

VECTOR GROUP LTD  
Form 10-Q  
August 04, 2011

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 June 30, 2011

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

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

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

Edgar Filing: VECTOR GROUP LTD - Form 10-Q

(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 August 4, 2011, Vector Group Ltd. had 75,719,733 shares of common stock outstanding.

---

VECTOR GROUP LTD.

FORM 10-Q

TABLE OF CONTENTS

	Page
<b>PART I. FINANCIAL INFORMATION</b>	
Item 1. Vector Group Ltd. Condensed Consolidated Financial Statements (Unaudited):	
<u>Condensed Consolidated Balance Sheets as of June 30, 2011 and December 31, 2010</u>	<u>2</u>
<u>Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2011 and June 30, 2010</u>	<u>3</u>
<u>Condensed Consolidated Statement of Stockholders' Deficiency for the six months ended June 30, 2011</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2011 and June 30, 2010</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>36</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>49</u>
<u>Item 4. Controls and Procedures</u>	<u>49</u>
<b>PART II. OTHER INFORMATION</b>	
<u>Item 1. Legal Proceedings</u>	<u>50</u>
<u>Item 1A. Risk Factors</u>	<u>50</u>
<u>Item 6. Exhibits</u>	<u>50</u>
<u>SIGNATURE</u>	<u>51</u>

VECTOR GROUP LTD. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands, Except Per Share Amounts)

Unaudited

	June 30, 2011	December 31, 2010
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$319,989	\$299,825
Investment securities available for sale	64,340	78,754
Accounts receivable - trade	20,722	1,849
Inventories	117,895	107,079
Deferred income taxes	36,734	31,786
Restricted assets	1,483	2,661
Other current assets	3,653	4,809
Total current assets	564,816	526,763
Property, plant and equipment, net	55,068	55,412
Investment in Escena, net	13,233	13,354
Long-term investments accounted for at cost	7,425	46,033
Long-term investments accounted for under the equity method	20,114	10,954
Investments in non-consolidated real estate businesses	91,703	80,416
Investments in townhomes	—	16,275
Restricted assets	7,747	8,694
Deferred income taxes	28,620	37,828
Intangible asset	107,511	107,511
Prepaid pension costs	14,710	13,935
Other assets	30,212	32,420
Total assets	\$941,159	\$949,595
<b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY:</b>		
Current liabilities:		
Current portion of notes payable and long-term debt	\$26,578	\$51,345
Current portion of fair value of derivatives embedded within convertible debt	79,493	480
Current portion of employee benefits	1,014	1,014
Accounts payable	11,087	9,027
Accrued promotional expenses	15,064	14,327
Income taxes payable, net	3,306	11,617
Accrued excise and payroll taxes payable, net	23,050	18,523
Settlement accruals	77,742	48,071
Deferred income taxes	32,515	36,963
Accrued interest	20,758	20,824
Other current liabilities	16,596	14,681
Total current liabilities	307,203	226,872
Notes payable, long-term debt and other obligations, less current portion	486,989	506,052
Fair value of derivatives embedded within convertible debt	53,129	141,012
Non-current employee benefits	39,356	38,742
Deferred income taxes	55,029	51,815
Other liabilities	49,522	31,336
Total liabilities	991,228	995,829
Commitments and contingencies		
Stockholders' deficiency:		

Edgar Filing: VECTOR GROUP LTD - Form 10-Q

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, 79,130,039 and 78,349,590 shares issued and 75,719,733 and 74,939,284 shares outstanding	7,572	7,494
Additional paid-in capital	—	—
Accumulated deficit	(42,530	) (45,327 )
Accumulated other comprehensive (loss) income	(2,254	) 4,456
Less: 3,410,306 and 3,410,306 shares of common stock in treasury, at cost	(12,857	) (12,857 )
Total stockholders' deficiency	(50,069	) (46,234 )
Total liabilities and stockholders' deficiency	\$941,159	\$949,595

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		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Revenues*	\$291,180	\$268,460	\$551,558	\$490,547
Expenses:				
Cost of goods sold*	231,073	210,994	436,250	380,905
Operating, selling, administrative and general expenses	22,140	22,028	45,865	43,186
Litigation judgment expense	—			