement of cash flows; (3) in the area of forfeitures, an entity can still follow the current U.S. GAAP practice of making an entity-wide accounting policy election to estimate the number of awards that are expected to vest or may instead account for forfeitures when they occur; and (4) classification as a financing activity in the statement of cash flows of cash paid by an employer to the taxing authorities when directly withholding shares for tax withholding purposes. ASU 2016-09 is effective for the Company's fiscal year beginning January 1, 2017, including interim periods. Early application is permitted. The Company is currently assessing the impact the adoption of ASU 2016-09 will have on the Company's condensed consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (“ASU 2016-08”). ASU 2016-08 does not change the core principle of the guidance stated in ASU 2014-09, instead, the amendments in this ASU are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations and whether an entity reports revenue on a gross or net basis. ASU 2016-08 will have the same effective date and transition requirements as the new revenue standard issued in ASU 2014-09. The Company is currently evaluating the method and impact the adoption of ASU 2016-08 and ASU 2014-09 will have on the Company's condensed consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, Investments- Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting (“ASU 2016-07”). ASU 2016-07 eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. ASU 2016-07 will be effective for the Company’s fiscal year beginning January 1, 2017 and subsequent interim periods. The adoption of ASU 2016-07 is not expected to have a material effect on the Company’s condensed consolidated financial statements.

In March 2016, the FASB issued ASU 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments (a consensus of the Emerging Issues Task Force) (“ASU 2016-06”). ASU 2016-06 clarifies the requirement for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under ASU 2016-06 is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence. Consequently, when a call (put) option is contingently exercisable, an entity does not have to assess

whether the event that triggers the ability to exercise a call (put) option is related to interest rates or credit risks. The amendments in ASU 2016-06 are effective for the Company's fiscal year beginning January 1, 2017, including interim periods. The Company is currently evaluating the method and impact the adoption of ASU 2016-06 will have on the Company's condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (“ASU 2016-02”), which provides guidance for accounting for leases. ASU 2016-02 requires lessees to classify leases as either finance or operating leases and to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of the lease classification. The lease classification will determine whether the lease expense is recognized based on an effective interest rate method or on a straight line basis over the term of the lease. Accounting for lessors remains largely unchanged from current U.S. GAAP. ASU 2016-02 will be effective for the Company’s fiscal year beginning January 1, 2019 and subsequent interim periods. The Company is currently evaluating the impact the adoption of ASU 2016-02 will have on the Company's condensed consolidated financial statements.

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In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”). ASU 2016-01 modifies how entities measure equity investments and present changes in the fair value of financial liabilities. Under the new guidance, entities will have to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicality exception. A practicality exception will apply to those equity investments that do not have a readily determinable fair value and do not qualify for the practical expedient to estimate fair value under ASC 820, Fair Value Measurements, and as such these investments may be measured at cost. ASU 2016-01 will be effective for the Company’s fiscal year beginning January 1, 2018 and subsequent interim periods. The Company is currently evaluating the impact the adoption of ASU 2016-01 will have on the Company’s condensed consolidated financial statements.

In May 2014, FASB issued ASU 2014-9, Revenue from Contracts with Customers (Topic 606), (“ASU 2014-9”). ASU 2014-9 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. Under the new model, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. As amended by ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date the new standard is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted for annual reporting periods beginning subsequent to December 15, 2016. The new standard is required to be applied retrospectively to each prior reporting period presented or with the cumulative effect of initially applying it recognized at the date of initial application. The Company has not yet selected a transition method and it has not determined the impact of the new standard on the Company's condensed consolidated financial statements.

2. INVENTORIES

Inventories consist of:

	September 30, 2016	December 31, 2015
Leaf tobacco	$ 45,564	$ 49,856
Other raw materials	4,150	3,578
Work-in-process	422	789
Finished goods	65,200	61,493
E-Cigarettes	66	80
Inventories at current cost	115,402	115,796
LIFO adjustments	(27,780)	(29,280)
	$ 87,622	$ 86,516

All of the Company's inventories at September 30, 2016 and December 31, 2015 are reported under the LIFO method. The $27,780 LIFO adjustment as of September 30, 2016 decreases the current cost of inventories by $18,363 for Leaf tobacco, $643 for Other raw materials, $33 for Work-in-process, $8,736 for Finished goods and $5 for E-Cigarettes. The $29,280 LIFO adjustment as of December 31, 2015 decreased the current cost of inventories by $19,863 for Leaf tobacco, $643 for Other raw materials, $33 for Work-in-Process, $8,736 for Finished goods and $5 for E-Cigarettes.

Liggett enters into purchase commitments with third party providers for leaf tobacco that will be used entirely for future production. The future quantities of leaf tobacco and prices are established at the date of the commitments. At September 30, 2016, Liggett had tobacco purchase commitments of approximately $16,906. Liggett has a single source supply agreement for reduced ignition propensity cigarette paper through 2019.

Each period, the Company capitalizes in inventory that portion of its MSA liability that relates to cigarettes shipped to public warehouses but not sold. The amount of capitalized MSA cost in “Finished goods” inventory was $16,428 and $15,796 at September 30, 2016 and December 31, 2015, respectively. Federal excise tax in inventory was $26,531 and $23,455 at September 30, 2016 and December 31, 2015.

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3. INVESTMENT SECURITIES AVAILABLE FOR SALE

The components of investment securities available for sale at September 30, 2016 were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable equity securities	$38,113	$ 19,835	$ —	$57,948
Mutual funds invested in fixed income securities	20,405	262	—	20,667
Marketable debt securities	96,212	826	—	97,038
Total investment securities available for sale	$154,730	$ 20,923	$ —	$175,653

The components of investment securities available for sale at December 31, 2015 were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable equity securities	$47,502	$ 19,833	$ (62)	$67,273
Mutual funds invested in fixed income securities	20,126	—	(15)	20,111
Marketable debt securities	94,540	52	—	94,592
Total investment securities available for sale	$162,168	$ 19,885	$ (77)	$181,976

The table below summarizes the maturity dates of marketable debt securities at September 30, 2016.

Investment Type:	Market Value	Under 1 Year	1 Year up to 5 Years	More than 5 Years
U.S. Government securities	$30,985	$—	$30,985	$—
Corporate securities	35,669	3,366	31,871	432
U.S. mortgage-backed securities	8,293	—	819	7,474
Commercial mortgage-backed securities	1,776	—	—	1,776
U.S. asset-backed securities	891	—	891	—
Commercial paper	19,424	19,424	—	—
Total marketable debt securities by maturity dates	$97,038	$22,790	$64,566	$9,682

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The available-for-sale investment securities with continuous unrealized losses for less than 12 months and 12 months or greater and their related fair values were as follows:

	In loss position for Less than 12 months		12 months or more			
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Total Fair Value	Total Unrealized Losses
December 31, 2015						
Marketable equity securities	$5,938	$ (62)	$ —	$ —	$5,938	$ (62)
Mutual funds invested in fixed income securities	10,053	(15)	—	—	10,053	(15)
	$15,991	$ (77)	$ —	$ —	$15,991	$ (77)

Unrealized losses from mutual funds invested in fixed-income securities are primarily attributable to changes in interest rates. Unrealized losses from equity securities are due to market price movements. The Company believes the unrealized losses associated with the Company's equity securities will be recovered in the future.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Gross realized gains on sales	$224	$129	$1,157	$13,601
Gross realized losses on sales	(82)	(950)	(309)	(1,583)
Gains (losses) on sale of investment securities available for sale	$142	$(821)	$848	$12,018
Gross realized losses on other-than-temporary impairments	$(54)	$(12,211)	$(4,916)	$(12,211)

The Company recorded an “Other-than-temporary impairment” charge of $54 and $4,916 during the three and nine months ended September 30, 2016. The Company recorded an “Other-than-temporary impairment” charge of $12,211 during the three and nine months ended September 30, 2015. The largest component of the charge for the nine months ended September 30, 2016 and 2015 was $4,772 and $6,895, respectively, related to an investment in the common stock of Morgans Hotel Group Co., a company where Vector's President and Chief Executive Officer also serves as Chairman of the Board of Directors.
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.
Proceeds from investment securities sales totaled $81,235 and $161,029 and proceeds from early redemptions by issuers totaled $12,185 and $8,396 in the nine months ended September 30, 2016 and 2015, respectively, mainly from sales of Corporate securities and U.S. Government securities.

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4. LONG-TERM INVESTMENTS

Long-term investments consisted of the following:

	September 30, 2016	December 31, 2015
Investments accounted at cost	$ 35,476	$ 41,231
Investments accounted for under the equity method	18,529	21,495
	$ 54,005	$ 62,726

(a) Cost-Method Investments:

Long-term investments accounted at cost consisted of the following:

	September 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Investment partnerships	$34,975	$39,300	$40,730	$44,217
Real estate partnership	501	511	501	552
	$35,476	$39,811	$41,231	$44,769

The principal business of the investment partnerships is investing in investment securities and real estate. The estimated fair value of the investment partnerships was provided by the partnerships based on the indicated market values of the underlying assets or investment portfolio. 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. In the future, the Company may invest in other investments, including limited partnerships, real estate investments, equity securities, debt securities, derivatives and certificates of deposit, depending on risk factors and potential rates of return.
If it is determined that an other-than-temporary decline in fair value exists in long-term investments, the Company records an impairment charge with respect to such investment in its consolidated statements of operations. The Company will continue to perform additional assessments to determine the impact, if any, on the Company's condensed consolidated financial statements. Thus, future impairment charges may occur.
The Company has accounted for these investments using the cost method of accounting because the investments did not meet the requirements for equity method accounting.
The Company received cash distributions of $1,000 and $543 from the Company's investments in long-term investments under the cost method for the nine months ended September 30, 2016 and 2015, respectively. The Company invested $10,000 in a reinsurance company and three investment funds during the nine months ended September 30, 2015.
The long-term investments are carried on the consolidated balance sheet at cost. The fair value determination disclosed above
would be classified as Level 3 under fair value hierarchy disclosed in Note 11 if such assets were recorded on the consolidated balance sheet at fair value. The fair value determinations disclosed above were based on company assumptions, and information obtained from the partnerships based on the indicated market values of the underlying

assets of the investment portfolio.

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(b) Equity-Method Investments:

Long-term investments accounted for under the equity method consisted of the following:

	September 30, 2016	December 31, 2015
Indian Creek Investors LP	$ 5,004	$ 4,989
Boyar Value Fund	7,368	7,302
Ladenburg Thalmann Financial Services Inc.	6,157	9,204
Castle Brands, Inc.	—	—
	$ 18,529	$ 21,495

The Company's investments accounted for under the equity method include the following: Indian Creek Investors LP (“Indian Creek”), Boyar Value Fund (“Boyar”), LTS and Castle. At September 30, 2016, the Company's ownership percentages in Indian Creek, Boyar, LTS and Castle were 20.07%, 31.18%, 7.75% and 7.89%, respectively. The Company accounted for its Indian Creek and Boyar interests as equity-method investments because the Company's ownership percentage meets the threshold for equity-method accounting. The Company accounted for its LTS and Castle interests as equity-method investments because, in accordance with U.S. GAAP, the Company has the ability to exercise significant influence over their operating and financial policies.
The principal business of Indian Creek is investing in investment securities. Fair value approximates carrying value. The estimated fair value of the investment partnership was provided by the partnership based on the indicated market values of the underlying assets or investment portfolio. The investment in the investment partnership is illiquid and the ultimate realization of the investment is subject to the performance of the underlying partnership and its management by the general partners.

The Company's investments under the equity method include an investment in Boyar. The value of the investment based on the quoted market price as of September 30, 2016 was $7,368, equal to its carrying value. Ladenburg Thalmann Fund Management, LLC, an indirect subsidiary of LTS, is the manager of Boyar.

At September 30, 2016, the aggregate values of the LTS and Castle investments based on the quoted market price were $32,781 and $11,024, respectively.
The Company received cash distributions of $834 and $2,052 from the Company's investments in long-term investments under the equity method for the nine months ended September 30, 2016 and 2015, respectively. The Company recognized equity in losses from investments under the equity method of $1,526 and $2,108 for the three and nine months ended September 30, 2016, respectively. The Company recognized equity in losses from investments under the equity method of $1,103 and $2,654 for the three and nine months ended September 30, 2015, respectively.
The Company has suspended its recognition of equity in losses from Castle to the extent such losses exceed its basis.
If it is determined that an other-than-temporary decline in fair value exists in long-term investments, the Company records an impairment charge with respect to such investment in its consolidated statements of operations. The Company will continue to perform additional assessments to determine the impact, if any, on the Company’s condensed consolidated financial statements. Thus, future impairment charges may occur.

5. NEW VALLEY LLC

Residential Brokerage Business. New Valley is engaged in the real estate business and is seeking to acquire or invest in additional real estate properties or projects. The Company owns a 70.59% interest in Douglas Elliman and the condensed consolidated financial statements of the Company include the account balances of Douglas Elliman.

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Investments in real estate ventures. New Valley also holds equity investments in various real estate projects domestically and internationally. The components of "Investments in real estate ventures" were as follows:

	September 30, 2016	December 31, 2015
10 Madison Square Park (1107 Broadway)	$ 1,596	$ 11,391
The Marquand (11 East 68th Street)	9,310	13,900
11 Beach Street	13,989	13,209
20 Times Square (701 Seventh Avenue)	19,886	14,985
111 Murray Street	25,176	25,567
160 Leroy Street	4,547	3,952
215 Chrystie Street	5,856	5,592
The Dutch (25-19 43rd Avenue)	1,157	1,077
1 QPS Tower (23-10 Queens Plaza South)	17,224	16,177
87 Park (8701 Collins Avenue)	11,313	8,658
125 Greenwich Street	9,865	9,750
West Hollywood Edition (9040 Sunset Boulevard)	13,549	10,510
76 Eleventh Avenue	19,379	17,967
Monad Terrace	7,924	6,608
Takanasee	5,169	4,680
Condominium and Mixed Use Development	165,940	164,023
Maryland Portfolio	—	—
ST Portfolio	9,122	15,754
Apartment Buildings	9,122	15,754
Park Lane Hotel	20,620	19,697
Hotel Taiwana	7,322	7,069
Coral Beach and Tennis Club	3,401	3,159
Hotels	31,343	29,925
The Plaza at Harmon Meadow	3,461	5,449
Commercial	3,461	5,449
Other	1,959	2,017
Investments in real estate ventures	$ 211,825	$ 217,168

Condominium and Mixed-Use Development:
Condominium and mixed-use development investments range in ownership percentage from 3.1% to 49.5%. New Valley recorded net equity in earnings from real estate ventures of $1,568 and $3,347 for the three and nine months ended September 30, 2016 from its condominium and mixed-used developments. For the three months ended September 30, 2016 equity in earnings from real estate related to $2,410 in equity earnings from New Valley's proportionate share of the sale of condominium units at 10 Madison Square Park offset by equity in losses of $842 from the other condominiums and mixed-use development projects. For the nine months ended September 30, 2016

equity in earnings from real estate was related to $6,621 in equity earnings from New Valley's proportionate share of the sale of condominium units at 10 Madison Square Park offset by equity losses of $986 at

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the Marquand, $243 at 11 Beach Street, $378 at 111 Murray Street, $176 at 215 Chrystie Street, $175 at 1 QPS Tower, $347 at 87 Park, $435 at West Hollywood Edition, $465 at Monad Terrace and $69 equity in losses from other condominiums and mixed-use development projects. New Valley recorded equity in earnings from real estate ventures of $248 and $923 for the three and nine months ended September 30, 2015. The Company recorded $1,900 of equity in earnings related to its proportionate share of the Marquand's equity earnings from the sale of five of its units, $236 of equity in earnings from Chelsea Eleven for a distribution of excess amounts held back in 2012 for final expenses of the investment and $20 equity in earnings from other condominium and mixed-use development projects offset by losses of $78 at 10 Madison Square Park, $400 at 11 Beach Street, $490 at 87 Park and $265 at 125 Greenwich Street for the nine months ended September 30, 2015.

In July 2016, New Valley entered into a newly created joint venture related to the 20 Times Square project. The joint venture is a variable interest entity, however, New Valley is not the primary beneficiary. New Valley accounts for its interest in the joint venture under the equity method of accounting and has combined this investment with the existing 20 Times Square venture carrying balance.

In August 2016, New Valley entered into a newly created joint venture related to the 87 Park project. The joint venture is a variable interest entity, however, New Valley is not the primary beneficiary. New Valley accounts for its interest in the joint venture under the equity method of accounting and has combined this investment with the existing 87 Park venture carrying balance.

During the nine months ended September 30, 2016, New Valley made capital contributions totaling $20,353 related to ventures where New Valley previously held an investment, primarily at 20 Times Square, 160 Leroy Street, West Hollywood Edition, 87 Park, Takanasee and Monad Terrace. During the nine months ended September 30, 2016, New Valley did not make certain capital contributions to Monad Terrace. This resulted in a change in ownership percentage from 31.3% to 24.3%. For other 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. New Valley's direct investment percentage for these ventures did not change. During the nine months ended September 30, 2015, New Valley made capital contributions totaling $35,776 primarily related to 10 Madison Square West, 1 QPS Tower, 125 Greenwich Street, 76 Eleventh Avenue and Monad Terrace. New Valley contributed its proportionate share of additional capital along with contributions by the other investment partners. New Valley's investment percentages did not change.

During the nine months ended September 30, 2016, New Valley received distributions of $29,894 related to 10 Madison Square West, the Marquand, West Hollywood Edition, 111 Murray Street and income from marketing fees paid by 125 Greenwich Street. During the nine months ended September 30, 2015, New Valley received distributions of $11,441 from a return of capital from 111 Murray Street and its investment in Chelsea Eleven, which sold its last unit in 2012, for excess amounts held back in 2012 for final expenses of the investment.

New Valley's maximum exposure to loss, net of non-controlling interest, as a result of its investments in condominium and mixed-use developments was $143,899 at September 30, 2016.

New Valley capitalized $8,111 of interest expense into the carrying value of its ventures whose projects were currently under development during the nine months ended September 30, 2016.

Douglas Elliman has been engaged by the developers as the sole broker or the co-broker for several of the real estate development projects that New Valley owns an interest in through its joint venture investments. Douglas Elliman had gross commissions of approximately $5,118 and $13,197 for the three and nine months ended September 30, 2016 from these projects.

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Apartment Buildings:
Apartment building investments range in ownership percentage from 7.6% to 16.3%. New Valley recorded equity in earnings from real estate ventures of $43 and $2,189 for the three and nine months ended September 30, 2016, related to the ST Portfolio and Maryland Portfolio. In the fourth quarter of 2015, ST Portfolio sold one (Highgrove) of its two remaining Class A multi-family buildings. New Valley recorded equity in losses from real estate ventures of $72 and equity in earnings of $1,730 for the three and nine months ended September 30, 2015, related to the ST Portfolio. In the second quarter of 2015, ST Portfolio sold one (Phoenix) of its three remaining Class A multi-family buildings. New Valley received distributions of $8,821 during the nine months ended September 30, 2016, related to ST Portfolio and Maryland Portfolio. New Valley received distributions of $1,989 during the nine months ended September 30, 2015, primarily related to the Maryland Portfolio. New Valley has suspended its recognition of equity losses in Maryland Portfolio to the extent such losses exceed its basis. New Valley's maximum exposure to loss as a result of its investment in apartment buildings was $9,122 at September 30, 2016.

Hotels:
Hotel investments range in ownership percentage from 5.2% to 49.0%. New Valley recorded equity in losses from real estate ventures of $743 and $1,587 for the three and nine months ended September 30, 2016, related to hotel operations. New Valley recorded equity in losses from real estate ventures of $1,323 and $2,330 for the three and nine months ended September 30, 2015. New Valley made capital contributions totaling $3,005 for the nine months ended September 30, 2016, related to the Park Lane Hotel and Coral Beach and Tennis Club. New Valley made capital contributions totaling $2,277 for the nine months ended September 30, 2015, related to the Park Lane Hotel and Coral Beach and Tennis Club. New Valley's maximum exposure to loss as a result of its investments in hotels was $31,343 at September 30, 2016.

Commercial:
New Valley recorded equity in losses from real estate ventures of $81 and $1,613 for the three and nine months ended September 30, 2016, related to shopping center rental operations. New Valley recorded equity in earnings from real estate ventures of $20 and $47 for the three and nine months ended September 30, 2015, related to shopping center rental operations. New Valley received distributions totaling $375 for the nine months ended September 30, 2016, related to Harmon Meadow. New Valley received distributions of $340 for the nine months ended September 30, 2015, related to Harmon Meadow. New Valley's maximum exposure to loss as a result of its investments in commercial ventures was $3,461 at September 30, 2016.

Other:
Other investments in real estate ventures relate to a 50% investment in an insurance consulting company owned by Douglas Elliman.

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

	September 30, 2016	December 31, 2015
Escena, net	$ 10,897	$ 10,716
Sagaponack	12,733	12,602
Investments in real estate, net	$ 23,630	$ 23,318

Escena. The assets of “Escena, net” were as follows:

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	September 30, 2016	December 31, 2015
Land and land improvements	$ 8,908	$ 8,907
Building and building improvements	1,878	1,875
Other	2,028	1,923
	12,814	12,705
Less accumulated depreciation	(1,917)	(1,989)
	$ 10,897	$ 10,716

New Valley recorded operating losses of $803 and $779 for the three months ended September 30, 2016 and 2015, respectively, from Escena. New Valley recorded operating losses of $594 and $227 for the nine months ended September 30, 2016 and 2015, respectively, from Escena.

Investment in Sagaponack. In April 2015, New Valley invested $12,502 in a residential real estate project located in Sagaponack, NY. The project is wholly owned and the balances of the project are included in the condensed consolidated financial statements of the Company. As of September 30, 2016, the assets of Sagaponack consisted of land and land improvements of $12,733.

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

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

	September 30, 2016	December 31, 2015
Vector:		
7.75% Senior Secured Notes due 2021, including premium of $14,675 and $8,014	$ 849,675	$ 608,014
7.5% Variable Interest Senior Convertible Notes due 2019, net of unamortized discount of $115,479 and $132,119*	114,521	97,881
5.5% Variable Interest Senior Convertible Debentures due 2020, net of unamortized discount of $75,153 and $86,136*	183,597	172,614
Liggett:		
Revolving credit facility	13,591	3,213
Term loan under credit facility	3,073	3,269
Equipment loans	5,136	9,716
Other	641	461
Notes payable, long-term debt and other obligations	1,170,234	895,168
Less:		
Debt issuance costs	(32,521)	(30,141)
Total notes payable, long-term debt and other obligations	1,137,713	865,027
Less:		
Current maturities	(16,280)	(8,919)
Amount due after one year	$ 1,121,433	$ 856,108

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* The fair value of the derivatives embedded within the 7.5% Variable Interest Senior Convertible Notes ($57,901 at September 30, 2016 and $72,083 at December 31, 2015, respectively) and the 5.5% Variable Interest Senior Convertible Debentures ($62,919 at September 30, 2016 and $71,959 at December 31, 2015, respectively), is separately classified as a derivative liability in the condensed consolidated balance sheets.

7.75% Senior Secured Notes due 2021 - Vector:

The Company has outstanding $835,000 principal amount of its 7.75% Senior Secured Notes due 2021 that are guaranteed subject to certain customary automatic release provisions on a joint and several basis by all of the 100% owned domestic subsidiaries of the Company that are engaged in the conduct of its tobacco businesses.
The indenture contains covenants that restrict the payment of dividends by the Company if the Company’s consolidated earnings before interest, taxes, depreciation and amortization (“Consolidated EBITDA”), as defined in the indenture, for the most recently ended four full quarters is less than $75,000. The indenture also restricts the incurrence of debt if the Company’s Leverage Ratio and its Secured Leverage Ratio, as defined in the indenture, exceed 3.0 and 1.5, respectively. The Company’s Leverage Ratio is defined in the indenture as the ratio of the Company’s and the guaranteeing subsidiaries’ total debt less the fair market value of the Company’s cash, investments in marketable securities and long-term investments to Consolidated EBITDA, as defined in the indenture. The Company’s Secured Leverage Ratio is defined in the indenture in the same manner as the Leverage Ratio, except that secured indebtedness is substituted for indebtedness.
At September 30, 2016, management believed that the Company was in compliance with all covenants under the indentures of the 7.75% Senior Secured Notes due 2021.
On May 9, 2016, the Company completed the sale of an additional $235,000 principal amount of its 7.75% Senior Secured Notes due 2021 for a price of 103.50% in a private offering to qualified institutional investors in accordance with Rule 144A of the Securities Act of 1933 (the “Securities Act”). The Company received net proceeds of approximately $236,900 after deducting underwriting discounts, commissions, fees and offering expenses. The net proceeds will be used for general corporate purposes, including for additional investments in real estate and in the Company's cigarette business. The Company will amortize the deferred costs and debt premium related to the additional Senior Secured Notes over the estimated remaining life of the debt.
In August 2016, the Company completed an offer to exchange the 7.75% Senior Secured Notes issued in May 2016 for an equal amount of newly issued 7.75% Senior Secured Notes due 2021. The new 7.75% Senior Secured Notes have substantially the same terms as the original notes, except that the new 7.75% Senior Secured Notes have been registered under the Securities Act.

6.75% Variable Interest Senior Convertible Note due 2015 - Vector:

On February 3, 2015, the holder of the 6.75% Variable Interest Senior Convertible Note due 2015, converted the remaining $25,000 principal balance of the $50,000 Note into 2,455,877 of the Company's common shares. The debt conversion resulted in a reduction of debt and an increase to equity in the amount of $25,000.

Share Lending Agreement

In connection with the offering of its 2019 Convertible Notes in November 2012, the Company lent Jefferies & Company (“Jefferies”), the underwriter for the offering, shares of the Company’s common stock under the Share Lending Agreement. 3,715,802 shares were outstanding as of December 31, 2015. Jefferies is entitled to offer and sell such shares and use the sale to facilitate the establishment of a hedge position by investors in the notes and will receive all proceeds from the common stock offerings and lending transactions under the Share Lending Agreement. The Company received a nominal lending fee of $0.10 per share for each share of common stock that the Company lent pursuant to the Share Lending Agreement.

The Share Lending Agreement requires that the shares borrowed be returned upon the maturity of the related debt, January 2019, or earlier, including the redemption of the notes or the conversion of the notes to shares of common stock pursuant to the terms of the indenture governing the notes. Borrowed shares are issued and outstanding for corporate law purposes and, accordingly, the holders of the borrowed shares will have all of the rights of a holder of the Company's outstanding shares. However, because the share borrower must return to the Company all borrowed shares (or identical shares), the borrowed shares are not considered outstanding for purposes of computing and reporting the Company's earnings per share in accordance with U.S. GAAP. Jefferies agreed to pay to the Company an amount equal to any dividends or other distributions that the Company pays on the borrowed shares.
The Company received a nominal fee for the loaned shares and determined the fair value of the Share Lending Agreement was $3,204 at the date of issuance based on the present value of the future cash flows attributed to an estimated reduction in stated interest due to the presence of the Share Lending Agreement. The $3,204 fair value was recognized as a debt financing charge and amortized to interest expense over the term of the notes. In September 2016, 2,135,923 shares were returned but no cash was

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exchanged. As of September 30, 2016, 1,579,879 shares were outstanding on the Share Lending Agreement and had a fair value of $34,015. The issuance costs associated with the Share Lending Agreement were presented on the balance sheet as a direct deduction from the face amount of the related debt. The unamortized amount of these issuance costs was $2,278 and $2,607 at September 30, 2016 and December 31, 2015, respectively.

Revolving Credit Facility and Term Loan Under Credit Facility - Liggett:

As of September 30, 2016, a total of $16,664 was outstanding under the revolving and term loan portions of the credit facility. Availability, as determined under the facility, was approximately $40,200 based on eligible collateral at September 30, 2016.

Shares of Common Stock per $1,000 Principal Amount due on Convertible Notes:

The conversion rates for all convertible debt outstanding as of September 30, 2016 and December 31, 2015, are summarized below:

	September 30, 2016		December 31, 2015	
	Conversion Price	Shares per $1,000	Conversion Price	Shares per $1,000
7.5% Variable Interest Senior Convertible Notes due 2019	$15.22	65.7030	$15.22	65.7030
5.5% Variable Interest Senior Convertible Debentures due 2020	$23.46	42.6185	$23.46	42.6185

Non-Cash Interest Expense - Vector:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Amortization of debt discount, net	$9,450	$6,868	$26,059	$18,708
Amortization of debt issuance costs	1,650	1,085	4,220	3,073
	$11,100	$7,953	$30,279	$21,781

Fair Value of Notes Payable and Long-Term Debt:

	September 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes payable and long-term debt	$1,170,234(1)	$1,538,419	$895,168(1)	$1,297,875

(1) The carrying value does not include the carrying value of the embedded derivative. See Note 11.

Notes payable and long-term debt are carried on the condensed consolidated balance sheet at amortized cost. The fair value determinations disclosed above are classified as Level 2 under the fair value hierarchy disclosed in Note 11 if such liabilities were recorded on the condensed consolidated balance sheet 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 the Company's Form 10-K. The Company used a derived price based upon quoted market prices and trade activity as of September 30, 2016 to determine the fair value of its publicly-traded notes and debentures. The carrying value of the revolving credit facility and term loan 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.

7. 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 three months ended September 30, 2016 and 2015, Liggett incurred tobacco product liability legal expenses and costs totaling $1,500 and $5,355, respectively. For the nine months ended September 30, 2016 and 2015, Liggett incurred tobacco product liability legal expenses and costs totaling $7,378 and $11,068, 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 Condensed Consolidated Statements of Operations.

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.

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. To obtain stays on judgments pending current appeals of the Putney, Calloway, Boatright and Ward cases Liggett, as of September 30, 2016, had secured $5,258 in 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 disclosed in this Note 7: (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.

Cautionary Statement About Engle Progeny Cases. Judgments have been entered against Liggett and other industry defendants in more than 100 Engle progeny cases. A number of the judgments have been affirmed on appeal and satisfied by the defendants. Many have been overturned on appeal. As of September 30, 2016, 24 Engle progeny cases where Liggett was a defendant at trial resulted in verdicts. Fifteen verdicts were returned in favor of the plaintiffs (although in two of these cases

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(Irimi and Cohen) the court granted defendants' motion for a new trial) and nine in favor of Liggett. In four of the cases, punitive damages were awarded against Liggett (although in Calloway, both the punitive and compensatory damages award were reversed and the case was remanded to the trial court for a new trial). 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. Several of the judgments against Liggett remain on appeal. Except as discussed in this Note 7 regarding the cases where an adverse verdict against Liggett remains on appeal, 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 (non-class members' claims are generally time-barred), 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 their demand for damages.

Although Liggett has generally been successful in managing litigation, 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, however, 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, including with respect to the remaining Engle progeny cases. In October 2013, Liggett announced a settlement of the claims of over 4,900 Engle progeny plaintiffs (see Engle Progeny Settlement below). As of September 30, 2016, Liggett (and in certain cases the Company) had, on an individual basis, settled 175 Engle progeny cases for approximately $6,000 in the aggregate. There were no settlements in the third quarter of 2016.

Individual Actions

As of September 30, 2016, there were 33 Individual Actions pending against Liggett and, in certain cases, the Company, 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 or the individual cases pending in West Virginia state court as part of a consolidated action. The following table lists the number of Individual Actions by state:

State	Number of Cases
Maryland	13
Florida	7
New York	6
Louisiana	3
West Virginia	2
Missouri	1
Ohio	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 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, equitable defenses such as “unclean hands” and lack of benefit, failure to state a claim and federal preemption.

Engle Progeny Cases

Engle Case. In May 1994, Engle was filed 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.” In July 1999, after the conclusion of Phase I of the trial, the jury returned a verdict against Liggett and other cigarette manufacturers on certain issues determined by the trial court to be “common” to the causes of action of the plaintiff class. The jury made several findings adverse to the defendants including that defendants’ conduct “rose to a level that would permit a potential award or entitlement to punitive damages.” Phase II of the trial was a causation and damages trial for three of the class plaintiffs and a punitive damages trial on a class-wide basis before the same jury that returned the verdict in Phase I. In April 2000, the jury awarded compensatory damages of $12,704 to the three class plaintiffs, to be reduced in proportion to the respective plaintiff’s fault. In July 2000, the jury awarded approximately $145,000,000 in punitive damages, including $790,000 against Liggett.

In May 2003, Florida’s Third District Court of Appeal reversed the trial court and remanded the case with instructions to decertify the class. The judgment in favor of one of the three class plaintiffs, in the amount of $5,831, was overturned as time barred and the court found that Liggett was not liable to the other two class plaintiffs.

In July 2006, the Florida Supreme Court affirmed the decision vacating the punitive damages award and held that the class should be decertified prospectively, but determined that the following Phase I findings are entitled to res judicata effect in Engle progeny cases: (i) that smoking causes lung cancer, among other diseases; (ii) that nicotine in cigarettes is addictive; (iii) that defendants placed cigarettes on the market that were defective and unreasonably dangerous; (iv) that defendants concealed material information knowing that the information was false or misleading or failed to disclose a material fact concerning the health effects or addictive nature of smoking; (v) that defendants agreed to conceal or omit information regarding the health effects of cigarettes or their addictive nature with the intention that smokers would rely on the information to their detriment; (vi) that defendants sold or supplied cigarettes that were defective; and (vii) that defendants were negligent. The Florida Supreme Court decision also allowed former class members to proceed to trial on individual liability issues (using the above findings) and compensatory and punitive damages issues. In December 2006, the Florida Supreme Court added the finding that defendants sold or supplied cigarettes that, at the time of sale or supply, did not conform to the representations made by defendants. In October 2007, the United States Supreme Court denied defendants’ petition for writ of certiorari.

Pursuant to the Florida Supreme Court’s July 2006 ruling in Engle, which 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 in which 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.

Engle Progeny Settlement. In October 2013, the Company 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 approximately $61,600 paid in a lump sum and the balance to be paid in installments over 14 years, starting in February 2015. In exchange, the claims of over 4,900 plaintiffs, including the claims of all plaintiffs with cases pending in federal court, were dismissed with prejudice against the Company and Liggett. Due to

the settlement, in 2013, the Company recorded a charge of $86,213 of which approximately $25,000 is related to certain payments discounted to their present value using an 11% annual discount rate. The installment payments total approximately $48,000 on an undiscounted basis. The Company's future payments will be approximately $3,400 per annum through 2028, with a cost of living increase beginning in 2021.

Notwithstanding the comprehensive nature of the Engle Progeny Settlement, approximately 240 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 affect on the Company's consolidated financial position, results of operations and cash flows.

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As of September 30, 2016, the following Engle progeny cases have resulted in judgments against Liggett:

Date	Case Name	County	Liggett Compensatory Damages (as adjusted) [1]	Liggett Punitive Damages	Status [2]
June 2002	Lukacs v. R.J. Reynolds	Miami-Dade	$12,418	$—	Liggett satisfied the judgment and the case is concluded.
August 2009	Campbell v. R.J. Reynolds	Escambia	156	—	Liggett satisfied the judgment and the case is concluded.
March 2010	Douglas v. R.J. Reynolds	Hillsborough	1,350	—	Liggett satisfied the judgment and the case is concluded.
April 2010	Clay v. R.J. Reynolds	Escambia	349	1,000	Liggett satisfied the judgment and the case is concluded.
April 2010	Putney v. R.J. Reynolds	Broward	3,008	—	On June 12, 2013, the Fourth District Court of Appeal reversed and remanded the case for further proceedings regarding the amount of the award. Both sides sought discretionary review from the Florida Supreme Court. In February 2016, the Florida Supreme Court reinstated the jury's verdict. The defendants moved for clarification of that order. The court clarified that it reversed the district court's decision regarding the statute of repose only, leaving the remaining portions of the decision intact. The case was remanded to the trial court for proceedings consistent with those portions of the district court's decision that were not reversed.
April 2011	Tullo v. R.J. Reynolds	Palm Beach	225	—	Liggett satisfied the judgment and other than an issue with respect to the calculation of interest on the judgment and the amount of costs owed by Liggett, the case is concluded.
January 2012	Ward v. R.J. Reynolds	Escambia	1	—	Liggett satisfied the merits judgment. Subsequently, the trial court entered a joint and several final judgment on attorneys' fees and costs for $981 and defendants appealed that judgment. Briefing is underway.
May 2012	Calloway v. R.J. Reynolds	Broward	—	—	A joint and several judgment for $16,100 was entered against R.J. Reynolds, Philip Morris, Lorillard and Liggett. On January 6, 2016, the Fourth District Court of Appeal reversed in part, including the $7,600 punitive damages award

					against Liggett, and remanded the case to the trial court for a new trial on certain issues. Both sides moved for rehearing and in September 2016, the appellate court reversed the judgment in its entirety and remanded the case for a new trial. As a result, the $1,530 compensatory award against Liggett was reversed. The plaintiff filed a notice to invoke the discretionary jurisdiction of the Florida Supreme Court.
December 2012	Buchanan v. R.J. Reynolds	Leon	2,750	—	Liggett satisfied the judgment and the case is concluded.
May 2013	D. Cohen v. R.J. Reynolds	Palm Beach	—	—	In May 2013, the jury awarded compensatory damages in the amount of $2,055 and apportioned 10% of the fault to Liggett ($205). Defendants' motion seeking a new trial was granted by the trial court. Plaintiff appealed and defendants cross-appealed. The Fourth District Court of Appeal affirmed the granting of a new trial. The plaintiff filed a notice to invoke the discretionary jurisdiction of the Florida Supreme Court.
August 2013	Rizzuto v. R.J. Reynolds	Hernando	3,479	—	Liggett settled its portion of the judgment for $1,500 and the case is concluded as to Liggett.
August 2014	Irimi v. R.J. Reynolds	Broward	—	—	In August 2014, the jury awarded compensatory damages in the amount of $3,123 and apportioned 1% of the fault to Liggett ($31). In January 2015, the trial court granted defendants' motion for a new trial. Plaintiff appealed and the defendants cross appealed. Briefing is underway.
October 2014	Lambert v. R.J. Reynolds	Pinellas	3,600	9,500	Liggett satisfied the judgment and the case is concluded.
November 2014	Boatright v. R.J. Reynolds	Polk	—	300	In November 2014, the jury awarded compensatory damages in the amount of $15,000 with 15% fault apportioned to plaintiff and 85% to Philip Morris. The jury further assessed punitive damages against Philip Morris for $19,700 and Liggett for $300. Post trial motions were denied. A joint and several judgment was entered in the amount of $12,750 on the compensatory damages. Judgment was further entered against Liggett for $300 in punitive damages. Defendants appealed and plaintiff cross-appealed. Oral argument occurred on October 18, 2016. A decision is pending.

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Date	Case Name	County	Liggett Compensatory Damages (as adjusted) [1]	Liggett Punitive Damages	Status [2]
June 2015	Caprio v. R.J. Reynolds	Broward			