

VECTOR GROUP LTD  
Form 10-Q  
October 31, 2014

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, 2014

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.)
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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.

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.

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Large accelerated filer       Accelerated filer       Non-accelerated filer       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.

Yes  No

At October 31, 2014, Vector Group Ltd. had 109,125,587 shares of common stock outstanding.

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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, 2014	December 31, 2013
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$380,416	\$234,466
Investment securities available for sale	333,883	172,534
Accounts receivable - trade, net	13,607	12,159
Inventories	100,874	93,496
Deferred income taxes	25,540	50,479
Income taxes receivable, net	14,812	—
Restricted assets	2,780	1,785
Other current assets	34,226	23,392
Total current assets	906,138	588,311
Property, plant and equipment, net	86,622	79,258
Real estate held for sale, net	10,643	20,911
Long-term investments accounted for at cost	32,239	20,788
Long-term investments accounted for under the equity method	13,977	8,595
Investments in real estate ventures	154,281	128,202
Restricted assets	12,063	11,981
Deferred income taxes	70,316	51,474
Goodwill, trademarks and other intangible assets, net	268,141	271,111
Prepaid pension costs	28,165	26,080
Other assets	60,798	53,553
Total assets	\$1,643,383	\$1,260,264
<b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY:</b>		
Current liabilities:		
Current portion of notes payable and long-term debt	\$101,158	\$151,577
Current portion of fair value of derivatives embedded within convertible debt	2,996	19,128
Current payments due under the Master Settlement Agreement	91,590	25,348
Current portion of employee benefits	939	939
Accounts payable	10,845	10,260
Accrued promotional expenses	20,010	18,655
Income taxes payable, net	3,174	6,423
Accrued excise and payroll taxes payable, net	861	11,621
Litigation accruals	3,307	59,310
Deferred income taxes	57,763	45,734
Accrued interest	17,721	21,968
Other current liabilities	34,256	34,147
Total current liabilities	344,620	405,110
Notes payable, long-term debt and other obligations, less current portion	857,107	540,766
Fair value of derivatives embedded within convertible debt	180,474	92,934
Non-current employee benefits	48,608	47,917
Deferred income taxes	165,726	137,650
Payments due under the Master Settlement Agreement	25,809	27,571
Litigation accruals	25,029	27,058
Other liabilities	3,877	2,867

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Total liabilities	1,651,250	1,281,873
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, 250,000,000 and 150,000,000 shares authorized, 113,270,834 and 101,430,853 shares issued and 109,125,587 and 97,482,998 shares outstanding	10,912	9,748
Additional paid-in capital	—	—
Accumulated deficit	(126,739)	(114,787)
Accumulated other comprehensive income	38,694	22,860
Less: 4,145,247 and 3,947,855 shares of common stock in treasury, at cost	(12,857)	(12,857)
Total Vector Group Ltd. stockholders' deficiency	(89,990)	(95,036)
Non-controlling interest	82,123	73,427
Total stockholders' deficiency	(7,867)	(21,609)
Total liabilities and stockholders' deficiency	\$1,643,383	\$1,260,264

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,	
	2014	2013	2014	2013
<b>Revenues:</b>				
Tobacco*	\$264,520	\$271,516	\$748,468	\$761,038
Real estate	153,748	6,425	415,280	19,298
E-Cigarettes	1,608	—	9,977	—
Total revenues	419,876	277,941	1,173,725	780,336
<b>Expenses:</b>				
Cost of sales:				
Tobacco*	189,728	194,991	537,667	548,377
Real estate	96,442	5,844	261,531	16,080
E-Cigarettes	1,066	—	6,357	—
Total cost of sales	287,236	200,835	805,555	564,457
Operating, selling, administrative and general expenses	69,431	26,478	200,431	77,915
Litigation settlement and judgment expense	225	87,913	1,725	87,913
Operating income (loss)	62,984	(37,285 )	166,014	50,051
<b>Other income (expenses):</b>				
Interest expense	(44,034 )	(33,583 )	(123,670 )	(99,045 )
Loss on extinguishment of debt	—	—	—	(21,458 )
Change in fair value of derivatives embedded within convertible debt	7,127	2,800	7,447	8,299
Acceleration of interest expense related to debt conversion	(994 )	—	(5,112 )	—
Equity income from real estate ventures	3,258	9,489	3,002	16,774
Equity income (loss) on long-term investments	829	(53 )	1,462	770
Gain (loss) on sale of investment securities available for sale	33	(99 )	(38 )	5,110
Other, net	2,466	2,871	8,167	5,151
Income (loss) before provision for income taxes	31,669	(55,860 )	57,272	(34,348 )
Income tax expense (benefit)	11,964	(18,969 )	21,007	(9,287 )
Net income (loss)	19,705	(36,891 )	36,265	(25,061 )
Net income attributed to non-controlling interest	(4,826 )	—	(10,881 )	—
Net income (loss) attributed to Vector Group Ltd.	\$14,879	\$(36,891 )	\$25,384	\$(25,061 )
<b>Per basic common share:</b>				
Net income (loss) applicable to common shares attributed to Vector Group Ltd.	\$0.14	\$(0.39 )	\$0.24	\$(0.26 )
<b>Per diluted common share:</b>				

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Net income (loss) applicable to common shares attributed to Vector Group Ltd.	\$0.14	\$(0.39 )	\$0.24	\$(0.26 )
Cash distributions and dividends declared per share	\$0.38	\$0.36	\$1.14	\$1.09

\* Revenues and cost of sales include excise taxes of \$115,323, \$121,787, \$327,434 and \$343,294, 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  
(Dollars in Thousands, Except Per Share Amounts)  
Unaudited

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
Net income (loss)	\$ 19,705	\$(36,891 )	\$ 36,265	\$(25,061 )
Net unrealized gains on investment securities available for sale:				
Change in net unrealized gains	19,184	11,848	22,292	28,752
Net unrealized (losses) gains reclassified into net income	(33 )	99 )	38	(5,110 )
Net unrealized gains on investment securities available for sale	19,151	11,947	22,330	23,642
Net unrealized (losses) gains on long-term investments accounted for under the equity method:				
Change in net unrealized (losses) gains	(4,694 )	1,754 )	3,920	1,170
Net unrealized (losses) gains reclassified into net income	—	—	—	—
Net unrealized (losses) gains on long-term investments accounted for under the equity method	(4,694 )	1,754 )	3,920	1,170
Net change in forward contracts	16	16	48	47
Net change in pension-related amounts	147	350	442	1,052
Other comprehensive income	14,620	14,067	26,740	25,911
Income tax effect on:				
Change in net unrealized gains on investment securities	(7,438 )	(4,810 )	(9,218 )	(11,673 )
Net unrealized (losses) gains reclassified into net income on investment securities	13	(41 )	(16 )	2,074
Change in unrealized (losses) gains on long-term investments	1,933	(712 )	(1,621 )	(475 )
Net unrealized (losses) gains reclassified into net income on long-term investments accounted for under the equity method	—	—	—	—
Forward contracts	(8 )	(7 )	(20 )	(19 )
Pension-related amounts	(105 )	(142 )	(31 )	(427 )
Income tax provision on other comprehensive income	(5,605 )	(5,712 )	(10,906 )	(10,520 )
Other comprehensive income, net of tax	9,015	8,355	15,834	15,391



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Comprehensive income (loss)	28,720	(28,536 )	52,099	(9,670 )
Comprehensive income attributed to non-controlling interest	(4,826 )	—	(10,881 )	—
Comprehensive income (loss) attributed to Vector Group Ltd.	\$23,894	\$(28,536 )	\$41,218	\$(9,670 )

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 Shares	Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Comprehensive Income	Treasury Stock	Non-controlling Interest	Total
Balance, January 1, 2014	97,482,998	\$9,748	\$ —	\$(114,787)	\$ 22,860	\$(12,857)	\$ 73,427	\$(21,609 )
Net income	—	—	—	25,384	—	—	10,881	36,265
Change in net loss and prior service cost, net of income taxes	—	—	—	—	411	—	—	411
Forward contract adjustments, net of income taxes	—	—	—	—	28	—	—	28
Unrealized gain on long-term investment securities accounted for under the equity method, net of income taxes	—	—	—	—	2,299	—	—	2,299
Change in net unrealized gain on investment securities available for sale, net of income taxes	—	—	—	—	13,074	—	—	13,074
Net unrealized loss on investment securities available for sale reclassified into net income, net of income taxes	—	—	—	—	22	—	—	22
Unrealized gain on investment securities, net of income taxes	—	—	—	—	—	—	—	13,096
Total other comprehensive income	—	—	—	—	—	—	—	15,834
Total comprehensive income	—	—	—	—	—	—	—	52,099
Distributions and dividends on common stock	—	—	(84,524)	(36,816 )	—	—	—	(121,340 )
Restricted stock grant	1,000,000	100	—	—	—	—	—	100
Effect of stock dividend	5,195,856	520	—	(520 )	—	—	—	—
Note conversions, inclusive of taxes \$1,000	5,107,050	510	62,639	—	—	—	—	63,149

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Beneficial conversion feature of notes payable, net of income taxes of \$10,327	—	—	14,648	—	—	—	14,648
Exercise of stock options	339,683	34	4,273	—	—	—	4,307
Tax benefit of options exercised	—	—	937	—	—	—	937
Stock-based compensation	—	—	2,027	—	—	—	2,027
Contributions made by non-controlling interest	—	—	—	—	—	2,676	2,676
Distributions to non-controlling interest	—	—	—	—	—	(4,861)	(4,861)
Balance as of September 30, 2014	109,125,587	\$10,912	\$ —	\$(126,739)	\$ 38,694	\$(12,857)	\$ 82,123
							\$(7,867)

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

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

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	
Net cash provided by operating activities	\$100,044	\$55,244	
Cash flows from investing activities:			
Sale of investment securities	174,253	82,649	
Purchase of investment securities	(312,919)	(129,483)	)
Proceeds from sale or liquidation of long-term investments	549	75	
Purchase of long-term investments	(12,000)	(5,000)	)
Investments in real estate ventures	(29,378)	(45,977)	)
Investments in consolidated real estate businesses	—	(7,697)	)
Distributions from real estate ventures	5,540	2,463	
Increase in cash surrender value of life insurance policies	(435)	(470)	)
Increase in restricted assets	(1,108)	(553)	)
Issuance of notes receivable	(250)	—	
Proceeds from sale of fixed assets	4	11	
Capital expenditures	(20,746)	(8,686)	)
Repayments of notes receivable	933	9,460	
Purchase of subsidiaries	(250)	—	
Net cash used in investing activities	(195,807)	(103,208)	)
Cash flows from financing activities:			
Proceeds from debt issuance	413,918	454,200	
Financing costs	(12,360)	(11,750)	)
Repayments of debt	(10,305)	(420,710)	)
Borrowings under revolver	645,894	723,578	
Repayments on revolver	(673,866)	(736,007)	)
Dividends and distributions on common stock	(122,051)	(107,302)	)
Distributions to non-controlling interest	(4,861)	—	
Proceeds from exercise of Vector options	4,407	528	
Tax benefit of options exercised	937	33	
Net cash provided by (used in) financing activities	241,713	(97,430)	)
Net increase (decrease) in cash and cash equivalents	145,950	(145,394)	)
Cash and cash equivalents, beginning of period	234,466	405,855	
Cash and cash equivalents, end of period	\$380,416	\$260,461	

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 significant 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 accompanying unaudited, interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles 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. generally accepted accounting principles for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 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.

Certain reclassifications have been made to the 2013 financial information to conform to the 2014 presentation.

In connection with the December 13, 2013 acquisition of Douglas Elliman, the Company was required to disclose Douglas Elliman's revenues and costs separately on the face of its condensed consolidated statements of operation. Consequently, the Company also revised the prior period in order to correctly present the gross revenues and costs of the other consolidated real estate investments as follows:

	Three Months Ended September 30, 2013			Nine Months Ended September 30, 2013		
	As Previously Reported	Revision	As Revised	As Previously Reported	Revision	As Revised
Revenues	\$271,516	\$(271,516)	\$—	\$761,038	\$(761,038)	\$—
Tobacco revenues	—	271,516	271,516	—	761,038	761,038
Real estate revenues	—	6,425	6,425	—	19,298	19,298
Total revenue	271,516	6,425	277,941	761,038	19,298	780,336
Cost of Sales	194,991	(194,991)	—	548,377	(548,377)	—
Tobacco cost of sales	—	194,991	194,991	—	548,377	548,377
Real estate cost of sales	—	5,844	5,844	—	16,080	16,080
Total cost of sales	194,991	5,844	200,835	548,377	16,080	564,457

Operating, selling, administrative and general expenses	\$25,897	\$581	\$26,478	\$74,697	\$3,218	\$77,915
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VECTOR GROUP LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)

Unaudited

In addition, the preliminary fair values of the assets acquired, liabilities assumed and the non-controlling interest recorded for Douglas Elliman as of December 13, 2013 were adjusted during the first quarter of 2014. Goodwill and current liabilities were reduced by \$454 and \$105, respectively, while intangible assets related to favorable lease agreements were increased by \$559. The amounts are preliminary as management is still evaluating the valuations of certain assets acquired in the acquisition. These adjustments have been reflected in the Company's condensed consolidated balance sheet as of December 31, 2013.

During the second quarter of 2014, Douglas Elliman accounts payable as of December 31, 2013, was reduced by \$16,434, while current liabilities were increased by \$16,434. Thus, prior period information has been recast to conform to the current presentation. This change did not have an impact to the Company's historical consolidated results.

As a result of the amount of operating losses of Zoom as of September 30, 2014 when compared to the remaining components of Corporate and Other segment, the Company has reevaluated its operating segments and has separated Zoom's operations from the Corporate and Other segment for previously reported 2014 periods and from the Tobacco segment for the previously reported 2013 periods. Thus, prior period information has been recast to conform to the current presentation. This change did not have an impact to the Company's historical consolidated results.

(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. Any amounts then exceeding accumulated paid-in capital are recorded as an increase to accumulated deficit.

(c) Revenue Recognition:

Tobacco 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 determinable and collectibility is reasonably assured. The Company provides an allowance for expected sales returns, net of any related inventory cost recoveries. Certain sales incentives, including promotional price discounts, are classified as reductions of net sales. The Company's accounting policy is to include federal excise taxes in revenues and cost of goods sold. Since the Company's significant 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 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 and mortgage commissions earned by the Company's real estate and mortgage 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. Commissions and royalties expenses are recognized concurrently with related revenues. Property management

fees earned are recorded as revenue when the related services are performed.

E-Cigarettes: 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 determinable and collectibility is reasonably assured. The Company provides an allowance for expected sales returns, net of any related inventory cost recoveries. Certain sales incentives, including promotional price discounts, are classified as reductions of net sales.

(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 26, 2014. All per share amounts and references to share amounts have been updated to reflect the retrospective effect of the stock dividends.



## VECTOR GROUP LTD.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Dollars in Thousands, Except Per Share Amounts)  
Unaudited

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income (loss) attributed to Vector Group Ltd.	\$ 14,879	\$(36,891 )	\$ 25,384	\$(25,061 )
Expense attributed to participating securities	(423 )	—	(739 )	—
Net income (loss) attributed to Vector Group Ltd. available to common stockholders	\$ 14,456	\$(36,891 )	\$ 24,645	\$(25,061 )

Basic and diluted EPS were calculated using the following shares:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Weighted-average shares for basic EPS	103,213,667	95,775,444	101,395,081	95,741,318
Plus incremental shares related to stock options and non-vested restricted stock	114,623	—	113,070	—
Weighted-average shares for basic and fully diluted EPS	103,328,290	95,775,444	101,508,151	95,741,318

The following stock options, non-vested restricted stock and shares issuable upon the conversion of convertible debt were outstanding during the three and nine months ended September 30, 2014 and 2013 but were not included in the computation of diluted EPS because the effect was anti-dilutive.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Number of stock options	N/A	524,887	N/A	524,887
Weighted-average exercise price	N/A	\$11.88	N/A	\$11.88
Weighted-average shares of non-vested restricted stock	N/A	55,125	N/A	55,125
Weighted-average expense per share	N/A	\$15.52	N/A	\$15.52
Weighted-average number of shares issuable upon conversion of debt	32,599,702	29,726,047	31,257,300	29,726,047
Weighted-average conversion price	\$18.36	\$14.50	\$17.30	\$14.50

## 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 market value of the embedded derivatives based principally on the results of a valuation model. 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; thus, a readily determinable fair market value of the embedded derivatives is not available. 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. The valuation also considers other items, including current and future dividends and the volatility of the Company's stock price. At September 30, 2014, the range of estimated fair market values of the Company's embedded derivatives was between \$181,403 and \$185,583. The Company recorded the fair market value of its embedded derivatives at the midpoint of the range at \$183,470 as of September 30, 2014. At December 31, 2013, the range of estimated fair market values of the Company's embedded derivatives was between \$110,758 and \$113,392. The Company recorded the fair market value of its embedded derivatives at the midpoint of the range at \$112,062 as of December 31, 2013. The estimated fair market value of the Company's embedded derivatives could change significantly based on future market conditions. (See Note 6.)

## (f) Other Income, Net:

Other income, net consists of:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Gain on warrants	\$991	\$135	\$868	\$172
Interest income	1,476	2,647	3,665	4,123
Accretion of interest income from debt discount on notes receivable	11	81	87	704
Out-of-period adjustment	—	—	1,231	—
Acceleration of closing fee related to termination of Douglas Elliman joint venture				