

VECTOR GROUP LTD  
Form 8-K  
November 10, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 8-K  
CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934  
Date of Report (Date of earliest event reported): November 7, 2014

VECTOR GROUP LTD.  
(Exact Name of Registrant as Specified in Its Charter)  
DELAWARE  
(State or Other Jurisdiction of  
Incorporation)

1-5759  
(Commission File Number)

65-0949535  
(I.R.S. Employer Identification No.)

4400 Biscayne Boulevard, Miami, Florida  
(Address of Principal Executive Offices)

33137  
(Zip Code)

(305) 579-8000  
(Registrant's Telephone Number, Including Area  
Code)

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

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

Item 2.02. Results of Operations and Financial Condition

Vector Group Ltd. (the "Company") is filing this Current Report on Form 8-K to revise previously reported non-GAAP financial measures previously reported in its Current Reports on Form 8-K, dated October 6, 2014 and October 29, 2014. The Company has made adjustments in this Form 8-K, which are discussed below, to previously reported Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income and New Valley LLC Pro-forma Adjusted EBITDA as a result of the recasting of E-cigarettes as a separate segment, to include an additional component of purchase account adjustments related to the Company's acquisition of an additional 20.59% interest in Douglas Elliman Realty, LLC in December 2013, and the correction of previously reported non-cash interest expense for the three months ended September 30, 2014.

The Company assessed the materiality of the errors and concluded that they were immaterial to all previously reported periods.

Revisions being made to the following non-GAAP financial measures included in Exhibit 99.1 were previously reported in the Company's Current Reports on Form 8-K, dated October 6, 2014 and October 29, 2014: Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income and New Valley LLC Pro-forma Adjusted EBITDA. These measures are presented in Exhibit 99.1.

The Company has made adjustments in this Form 8-K, which are discussed below, to previously reported Pro-forma Adjusted EBITDA, for the three months ended June 30, 2014, March 31, 2014, December 31, 2013 and September 30, 2013 and the twelve months ended December 31, 2013.

For the three months ended March 31, 2014 and June 30, 2014, the Company corrected a previous omission of a component of purchase accounting adjustments related to the Company's increased ownership of Douglas Elliman Realty, LLC. Adjustments for these amounts (\$239 and \$367 for the three months ended March 31, 2014 and June 30, 2014, respectively) should have been included during the respective periods for both Pro-forma Adjusted EBITDA and New Valley Pro-forma Adjusted EBITDA. The adjustment impacts the Real Estate segment only. The amount attributable to the Company and New Valley (i.e. 70.59% of the adjustment) is \$169 and \$259 for the three months ended March 31, 2014 and June 30, 2014, respectively.

As a result of the amount of operating losses of the Company's Zoom E-cigarette brand as of September 30, 2014, when compared to the remaining components of the Company's Corporate and Other segment, the Company has reevaluated its operating segments and has separated its E-cigarette's operations from the Corporate and Other segment for previously reported 2014 periods and from the Tobacco segment for the previously reported 2013 periods. For the three months ended June 30, 2014, March 31, 2014, December 31, 2013 and September 30, 2013, the amount of the recast was a loss of \$3,765, \$425, \$459 and \$560, respectively.

Earnings per share related to the Company's Pro-forma Adjusted Net Income for the three months ended December 31, 2013 has been corrected to \$0.35 per diluted common share (from \$0.36 per diluted common share).

For the three and nine months ended September 30, 2014, the Company corrected "Non-cash amortization of debt discount on convertible debt" and the related tax impact, Pro-forma Adjusted Net Income attributed to Vector Group Ltd., and Pro-forma Adjusted Net Income applicable to common shares attributed to Vector Group Ltd which is summarized in the table below.

	(Dollars in thousands)					
	For the Three Months Ended September 30, 2014			For the Nine Months Ended September 30, 2014		
	As Previously Reported	Revision	As Revised	As Previously Reported	Revision	As Revised
Pro-forma Adjusted Net Income						
Non-cash amortization of debt discount on convertible debt	\$ 14,033	\$ 548	\$ 14,581	\$ 41,180	\$ 548	\$ 41,728
Tax expense related to adjustments	(3,877 )	(227 )	(4,104 )	(17,677 )	(227 )	(17,904 )
Pro-forma Adjusted Net Income attributed to Vector Group Ltd.	21,684	321	22,005	52,395	321	52,716
	\$0.20	\$0.01	\$0.21	\$0.50	\$—	\$0.50

Pro-forma Adjusted Net Income applicable  
to common shares attributed to Vector  
Group Ltd.

For the last twelve months ended September 30, 2014, Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA has been corrected to include a previously omitted component of purchase accounting adjustments totaling \$1,013 related to the Company's increased ownership of Douglas Elliman Realty, LLC.

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#### Non-GAAP Financial Measures

EBITDA is defined as Net Income before Interest, Taxes, Depreciation and Amortization. Pro-forma Adjusted EBITDA is EBITDA, as defined above and as adjusted for changes in fair value of derivatives embedded with convertible debt, equity gains (losses) on long-term investments, gains (losses) on sale of investment securities available for sale, equity income from non-consolidated real estate businesses, loss on extinguishment of debt, acceleration of interest expense related to debt conversion, stock-based compensation expense, litigation settlement and judgment expense, impact of the settlement of a dispute related to the Master Settlement Agreement (“MSA”), gains on acquisition of Douglas Elliman, changes to EBITDA as a result of the consolidation of Douglas Elliman and other charges. Pro-forma Adjusted Net Income is defined as Net Income adjusted for acceleration of interest expense related to debt conversion, changes in fair value of derivatives embedded with convertible debt, non-cash amortization of debt discount on convertible debt, loss on extinguishment of 11% senior secured notes due 2015, litigation settlement and judgment expenses, impact of the MSA settlement, interest income from MSA settlement, gain on acquisition of Douglas Elliman, adjustment to reflect 20.59% of net income from Douglas Elliman, out of period adjustments related to Douglas Elliman and Douglas Elliman purchase accounting adjustments. The Pro-forma non-GAAP financial measures are presented assuming Vector Group Ltd.’s acquisition of the additional 20.59% interest in Douglas Elliman Realty LLC, and the related purchase accounting adjustments, occurred prior to beginning of each period presented. New Valley LLC (“New Valley”), the real estate subsidiary of the Company, owns real estate and 70.59% of Douglas Elliman, the largest residential brokerage firm in the New York metropolitan area, as well as a minority stake in numerous real estate investments. New Valley LLC Pro-forma Adjusted EBITDA is defined as the portion of Pro-forma Adjusted EBITDA that relates to New Valley. New Valley's Pro-forma Adjusted EBITDA does not include an allocation of expenses from the Corporate and Other segment of Vector Group Ltd.

Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley LLC Pro-forma Adjusted EBITDA and Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA are financial measures not prepared in accordance with generally accepted accounting principles (“GAAP”). The Company believes that Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley Pro-forma Adjusted EBITDA and Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA are important measures that supplement discussions and analysis of its results of operations and enhances an understanding of its operating performance. The Company believes Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley LLC Pro-forma Adjusted EBITDA and Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA provide investors and analysts with a useful measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. Management uses Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley LLC Pro-forma Adjusted EBITDA and Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA as measures to review and assess operating performance of the Company's business and management and investors should review both the overall performance (GAAP net income) and the operating performance (Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley LLC Pro-forma Adjusted EBITDA and Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA) of the Company's business. While management considers Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley LLC Pro-forma Adjusted EBITDA and Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA to be important, they should be considered in addition to, but not as substitutes for or superior to, other measures of financial performance prepared in accordance with GAAP, such as operating income, net income and cash flows from operations. In addition, Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley LLC Pro-forma Adjusted EBITDA and Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA are susceptible to varying calculations and the Company's measurement of Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New Valley LLC Pro-forma Adjusted EBITDA and Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA may not be comparable to those of other companies. Included in Exhibit 99.2 attached hereto as Tables 1, 2, 3 and 4 is information for the years ended December 31, 2013, 2012, 2011 and 2010 and the LTM ended September 30, 2014 and the three months ended September 30, 2014, June 30, 2014, March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013 relating to the Company's Pro-forma Adjusted EBITDA, Pro-forma Adjusted Net Income, New

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Valley LLC Pro-forma Adjusted EBITDA and Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA, respectively. Reconciliations of these non-GAAP financial measures to the most comparable GAAP financial measures for the periods above are included in Tables 1, 2, 3 and 4 of Exhibit 99.1.

Item 7.01. Regulation FD Disclosure.

Vector Group Ltd. has prepared materials for presentations to investors updated for the three and nine month periods ended September 30, 2014 and 2013. The materials are furnished (not filed) as Exhibits 99.2, 99.3 and 99.4 to this Current Report on Form 8-K pursuant to Regulation FD.

Non-GAAP Financial Measures

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Exhibits 99.2, 99.3 and 99.4 contain the Non-GAAP Financial Measures discussed below. The Pro-forma non-GAAP financial measures are presented assuming Vector Group Ltd.'s acquisition of the additional 20.59% interest in Douglas Elliman Realty LLC, and the related purchase accounting adjustments, occurred prior to beginning of each period presented.

Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Capital Expenditures, Pro-forma Free Cash Flow, New Valley LLC Pro-forma Adjusted Revenues, New Valley LLC Pro-forma Adjusted EBITDA, Douglas Elliman Pro-forma Adjusted Revenues and Douglas Elliman Pro-forma Adjusted EBITDA are financial measures not prepared in accordance with generally accepted accounting principles ("GAAP"). Pro-forma Adjusted Revenues is defined as Revenues plus the additional revenues as a result of the consolidation of Douglas Elliman plus one-time purchase accounting adjustments to fair value for deferred revenues recorded in connection with the increase of the Company's ownership of Douglas Elliman. EBITDA is defined as Net Income before Interest, Taxes, Depreciation and Amortization. Pro-forma Adjusted EBITDA is EBITDA, as defined above, and as adjusted for changes in fair value of derivatives embedded with convertible debt, equity gains (losses) on long-term investments, gains (losses) on sale of investment securities available for sale, equity income from non-consolidated real estate businesses, loss on extinguishment of debt, acceleration of interest expense related to debt conversion, stock-based compensation expense, litigation settlement and judgment expense, impact of the settlement of a dispute related to the Master Settlement Agreement ("MSA"), gains on acquisition of Douglas Elliman, changes to EBITDA as a result of the consolidation of Douglas Elliman and other charges. Pro-Forma Capital Expenditures is defined as Capital Expenditures adjusted for Vector Group Ltd.'s acquisition of the additional 20.59% interest in Douglas Elliman Realty LLC and reduced by Vector's non-controlling interest in Douglas Elliman Realty LLC. Pro-forma Free Cash Flow is defined as Pro-forma Adjusted EBITDA reduced by Pro-forma Capital Expenditures.

New Valley LLC ("New Valley"), the real estate subsidiary of the Company, owns real estate and 70% of Douglas Elliman, the largest residential brokerage firm in the New York metropolitan area, as well as a minority stake in numerous real estate investments. New Valley LLC Pro-forma Adjusted Revenues and New Valley LLC Pro-forma Adjusted EBITDA are defined as the portion of Pro-forma Adjusted Revenues and Pro-forma Adjusted EBITDA that relate to New Valley. New Valley's Pro-forma Adjusted EBITDA does not include an allocation of expenses from the Corporate and Other segment of Vector Group Ltd.

The Company believes that Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Capital Expenditures, Pro-forma Free Cash Flow, New Valley LLC Pro-forma Adjusted Revenues, New Valley LLC Pro-forma Adjusted EBITDA, Douglas Elliman Realty, LLC Pro-forma Adjusted Revenues and Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA are important measures that supplement discussions and analysis of its results of operations and enhances an understanding of its operating performance. The Company believes Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Capital Expenditures, Pro-forma Free Cash Flow, New Valley LLC Pro-forma Adjusted Revenues, New Valley LLC Pro-forma Adjusted EBITDA, Douglas Elliman Realty, LLC Pro-forma Adjusted Revenues and Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA provide investors and analysts with a useful measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. Management uses Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Capital Expenditures, Pro-forma Free Cash Flow, New Valley LLC Pro-forma Adjusted Revenues, New Valley LLC Pro-forma Adjusted EBITDA, Douglas Elliman Realty, LLC Pro-forma Adjusted Revenues and Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA as measures to review and assess operating performance of the Company's business and management and investors should review both the overall performance (GAAP net income) and the operating performance (Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Capital Expenditures, Pro-forma Free Cash Flow, New Valley LLC Pro-forma Adjusted Revenues, New Valley LLC Pro-forma Adjusted EBITDA, Douglas Elliman Realty, LLC Pro-forma Adjusted Revenues and Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA) of the Company's business. While management considers Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma

Capital Expenditures, Pro-forma Free Cash Flow, New Valley LLC Pro-forma Adjusted Revenues, New Valley LLC Pro-forma Adjusted EBITDA, Douglas Elliman Realty, LLC Pro-forma Adjusted Revenues and Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA to be important, they should be considered in addition to, but not as substitutes for or superior to, other measures of financial performance prepared in accordance with GAAP, such as operating income, net income and cash flows from operations. In addition, Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Capital Expenditures, Pro-forma Free Cash Flow, New Valley LLC Pro-forma Adjusted Revenues, New Valley LLC Pro-forma Adjusted EBITDA, Douglas Elliman Realty, LLC Pro-forma Adjusted Revenues and Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA are susceptible to varying calculations and the Company's measurement of Pro-forma Adjusted Revenues, Pro-forma Adjusted EBITDA, Pro-forma Capital Expenditures, Pro-forma Free Cash Flow, New Valley LLC Pro-forma Adjusted Revenues, New Valley LLC Pro-forma Adjusted EBITDA, Douglas Elliman Realty, LLC Pro-forma Adjusted Revenues and Douglas Elliman Realty, LLC Pro-forma Adjusted EBITDA may not be comparable to those of other companies

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## Forward-Looking Statements

This Current Report on Form 8-K contains forward-looking statements, which involve risk and uncertainties. The words "could", "believe," "expect," "estimate," "may," "will," "could," "plan," or "continue" and similar expressions are intended to identify forward-looking statements. The Company's actual results could differ significantly from the results discussed in such forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 and the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2014. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Current Report on Form 8-K. The Company undertakes no obligation to (and expressly disclaims any obligation to) revise or update any forward-looking statement, whether as a result of new information, subsequent events, or otherwise (except as may be required by law), in order to reflect any event or circumstance which may arise after the date of this Current Report on Form 8-K.

## Item 9.01. Financial Statements and Exhibit

(c) Exhibit.

Exhibit No.	Exhibit
99.1	Non-GAAP Financial Measures (furnished pursuant to Regulation FD).
99.2	Investor presentation of Vector Group Ltd. dated November 2014 (furnished pursuant to Regulation FD).
99.3	Fact Sheet of Vector Group Ltd. dated November 1, 2014 (furnished pursuant to Regulation FD).
99.4	Fact Sheet of New Valley LLC dated November 1, 2014 (furnished pursuant to Regulation FD).

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SIGNATURE

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

VECTOR GROUP LTD.

By: /s/ J. Bryant Kirkland III  
J. Bryant Kirkland III  
Vice President, Treasurer and Chief Financial Officer

Date: November 7, 2014