

VECTOR GROUP LTD  
Form 10-Q  
May 01, 2013

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 March 31, 2013

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

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

100 S.E. Second Street  
Miami, Florida 33131  
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.  Yes  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).  Yes  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.

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company

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(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.  Yes  No

At May 1, 2013, Vector Group Ltd. had 89,898,411 shares of common stock outstanding.

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VECTOR GROUP LTD.

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VECTOR GROUP LTD. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands, Except Per Share Amounts)

Unaudited

|   | March 31,<br>2013 | December 31,<br>2012 |
|---|-------------------|----------------------|
| <b>ASSETS:</b>  |                   |                      |
| Current assets:   |                   |                      |
| Cash and cash equivalents   | \$351,902         | \$405,855            |
| Investment securities available for sale                                  | 82,439            | 69,984               |
| Accounts receivable - trade, net  | 10,416            | 11,247               |
| Inventories   | 98,502            | 100,392              |
| Deferred income taxes   | 34,292            | 36,609               |
| Income tax receivable, net  | 16,804            | 6,779                |
| Restricted assets   | 2,469             | 2,469                |
| Other current assets  | 5,976             | 5,721                |
| Total current assets  | 602,800           | 639,056              |
| Property, plant and equipment, net  | 58,181            | 57,153               |
| Investment in consolidated real estate businesses, net                    | 22,733            | 13,295               |
| Long-term investments accounted for at cost                               | 16,367            | 16,367               |
| Long-term investments accounted for under the equity method               | 7,367             | 6,432                |
| Investments in non-consolidated real estate businesses                    | 119,603           | 119,219              |
| Restricted assets   | 9,785             | 9,792                |
| Deferred income taxes   | 51,182            | 49,142               |
| Intangible asset  | 107,511           | 107,511              |
| Prepaid pension costs   | 13,329            | 12,870               |
| Other assets  | 57,911            | 55,894               |
| Total assets  | \$1,066,769       | \$1,086,731          |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY:</b>                          |                   |                      |
| Current liabilities:  |                   |                      |
| Current portion of notes payable and long-term debt                       | \$17,624          | \$36,778             |
| Current payments due under the Master Settlement Agreement                | 64,732            | 32,970               |
| Current portion of employee benefits                                      | 2,824             | 2,824                |
| Accounts payable  | 7,090             | 6,099                |
| Accrued promotional expenses  | 17,348            | 18,730               |
| Income taxes payable  | 6,330             | 6,269                |
| Accrued excise and payroll taxes payable, net                             | 7,215             | 20,419               |
| Litigation accruals   | 248               | 1,470                |
| Deferred income taxes   | 31,194            | 27,299               |
| Accrued interest  | 13,679            | 25,410               |
| Other current liabilities   | 12,281            | 16,891               |
| Total current liabilities   | 180,565           | 195,159              |
| Notes payable, long-term debt and other obligations, less current portion | 627,996           | 586,946              |
| Fair value of derivatives embedded within convertible debt                | 169,079           | 172,128              |
| Non-current employee benefits   | 46,019            | 45,860               |
| Deferred income taxes   | 110,983           | 109,532              |
| Payments due under the Master Settlement Agreement                        | 37,218            | 52,639               |
| Litigation accruals   | 1,681             | 1,862                |
| Other liabilities   | 1,523             | 1,857                |
| Total liabilities   | 1,175,064         | 1,165,983            |

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Commitments and contingencies

Stockholders' deficiency:

|   |              |              |
|---|--------------|--------------|
| Preferred stock, par value \$1.00 per share, 10,000,000 shares authorized   | —            | —            |
| Common stock, par value \$0.10 per share, 150,000,000 shares authorized, 93,658,273 and 93,658,273 shares issued and 89,898,411 and 89,898,411 shares outstanding | 8,989        | 8,989        |
| Additional paid-in capital  | —            | —            |
| Accumulated deficit   | (101,977     | ) (65,116 )  |
| Accumulated other comprehensive loss  | (4,354       | ) (10,268 )  |
| Less: 3,759,862 shares of common stock in treasury, at cost   | (12,857      | ) (12,857 )  |
| Total Vector Group Ltd. stockholders' deficiency  | (110,199     | ) (79,252 )  |
| Non-controlling interest  | 1,904        | —            |
| Total stockholders' deficiency  | (108,295     | ) (79,252 )  |
| Total liabilities and stockholders' deficiency  | \$ 1,066,769 | \$ 1,086,731 |

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 |           |
|---|--------------------|-----------|
|   | March 31,          |           |
|   | 2013               | 2012      |
| Revenues*   | \$240,402          | \$257,606 |
| Expenses:   |                    |           |
| Cost of goods sold*                                     | 172,956            | 200,181   |
| Operating, selling, administrative and general expenses | 24,350             | 23,979    |
| Operating income  | 43,096             |           |