Risk Factors Comparison 2024-02-16 to 2023-02-21 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

These conditions include short- term and long- term interest rates, inflation, fluctuations in debt and equity capital markets, levels of unemployment, consumer confidence and the general economic condition of the ~~United States~~ **U. S.** and the global economy. The real estate market also depends upon the strength of financial institutions, which are sensitive to changes in the general macroeconomic environment. Lack of available credit or lack of confidence in the financial sector could impact the real estate market, which in turn could adversely affect our business, financial condition and results of operations. Any of the following could be associated with cyclicality in the real estate market by halting or limiting a recovery in the residential and commercial real estate markets, and have an adverse effect on our business by causing periods of lower growth or a decline in the number of home sales and / or property prices which, in turn, could adversely affect our business and financial condition: • periods of economic slowdown or recession; • rising interest rates; • the general availability of mortgage financing; • a negative perception of the market for residential and commercial real estate; • an increase in the cost of homeowners' insurance; • weak credit markets; • a low level of consumer confidence in the economy and / or the real estate market; • instability of financial institutions; • legislative, tax or regulatory changes that would adversely impact the real estate market, including but not limited to potential reform relating to Fannie Mae, Freddie Mac and other government sponsored entities that provide liquidity to the U. S. housing and mortgage markets, and potential limits on, or elimination of, the income tax deduction of certain mortgage interest expense and property taxes; • adverse changes in economic and general business conditions in the areas we invest; • declining demand for real estate; • acts of God, such as hurricanes, earthquakes and other natural disasters, or acts or threats of war or terrorism; and / or • adverse changes in global, national, regional and local economic and market conditions, particularly where our businesses operate, including those relating to pandemics and health crises. Real estate development is a competitive industry, and competitive conditions may adversely affect our results of operations. The real estate development industry is highly competitive. Real estate developers compete not only for buyers, but also for desirable properties, building materials, labor and capital. We compete with other local, regional, national and international real estate asset managers, investors and property developers, which have significant financial resources and experience. Competitive conditions in the real estate development industry could result in difficulty in acquiring suitable investments in properties at acceptable prices, increased selling incentives, lower sales volumes and prices, lower profit margins, impairments in the value of our investments in real estate developments and other assets, and / or increased construction costs, delays in construction and increased carry costs. Development projects are subject to special risks including potential increase in costs, changes in market demand, inability to meet deadlines which may delay the timely completion of projects, reliance on contractors who may be unable to perform and the need to obtain various governmental and third **-** party consents. If the market value of our properties or investments decline, our results of operations could be adversely affected by impairments and write- downs. We acquire land and invest in real estate projects in the ordinary course of our business. There is an inherent risk that the value of our land and investments may decline after purchase, which also may affect the value of existing properties under construction. The valuation of property is inherently subjective and based on the individual characteristics of each property. The market value of our land and investments in real estate projects depends on general and local real estate market conditions. These conditions can change and thereby subject valuations to uncertainty. Moreover, all valuations are based on assumptions that may not prove to reflect economic or demographic reality. We may have acquired options to buy or bought and developed land at a cost we will not be able to recover fully or on which we cannot build and sell the property profitably. In addition, our deposits or investments in deposits for building lots controlled under option or similar contracts may be put at risk. If market conditions deteriorate, some of our assets may be subject to impairments and write- down charges which would adversely affect our operations and financial results. If demand for residential or commercial real estate decreases below what was anticipated when we purchased interests in or developed such inventory, profitability may be adversely affected and we may not be able to recover the related costs when selling and building our properties and / or investments. We regularly review the value of our investments and will continue to do so on a periodic basis. Write- downs and impairments in the value of our properties and / or investments may be required, and we may in the future sell properties and / or investments at a loss, which could adversely affect our results of operations and financial condition. We face risks associated with property acquisitions. We may be unable to finance acquisitions or investments on favorable terms or properties may fail to perform as expected. We may underestimate the costs necessary to bring an investment up to standards established for its intended market position. We may also acquire or invest in properties subject to liabilities and with recourse, with respect to unknown liabilities. New Valley' s acquisition of real estate investments are subject to several risks including: underestimated operating expenses for a property, possibly making it uneconomical or unprofitable; a property may fail to perform in accordance with expectations, in which case New Valley may sustain lower- than- expected income or need to incur additional expenses for the property; and New Valley may not be able to sell, dispose or refinance the property at a favorable price or terms, or at all, as the case may be; in addition to any potential loss on a sale, New Valley may have no choice but to hold on to the property and continue to incur net operating losses if underperforming for an indefinite period of time, as well as incur continuing tax, environmental and other liabilities. Acquisition agreements will typically contain conditions to closing, including completion of due diligence to our satisfaction or other conditions that are not within our control, which may not be satisfied. Each of these factors could have an adverse effect on our results of operations and financial condition ~~. Our success depends on the availability of suitable real estate investments at acceptable prices and having sufficient liquidity to acquire such investments. Our success in investing in real estate depends in part upon the continued~~

~~availability of suitable real estate assets at acceptable prices. The availability of properties for investment at favorable prices depends on a number of factors outside of our control, including the risk of competitive over- bidding on real estate assets. Should suitable opportunities become less available, the number of properties we develop and invest in would be reduced, which would reduce revenue and profits. In addition, our ability to make investments will depend upon whether we have sufficient liquidity to fund such purchases and investments~~ . If we, or the entities we invest in, are not able to develop and market our real estate developments successfully or within expected timeframes or at projected pricing, our business and results of operations will be adversely affected. Before a property development generates any revenues, material expenditures are incurred to acquire land, obtain development approvals and construct significant portions of project infrastructure, amenities, model offices, showrooms, apartments or homes and sales facilities. It generally takes several years for a real estate development to achieve cumulative positive cash flow. If we, or the entities we invest in, are unable to develop and market our real estate developments successfully or to generate positive cash flows from these operations within expected timeframes, it could have a material adverse effect on our business and results of operations. Because certain of our assets are illiquid, we may not be able to sell these assets when appropriate or when desired. Large real estate developments like the ones that we retain investments in can be hard to sell, especially if local market conditions are poor. Such illiquidity could limit our ability to diversify our assets promptly in response to changing economic or investment conditions. Additionally, financial difficulties of other property owners resulting in distressed sales could depress real estate values in the markets in which we operate in times of illiquidity. These restrictions reduce our ability to respond to changes in the performance of our assets and could adversely affect our financial condition and results of operations. Guaranty risks; risks of joint ventures. New Valley has real estate- related investments in which other partners hold significant interests. New Valley must seek approval from these other parties for important actions regarding these joint ventures. Since the other parties' interests may differ from those of New Valley, a deadlock could arise that might impair the ability of the ventures to function. Such a deadlock could significantly harm a venture. Further, our minority interest in these joint ventures means that we may not be able to influence the outcome of a project, and our rights to obtain information may be limited to the contractual requirements. As a result, we may not have adequate insight into the financial condition of any of our joint ventures given that we do not oversee their financial reporting or decision making. If our partners face adverse financial conditions, it may impair their ability to fund capital calls or satisfy their share of any guarantees on project financing. In addition, we are typically obligated to execute guarantees or indemnify our partners for guarantees they may execute in connection with the acquisition or construction financing for our projects. The guarantees that we might be obligated to sign include guarantees for environmental liability at a project, improper acts committed by New Valley (otherwise known as a " bad boy " guaranty), as well as carry and completion guarantees for a project. In the event of a default, if a lender were to exercise its rights under these guarantees, it could have a material adverse effect on our business and results of operations. The real estate developments we invest in may be subject to losses as a result of construction defects. Real estate developers are subject to construction defect and warranty claims arising in the ordinary course of their business. These claims are common in the real estate development industry and can be costly. Claims may be asserted against the real estate developments we invest in for construction defects, personal injury or property damage caused by the developer, general contractor or subcontractors, and if successful, these claims may give rise to liability. Subcontractors are independent of the homebuilders that contract with them under normal management practices and the terms of trade contracts and subcontracts within the industry; however, if U. S. or other regulatory agencies or courts reclassify the employees of sub-contractors as employees of real estate developers, real estate developers using subcontractors could be responsible for wage, hour and other employment- related liabilities of their subcontractors. In addition, where the real estate developments in which we invest hire general contractors, unforeseen events such as the bankruptcy of, or an uninsured or under- insured loss claimed against, the general contractor may sometimes result in the real estate developer becoming responsible for the losses or other obligations of the general contractor. The costs of insuring against construction defect and product liability claims are high, and the amount of coverage offered by insurance companies may be limited. There can be no assurance that this coverage will not be further restricted and become more costly. If the real estate developments in our real estate portfolio are not able to obtain adequate insurance against these claims in the future, our business and results of operations may be adversely affected. Increasingly in recent years, individual and class action lawsuits have been filed against real estate developers asserting claims of personal injury and property damage caused by a variety of issues, including faulty materials and the presence of mold in residential dwellings. Furthermore, decreases in home values as a result of general economic conditions may result in an increase in both non- meritorious and meritorious construction defect claims, as well as claims based on marketing and sales practices. Insurance may not cover all ~~of the~~ claims arising from such issues, or such coverage may become prohibitively expensive. If real estate developments in our real estate portfolio are not able to obtain adequate insurance against these claims, they may experience litigation costs and losses that could reduce our revenues from these investments. Even if they are successful in defending such claims, we may incur significant losses. Our real estate investments may face substantial damages as a result of existing or future litigation, arbitration or other claims. The real estate developments we invest in are exposed to potentially significant litigation, arbitration proceedings and other claims, including breach of contract, contractual disputes and disputes relating to defective title, property misdescription or construction defects. Class action lawsuits can be costly to defend, and if our assets were to lose any certified class action suit, it could result in substantial liability. With respect to certain general liability exposures, including construction defect and product liability claims, interpretation of underlying current and future trends, assessment of claims and the related liability and reserve estimation process requires us to exercise significant judgment due to the complex nature of these exposures, with each exposure exhibiting unique circumstances. Furthermore, once claims are asserted for construction defects, it is difficult to determine the extent to which the assertion of these claims will expand geographically. As a result, we may suffer losses on our investments which could adversely affect our business, financial condition and results of operations. Our investments in real estate are susceptible to adverse weather conditions and natural and man- made disasters. Adverse weather conditions and natural and man- made disasters such as hurricanes, tornadoes, storms, earthquakes, floods, droughts, fires, snow, blizzards, as well as terrorist attacks, riots and electrical outages, can have a significant effect on the assets in our real estate portfolio. The severity and frequency of these adverse weather conditions are worsened by the effects of climate change. These adverse conditions can cause physical damage to work in progress and new developments, delays and increased costs in the construction of new developments and disruptions and suspensions of operations, whether caused directly or by disrupting or suspending operations of those upon whom our real estate developments rely in their operations. Such adverse conditions can mutually cause or aggravate each other, and their incidence and severity are unpredictable. If insurance is unavailable to the real estate developments we invest in or is unavailable on acceptable terms, or if insurance is not adequate to cover business interruptions or losses resulting from adverse weather or natural or man- made disasters, the real estate developments we invest in and our results of operations will be adversely affected. In addition, damage to properties in our real estate portfolio caused by adverse weather or a natural or man- made disaster may cause insurance costs for these properties to increase. A major health and safety incident relating to our real estate investments could be costly in terms of potential liabilities and reputational damage. Building sites are inherently dangerous and operating in the real estate development industry poses certain inherent health and safety risks. Due to regulatory requirements, health and safety performance is critical to the success of our real estate investments. Any failure in health and safety performance may result in penalties for non- compliance with relevant regulatory requirements, and a failure that results in a major or significant health and safety incident is likely to be costly in terms of potential liabilities incurred as a result. Such a failure could generate significant negative publicity and have a corresponding impact on the reputation and relationships of the developer with relevant regulatory agencies or governmental authorities, which in turn could have an adverse effect on our investment and operating results. Insurance may not cover some potential losses or may not be obtainable at commercially reasonable rates, which could adversely affect our financial condition and results of operations. Real estate properties in our real estate portfolio maintain insurance on their properties in amounts and with deductibles that we believe are comparable with what owners of similar properties carry; however, such insurance may not cover some potential losses or may not be obtainable at commercially reasonable rates in the future. There are also certain types of risks (such as war, environmental contamination such as toxic mold, and lease and other contract claims) which are either uninsurable or not economically insurable. Should any uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more properties. Risks Relating to the Distribution In connection with the Distribution, we agreed to indemnify Douglas Elliman and Douglas Elliman agreed to indemnify us for certain liabilities, and if we are required to perform under these indemnities or if Douglas Elliman is unable to satisfy its obligations under these indemnities, our financial results could be negatively affected. In connection with the Transition Services Agreement, we and Douglas Elliman, as parties receiving services under the agreement, agreed to indemnify the party providing services for losses incurred by such party that arise out of or are otherwise in connection with the provision by such party of services under the agreement, except to the extent that such losses result from the providing party’ s gross negligence, willful misconduct or breach of its obligations under the agreement. Similarly, each party providing services under the agreement agreed to indemnify the party receiving services for losses incurred by such party that arise out of or are otherwise in connection with the indemnifying party’ s provision of services under the agreement if such losses result from the providing party’ s gross negligence, willful misconduct or breach of its obligations under the agreement. In connection with our tobacco business, from time **-** to **-** time Douglas Elliman may be named as a defendant in tobacco- related lawsuits, notwithstanding the completion of the Distribution. Pursuant to the Distribution Agreement ~~we entered into with Douglas Elliman in connection with the Distribution~~ , we and each of our subsidiaries agreed to indemnify Douglas Elliman for liabilities related to our tobacco business, including liabilities that Douglas Elliman may incur for tobacco- related litigation. In connection with the Distribution, Douglas Elliman provided us with indemnities with respect to liabilities arising out of Douglas Elliman’ s business. If we are subject to an adverse decision in a lawsuit related to Douglas Elliman’ s business, and Douglas Elliman fails to satisfy its obligations, our financial condition could be materially adversely affected. The Distribution and related transactions may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws and legal distribution requirements. The Distribution could be challenged under various state and federal fraudulent conveyance laws. An unpaid creditor could claim that we did not receive fair consideration or reasonably equivalent value in the Distribution, and that the Distribution left us insolvent or with unreasonably small capital or that we intended or believed we would incur debts beyond our ability to pay such debts as they mature. If a court were to agree with such a plaintiff, then such court could void the Distribution as a fraudulent transfer and could impose several different remedies, including without limitation, returning the assets or the shares of common stock in Douglas Elliman being distributed as part of the Distribution or providing us with a claim for money damages against the spun- off business in an amount equal to the difference between the consideration received by us and the fair market value of Douglas Elliman at the time of the Distribution. Certain directors who serve on our Board of Directors currently serve as directors of Douglas Elliman following the Distribution, and ownership of shares of common stock of Douglas Elliman following the Distribution by our directors and executive officers may create, or appear to create, conflicts of interest. Certain of our directors who serve on our Board of Directors currently serve on the board of directors of Douglas Elliman. This may create, or appear to create, conflicts of interest when our or Douglas Elliman' s management and directors face decisions that could have different implications for us and Douglas Elliman, including the resolution of any dispute regarding the terms of the agreements governing the Distribution and the relationship between us and Douglas Elliman after the Distribution or any other commercial agreements entered into in the future between us and Douglas Elliman. For example, subsidiaries of Douglas Elliman have been engaged by certain developers as the sole broker or the co- broker for several of the real estate development projects that New Valley owns an interest in through its real estate venture investments. Douglas Elliman had gross commissions of approximately $ 1. **8 million, $ 1.** 7 million ~~,~~ **and** $ 9. 0 ~~million and $ 10. 8~~ million from these projects for the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. In addition, all our executive officers and some of our non- employee directors currently own shares of the common stock of Douglas Elliman. The continued ownership of such common stock by our directors and executive officers following the Distribution creates or may create the appearance of a conflict of interest when these directors and executive officers are faced with decisions that could have different implications for us and Douglas Elliman After the Distribution, certain of our executive officers do not devote their full time to Vector Group' s affairs, and the overlap may give rise to conflicts. Our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Technology Officer and General Counsel serve in the same roles at Douglas Elliman. Our management model has and continues to use holding company executives to focus on public company matters while delegating the operations of our subsidiaries, including Liggett, to experienced operating professionals and we believe it has created stockholder value. Nonetheless, our management team divides its time between Vector Group and Douglas Elliman and consequently, does not spend its full time on our business. From time **-** to **-** time, our overlapping executive officers may be required to spend a significant portion of their time and attention on Douglas Elliman' s affairs, and there can be no assurance that they will be able to devote sufficient time to the Company' s affairs. Our overlapping executive officers may also face actual or apparent conflicts of interest with respect to matters involving or affecting each company. For example, the potential for a conflict of interest may arise when we, on the one hand, and Douglas Elliman, on the other hand, consider corporate opportunities that may be suitable for both companies. If the distribution, together with certain related transactions, were to fail to qualify as a reorganization for U. S. federal income tax purposes under Sections 368 (a) (1) (D) and 355 of the Internal Revenue Code of l986, as amended (" Code "), then our stockholders, we and Douglas Elliman might be required to pay substantial U. S. federal income taxes. The distribution was conditioned upon our receipt of an opinion of our Distribution tax advisor to the effect that, subject to the assumptions and limitations described therein, the distribution of Douglas Elliman common stock to holders of our common stock (such distribution, excluding, for the avoidance of doubt, the distribution of Douglas Elliman common stock with respect to our stock option awards and restricted stock awards), together with certain related transactions, will qualify as a reorganization for U. S. federal income tax purposes under Sections 368 (a) (1) (D) and 355 of the Code in which no gain or loss is recognized by us or our stockholders, except, in the case of our stockholders, for cash received in lieu of fractional shares. The opinion of our Distribution tax advisor was based on, among other things, certain assumptions as well as on the continuing accuracy of certain factual representations and statements that we and Douglas Elliman made to the Distribution tax advisor. In rendering its opinion, the Distribution tax advisor also relied on certain covenants that we and Douglas Elliman entered into, including the adherence by us and by Douglas Elliman to certain restrictions on future actions contained in the Tax Disaffiliation Agreement. If any of the representations or statements that we or Douglas Elliman made are or become inaccurate or incomplete, or if we or Douglas Elliman breach any of such covenants, the Distribution and such related transactions might not qualify for such tax treatment. The opinion of the Distribution tax advisor is not binding on the U. S. Internal Revenue Service (" IRS ") or a court, and there can be no assurance that the IRS will not challenge the validity of the Distribution and such related transactions as a reorganization for U. S. federal income tax purposes under Sections 368 (a) (1) (D) and 355 of the Code eligible for tax- free treatment, or that any such challenge ultimately will not prevail. If the Distribution does not qualify as a tax- free transaction for any reason, including **because** ~~as a result~~ of a breach of a representation or covenant, we would recognize a substantial gain attributable to Douglas Elliman for U. S. federal income tax purposes. Additionally, if the Distribution does not qualify as tax- free under Section 355 of the Code, our stockholders will be treated as having received a distribution equal to the fair market value of the stock distributed, which generally would be treated first as a taxable dividend to the extent of such holder' s pro rata share of our current and accumulated earnings and profits, then as a non- taxable return of capital to the extent of such holder' s tax basis in our common stock, and thereafter as capital gain with respect to any remaining value. We are subject to continuing contingent tax- related liabilities of Douglas Elliman following the Distribution. After the Distribution, there are several significant areas where the liabilities of Douglas Elliman may become our obligations, either in whole or in part. For example, to the extent that any subsidiary of ours was included in the consolidated tax reporting group of Vector Group for any taxable period or portion of any taxable period ending on or before the effective date of the Distribution, such subsidiary is jointly and severally liable for the U. S. federal income tax liability of the entire consolidated tax reporting group of Vector Group, as applicable, for such taxable period. In connection with the Distribution, we have entered into a Tax Disaffiliation Agreement with Douglas Elliman ~~,~~ that allocates the responsibility for prior period consolidated taxes to Vector Group. If we are unable to pay any prior period taxes for which we are responsible, however, Douglas Elliman could be required to pay the entire amount of such taxes, and such amounts could be significant. Other provisions of federal, state or local law may establish similar liability for other matters, including laws governing tax- qualified pension plans, as well as other contingent liabilities. Our ability to engage in acquisitions and other strategic transactions is subject to limitations because we have agreed to certain restrictions intended to support the tax- free nature of the Distribution. The U. S. federal income tax laws that apply to transactions like the Distribution generally create a presumption that the Distribution would be taxable to us (but not to our stockholders) if we engage in, or enter into an agreement to engage in, an acquisition of all or a significant portion of our common stock beginning two years before the distribution date, unless it is established that the transaction is not pursuant to a plan or series or transactions related to the Distribution. U. S. Treasury regulations currently in effect generally provide that whether an acquisition transaction and a distribution are part of a plan is determined based on all facts and circumstances, including specific factors listed in the Treasury regulations. In addition, these Treasury regulations provide several " safe harbors " for acquisition transactions that are not considered to be part of a plan that includes a distribution. There are other restrictions imposed on us under current U. S. federal income tax laws with which we will need to comply for the Distribution and certain related transactions to qualify as a transaction that is tax- free under Sections 368 (a) (1) (D) and 355 of the Code. For example, we will generally be required to continue to own and manage our business, and there will be limitations on issuances, redemptions and sales of our stock for cash or other property following the Distribution, except in connection with certain stock- for- stock acquisitions and other permitted transactions. If these restrictions are not followed, the Distribution could be taxable to us and our stockholders. We entered into a Tax Disaffiliation Agreement with Douglas Elliman under which we have allocated, between Douglas Elliman and ourselves, responsibility for U. S. federal as well as state and local income and other taxes relating to taxable periods before and after the Distribution and provided for computing and apportioning tax liabilities and tax benefits between the parties. In the Tax Disaffiliation Agreement, we agreed that, among other things, we may not take, or fail to take, any action following the Distribution if such action, or failure to act: would be inconsistent with or prohibit the Distribution and certain related transactions from qualifying as a tax- free reorganization under Sections 368 (a) (1) (D) and 355 and related provisions of the Code to us and our stockholders (except with respect to the receipt of cash in lieu of fractional shares of our stock). In addition, we agreed that we may not, among other things, during the two- year period following the Distribution, except under certain specified circumstances, (i) redeem or otherwise repurchase our stock; (ii) liquidate, merge or consolidate with another person; (iii) sell or otherwise dispose of assets outside the ordinary course of business or materially change the manner of operating our business; or (iv) take any other action or actions that in the aggregate would have the effect that one or more persons acquire (or have the right to acquire), directly or indirectly, as part of a plan or series of related transactions, 35 % of our stock. These restrictions could limit our strategic and operational flexibility, including our ability to finance our operations by issuing equity securities, make acquisitions using equity securities, repurchase our equity securities, or raise money by selling assets or enter into business combination transactions. We also agreed to indemnify Douglas Elliman for certain tax liabilities resulting from any such transactions. Further, our stockholders may consider these covenants and indemnity obligations unfavorable as they might discourage, delay or prevent a change of control. Risks Relating to Our Indebtedness We and our subsidiaries have a substantial amount of indebtedness and liquidity commitments. We and our subsidiaries have significant indebtedness and debt service obligations. As of December 31, ~~2022~~ **2023** , we and our subsidiaries had total outstanding indebtedness of $ 1. ~~44~~ **39** billion. In addition, subject to the terms of any future agreements, we and our subsidiaries may ~~be able to~~ incur additional indebtedness in the future. There is a risk that we will not be able to generate sufficient funds to repay our debt. If we cannot service our fixed charges, it would have a material adverse effect on our business and results of operations. We have significant liquidity commitments. During ~~2023~~ **2024** , we will have significant liquidity commitments that will require the use of our existing cash resources. As of December 31, ~~2022~~ **2023** , our corporate expenditures (exclusive of Liggett, Vector Tobacco and New Valley) and other potential liquidity requirements over the next 12 months include the following: • cash interest expense of approximately $ ~~107~~ **104** . ~~2~~ **8** million, • dividends of approximately $ 127. ~~2~~ **9** million based on ~~the~~ **an** assumed quarterly cash dividend rate of $ 0. 20 per share (based on payments on ~~156~~ **157** , ~~173~~ **683** , ~~968~~ **020** common shares outstanding as of February ~~17~~ **14** , ~~2023~~ **2024** and 2, ~~767~~ **248** , ~~504~~ **226** employee stock options), and • other corporate expenses and taxes. We will be required to use cash flows from operations as well as existing cash and cash equivalents to meet the above liquidity requirements as well as other liquidity needs in the normal course of business. Should these resources be insufficient to meet the upcoming liquidity needs, we may also be required to liquidate investment securities available for sale and other long- term investments, or, if available, draw on the Liggett Credit Facility. While there are actions we can take to reduce our liquidity needs, there can be no assurance that such measures will be successful. Servicing our indebtedness requires a significant amount of cash and we may not generate sufficient cash flow from our businesses to pay our substantial indebtedness. Our ability to make scheduled payments of the principal, to pay interest on, or to refinance our indebtedness, depends on our future performance, which is subject to economic, financial, competitive and regulatory factors, as well as other factors beyond our control. The cash flow from operations in the future may be insufficient to service our indebtedness because of factors beyond our control. If we are unable to generate the necessary cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. Our high level of debt may adversely affect our ability to satisfy our obligations. There can be no assurance that we will be able to meet our debt service obligations. A default in our debt obligations, including a breach of any restrictive covenant imposed by the terms of our indebtedness, could result in the acceleration of the affected debt as well as other of our indebtedness. In such a situation, it is unlikely that we would be able to fulfill our obligations under the debt or such other indebtedness or that we would otherwise be able to repay the accelerated indebtedness or make other required payments. Even in the absence of an acceleration of our indebtedness, a default under the terms of our indebtedness could have an adverse impact on our ability to satisfy our debt service obligations and on the trading price of our debt and our common stock. Our high level of indebtedness, as well as volatility in the capital and credit markets, could have important consequences. For example, they could: • make it more difficult for us to satisfy our other obligations with respect to our debt, including repurchase obligations, upon the occurrence of specified change of control events; • increase our vulnerability to general adverse economic and industry conditions; • limit our ability to obtain additional financing; • require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, reducing the amount of our cash flow available for dividends on our common stock and other general corporate purposes; • require us to sell other securities or to sell some or all of our assets, possibly on unfavorable terms, to meet payment obligations; • restrict us from making strategic acquisitions, investing in new capital assets or taking advantage of business opportunities; • limit our flexibility in planning for, or reacting to, changes in our business and industry; and • place us at a competitive disadvantage compared to competitors that have less debt. Our 5. 75 % Senior Secured Notes, 10. 5 % Senior Notes, and Liggett Credit Facility contain restrictive covenants, and the Liggett Credit Facility contains financial ratios ~~,~~ that limit our operating flexibility, and may limit our ability to pay dividends in the future. The indenture governing our 5. 75 % Senior Secured Notes due 2029 (the " 2029 Indenture "), the indenture governing our 10. 5 % Senior Notes due 2026 (the " 2026 Indenture ") and the Liggett Credit Facility contain covenants that, among other things, restrict our ability to take specific actions, even if we believe them to be in our best interest, including restrictions on our ability to: • incur or guarantee additional indebtedness or issue certain preferred stock; • pay dividends or distributions on, or redeem or repurchase, capital stock or subordinated indebtedness, or make other restricted payments; • create or incur liens with respect to our assets; • make investments, loans or advances; • incur dividend or other payment restrictions; • prepay subordinated indebtedness; • enter into certain transactions with affiliates; and • merge, consolidate, reorganize or sell our assets, or use asset sale proceeds. Our ability to comply with the provisions of the 2029 Indenture, the 2026 Indenture, and the Liggett Credit Facility may be affected by changes in our operating and financial performance, changes in general business and economic conditions, adverse regulatory developments or other events beyond our control. The breach of any of these covenants could result in a default under our indebtedness, which could cause those and other obligations to become due and payable. If any of our indebtedness is accelerated, we may not be able to repay it. See Item 7. " Management' s Discussion and Analysis of Financial Condition and Results of Operations. Liquidity and Capital Resources " for details of debt covenant compliance. Changes in respect of the debt ratings of our notes may materially and adversely affect the availability, the cost and the terms and conditions of our debt. Both we and several issues of our notes have been publicly rated by Moody' s Investors Service, Inc., and Standard & Poor' s Rating Services, independent rating agencies. In addition, future debt instruments may be publicly rated. These debt ratings may affect our ability to raise debt. Any future downgrading of the notes or our other debt by Moody' s or S & P may affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the notes. The Tax Act may increase the after- tax cost of debt financings. The Tax Act limits our interest expense deduction to 30 % of taxable income before interest thereafter for non- excepted trade or businesses. One such excepted trade or business is any electing real property trade or business, of which portions of our New Valley real estate business may qualify. Interest expense allocable to an excepted trade or business is not subject to limitation. The Tax Act permits us to carry forward disallowed interest expense indefinitely. Due to our high degree of leverage, a portion of our interest expense in future years may not be deductible, which may increase the after- tax cost of any new debt financings as well as the refinancing of our existing debt. We evaluate the impact of the nondeductible interest on our operations and capital structure on an annual basis. Risks Relating to Our Structure and Other Business Risks We are a holding company and depend on cash payments from our subsidiaries, which are subject to contractual and other restrictions, to service our debt and to pay dividends on our common stock. We are a holding company and have no operations of our own. We hold our interests in our various businesses through our wholly ~~-~~owned subsidiaries, VGR Holding LLC (" VGR Holding ") and New Valley. In addition to our own cash resources, our ability to pay interest on our debt and to pay dividends on our common stock depends on the ability of VGR Holding and New Valley to make cash available to us. VGR Holding' s ability to pay dividends to us depends primarily on the ability of Liggett and Vector Tobacco, its wholly ~~-~~owned subsidiaries, to generate cash and make it available to VGR Holding. The Liggett Credit Facility contains a restricted payments test that limits the ability of Liggett to pay cash dividends to VGR Holding. The ability of Liggett to meet the restricted payments test may be affected by factors beyond its control. Our receipt of cash payments, as dividends or otherwise, from our subsidiaries is an important source of our liquidity and capital resources. If we do not have sufficient cash resources of our own and do not receive payments from our subsidiaries in an amount sufficient to repay our debts and to pay dividends on our common stock, we must obtain additional funds from other sources. There is a risk that we will not be able to obtain additional funds at all or on terms acceptable to us. Our inability to service these obligations and to continue to pay dividends on our common stock would significantly harm us and the value of our notes and our common stock. Maintaining the integrity of our computer systems and protecting confidential information and personal identifying information has become increasingly costly, as cybersecurity incidents could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations. Global cybersecurity threats and incidents can range from uncoordinated individual attempts that gain unauthorized access to information technology systems both internally and externally, to sophisticated and targeted measures known as advanced persistent threats, directed at us and our stakeholders. In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and intellectual property, and personally identifiable information of our tobacco customers. Additionally, we increasingly rely on third- party service providers, including cloud storage solution providers. The secure processing, maintenance and transmission of this information are critical to our operations and with respect to information collected and stored by our third- party service providers, we are reliant upon their security procedures. Our systems and the confidential information on them may also be compromised by employee misconduct or employee error. We and our third- party service providers have experienced, and expect to continue to experience, these types of internal and external threats and incidents, which can result, and have resulted, in the misappropriation and unavailability of critical data and confidential or proprietary information (our own and that of third parties, including personally identifiable information), the disruption of business operations, and the loss of funds. Depending on their nature and scope, these incidents could potentially also result in the destruction or corruption of such data and information. Our business interruption insurance may be insufficient to compensate us for losses that may occur. The potential consequences of a material cybersecurity incident include reputational damage, litigation with third parties, diminution in the value of the services we provide to our customers, increased cybersecurity protection and remediation costs, business disruption, and the loss of funds or revenue, which in turn could adversely affect our competitiveness and results of operations. Developments in the laws and regulations governing the handling and transmission of personal identifying information in the ~~United States~~ **U. S.** may require us to devote more resources to protecting such information, which could in turn adversely affect our results of operations and financial condition. We depend on our key personnel. We depend on the efforts of our executive officers and other key personnel as our named executive officers have been employed by us for an average of ~~29~~ **28** years as of December 31, ~~2022~~ **2023** . While we believe that we could find replacements for these key personnel, the loss of their services could have a significant adverse effect on our operations. ~~Please~~ **For more information about certain of our key personnel,** see ~~the Risk Factor,~~ " **—** After the Distribution, certain of our executive officers do not devote their full time to Vector Group' s affairs, and the overlap may give rise to conflicts. " Failure to maintain effective internal control over financial reporting could adversely affect us. The accuracy of our financial reporting depends on the effectiveness of our internal control over financial reporting, the implementation of which requires significant management attention. Internal control over financial reporting can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements and may not prevent or detect misstatements because of its inherent limitations. These limitations include, among others, the possibility of human error, inadequacy or circumvention of controls and fraud. If we do not maintain effective internal control over financial reporting or design and implement controls sufficient to provide reasonable assurance with respect to the preparation and fair presentation of our financial statements, including in connection with controls executed for us by third parties, we might fail to timely detect any misappropriation of corporate assets or inappropriate allocation or use of funds and could be unable to file accurate financial reports on a timely basis. As a result, our reputation, results of operations and stock price could be materially adversely affected. **Our liquidity could be adversely affected by conditions in the financial markets or the negative performance of financial institutions. Our available cash and cash equivalents are held in accounts with or managed by financial institutions and consist of cash in our operating accounts and cash and cash equivalents invested in money market funds. The amount of cash in our operating accounts exceeds the Federal Deposit Insurance Corporation insurance limits. While we monitor our accounts regularly and adjust our balances as appropriate, the valuation of or our access to these accounts could be negatively impacted if the underlying financial institutions fail or become subject to other adverse conditions in the financial markets. The operations of U. S. and global financial services institutions are interconnected and the performance and financial strength of specific institutions are subject to rapid change, the timing and extent of which cannot be known. To date, we have experienced no material realized losses on or lack of access to our cash held in operating accounts or our invested cash or cash equivalents, however, we can provide no assurances that access to our cash held in operating accounts or our invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets or the negative performance of financial institutions. Any material loss that we may experience in the future or inability for a material time period to access our cash and cash equivalents could have an adverse effect on our ability to pay our operational expenses or make other payments, which could adversely affect our business.** Risks Relating to our Common Stock The price of our common stock may fluctuate significantly. The trading price of our common stock has ranged between $ ~~8~~ **9** . ~~64~~ **80** and $ 14. ~~39~~ **25** per share over the past 52 weeks. The market price of our common stock may fluctuate in response to numerous factors, many of which are beyond our control. These factors include the following: • actual or anticipated fluctuations in our operating results; • changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors; • the operating and stock performance of our competitors; • our dividend payment ratio and level; • announcements by us or our competitors of new products or services or significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments; • the initiation or outcome of litigation; • the failure or significant disruption of our operations from various causes related to our critical information technologies and systems including cybersecurity threats to our data and customer data as well as reputational or financial risks associated with a loss of any such data; • changes in interest rates; • general economic, market and political conditions; • additions or departures of key personnel; and • future sales of our equity or convertible securities. We cannot predict the extent, if any, to which future sales of shares of common stock or the availability of shares of common stock for future sale, may depress the trading price of our common stock. In addition, the stock market in recent years has experienced extreme price and trading volume fluctuations that often have been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations may adversely affect the price of our common stock, regardless of our operating performance. Furthermore, stockholders may initiate securities class action lawsuits if the market price of our stock drops significantly, which may cause us to incur substantial costs and could divert the time and attention of our management. These factors, among others, could significantly depress the price of our common stock.