

Turning Point Brands, Inc.
Form 424B4
May 12, 2016
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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-207816

PROSPECTUS

5,400,000 Shares

Common Stock

Turning Point Brands, Inc.

This is the initial public offering of our common stock, \$0.01 par value per share. Prior to this offering, there has been no public market for the shares of our common stock. The initial public offering price will be \$10.00 per share. Our common stock has been approved for listing on the New York Stock Exchange (the "NYSE") under the symbol "TPB."

We are an emerging growth company (an "Emerging Growth Company") as defined under the federal securities laws and, as such, may elect to comply with certain reduced public company reporting requirements for this prospectus and future filings. See "Prospectus Summary—Implications of Being an Emerging Growth Company."

Investment in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 19 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	<i>Per Share</i>	<i>Total</i>
Initial Public Offering Price	\$ 10.00	\$ 54,000,000
Underwriting Discounts and Commissions ⁽¹⁾	\$ 0.70	\$ 3,780,000
Proceeds to Turning Point Brands, Inc. (before expenses)	\$ 9.30	\$ 50,220,000

(1) See "Underwriting" for additional information regarding underwriter compensation.

Funds managed by Standard General L.P. (together with the funds it manages, "Standard General") and Fort George Investments, LLC ("Fort George"), significant shareholders of ours, are expected to purchase an aggregate of \$34 million of our common stock in this offering at the initial public offering price per share (the "Anchor Order").

We have granted the underwriters a 30-day option to purchase up to an additional 810,000 shares at the public offering price less the underwriting discount. We refer to this option as the "overallotment option."

The underwriters expect to deliver the shares to purchasers on or about May 13, 2016, through the book-entry facility of The Depository Trust Company.

Joint Book-Running Managers

Cowen and Company

The date of this prospectus is May 10, 2016.

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We have not authorized anyone to provide you with information different from that contained in this prospectus or in any free writing prospectus we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of any other information that others may give you. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. You should not assume that the information appearing in this prospectus or any free writing prospectus prepared by us is accurate as of any date other than the respective dates of such documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

Persons who come into possession of this prospectus and any such free writing prospectus in jurisdictions outside the U.S. are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus and any such free writing prospectus applicable to that jurisdiction.

Numerical figures included in this prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in various tables may not be arithmetic aggregations of the figures that precede them.

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This prospectus includes industry data and forecasts derived from our own internal estimates and research, as well as from industry and general publications and research, surveys and studies conducted by third parties, such as Management Science Associates, Inc. (MSAi) and Nielsen Holdings, N.V. (Nielsen). Third-party industry and general publications, research, surveys and studies generally state that the information contained therein has been obtained from sources believed to be reliable. Although there can be no assurance as to the accuracy or completeness of the included information, we believe that this information is reliable. While we are not aware of any misstatements regarding the market, industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the headings **Cautionary Note Regarding Forward-Looking Statements** and **Risk Factors** in this prospectus. Similarly, we believe our own internal estimates and research have a good faith basis but they have not been verified by any independent source.

MSAi administers a proprietary information system that captures sales from approximately 1,000 wholesalers to over 250,000 retailers. Unless otherwise indicated, data for market share, category rank, industry ranking and other metrics that describe the position of our products and product categories is derived from MSAi data. In addition, we also provide estimates of market size for certain of our product categories throughout this prospectus. Management estimates the size of each category using external sources, such as information from the Alcohol Tobacco Tax and Trade Bureau (the TTB), MSAi, industry manufacturer price lists as well as other data, including its estimates of MSAi s coverage of the total segment when deemed necessary or appropriate by management.

Throughout this prospectus we use the term **Equivalent Unit** or **EQ unit** to describe our market share of certain product categories in which we compete, which is also how MSAi reports data.

The following table provides a definition of an Equivalent Unit for each of these product categories.

Product	MSAi Unit of Measurement	MSAi Equivalent Unit (EQ Unit)	TTB Reported Category
Chewing Tobacco	1 pound	1	Yes
Moist Snuff	1 pound	1	Yes
Cigarette Paper	1 booklet	1	No
Cigars	1 stick	1	Yes
Electronic Cigarettes	1 electronic cigarette	1	No
Cartomizers	1 cartomizer	1	No
Liquid Vaporizers	1 vaporizer	1	No
Tobacco Vaporizers	1 tobacco vaporizer	1	No
E-liquids	1 milliliter	1	No
MYO Cigar Wraps	1 cigar wrap	1	No
Pipe Tobacco	1 pound	1	Yes

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TRADEMARKS

This prospectus contains references to our trademarks and service marks and to those belonging to other entities. Solely for convenience, trademarks and trade names referred to in this prospectus may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. We do not intend our use or display of other companies' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

We regard our patent, trademarks, service marks, domain names and similar intellectual property as important to our success, and we rely on patent, trademark and copyright law, trade secret protection, and confidentiality or license agreements with our customers, employees, partners, suppliers and others to protect our proprietary rights. Our primary trademarks, which we own, include *Beech-Nut*, *Trophy*, *Havana Blossom*, *Durango* and *Stoker's*, as well as *Zig-Zag* in connection with tobacco products only, all of which are registered in the U.S. with the U.S. Patent and Trademark Office. We have the right to market *V2Cigs*® branded products in the U.S. and *Zig-Zag*® cigarette papers and related products in North America under exclusive licenses. We also own numerous internet domain names related to several of our trademarks, including *Zig-Zag*®, *Trophy*®, *Stoker's*®, *Durango*® and *Beech-Nut*®. Other trademarks and trade names referred to in this prospectus are the property of their respective owners.

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This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, Selected Historical Condensed Consolidated Financial and Other Information and our consolidated financial statements and the notes to those financial statements, before investing in our common stock.

References in this prospectus to we, us, our, our Company or similar terms refer to Turning Point Brands, Inc. and its subsidiaries. References to TPB refer to Turning Point Brands, Inc., not including any of its subsidiaries. We were incorporated in 2004 under the name North Atlantic Holding Company, Inc. On November 4, 2015, we changed our name to Turning Point Brands, Inc.

Throughout this prospectus, we refer to our voting common stock as our common stock and our non-voting common stock as our non-voting common stock.

Unless otherwise noted, references to information being as adjusted or on an as adjusted basis mean such information is presented after giving effect to the Stock Split and Conversion (each as defined herein) and references to information being as further adjusted or on an as further adjusted basis give effect to the Conversion and Stock Split as well as this offering and the anticipated use of proceeds therefrom, as well as the other transactions described under Use of Proceeds. Unless otherwise noted, information in this prospectus assumes 3,400,000 shares of our common stock are purchased pursuant to the Anchor Order (as defined herein).

Overview

We are a leading independent provider of Other Tobacco Products (OTP) in the U.S. We sell a wide range of products across the OTP spectrum, including moist snuff, loose leaf chewing tobacco, premium cigarette papers, make-your-own (MYO) cigar wraps and cigar smoking tobacco, cigars, liquid vapor products and tobacco vaporizer products. We do not sell cigarettes. We estimate that the OTP industry generated approximately \$10.0 billion in manufacturer revenue in 2014. In contrast to manufactured cigarettes, which have been experiencing declining sales for decades based on data published by the Alcohol and Tobacco Tax and Trade Bureau (the TTB), the OTP industry is demonstrating increased consumer appeal. For instance, according to Management Science Associates Incorporated (MSAi), OTP consumer units shipped to retail increased by approximately 2% from 2013 to 2014 and approximately 3% from 2014 to 2015.

Our portfolio of brands includes some of the most widely recognized names in the OTP industry, such as Zig-Zag[®], Beech-Nut[®], Stoker's[®], Trophy[®], Havana Blossom[®], Durango[®], Our Pride[®] and Red Cap[™]. The following table sets forth the market share and category rank of our core products and demonstrates their industry positions:

Brand	Product	TPB Segment	Market Share⁽¹⁾	Category Rank⁽¹⁾
Stoker's [®]	Chewing Tobacco	Smokeless Products	15.8%	#1 discount / #2 overall
Beech-Nut [®]	Chewing Tobacco	Smokeless Products	3.7%	#3 premium
Stoker's [®]	Moist Snuff	Smokeless Products	2.5%	#6 discount / #7 overall
Zig-Zag [®]	Cigarette Papers	Smoking Products	32.7%	#1 premium
Zig-Zag [®]	MYO Cigar Wraps	Smoking Products	80.3%	#1 overall
V2 [®]	E-cigarettes	NewGen Products	5.8%	#5 overall
Zig-Zag [®]	E-liquid	NewGen Products	4.1%	#6 overall

(1) Market share and category rank data for all products are derived from MSAi data as of February 20, 2016.

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We currently ship to in excess of 900 direct wholesale customers with an additional 100 secondary, indirect wholesalers in the U.S. that carry and sell our products. As of December 31, 2015, our products are available in over 172,000 U.S. retail locations which, with the addition of retail stores in Canada, brings our total North American retail presence to an estimated 200,000 points of distribution. Our sales team targets widespread distribution to all traditional retail channels, including convenience stores, where over 60% of all OTP volume is currently sold according to MSAi data, achieving product availability in each of the top ten convenience store chains in the U.S. as of February 20, 2016. We achieved net sales for the year ended December 31, 2015 of \$197.3 million. For the year ended December 31, 2015, our Adjusted EBITDA was \$50.6 million and we had net income of \$9.1 million.

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Since 2005, we have transitioned from a traditional OTP provider with significant in-house manufacturing and limited outsourced manufacturing to a leaner, asset-light sourcing and marketing model, with a strategy that relies on outsourced product manufacturing and supply relationships and increased use of information technology and market analytics, which together allow us to maintain relatively low levels of capital expenditures compared to market participants with more significant manufacturing operations. For example, we have formed long-lasting relationships with some of the most well-known names in the industry, including an 18-year relationship with Bolloré, S.A. (Bolloré) – the trademark holder for *Zig-Zag* for the exclusive rights to purchase and sell *Zig-Zag* cigarette paper and accessory products in the U.S. and Canada. In 2008, we partnered with Swedish Match NA, a subsidiary of Swedish Match AB (Swedish Match) for the manufacture of all of our loose leaf chewing tobacco products. We have a 2-year relationship with JJA Distributors LLC (JJA) for the sourcing of our cigars and cigarillos and a 7-year relationship with Durfort Holdings, S.A. (Durfort) for the sourcing of our MYO cigar wraps, each of which are marketed under the *Zig-Zag* tobacco brand. More recently, we have established a relationship with VMR Products, LLC (VMR) for the exclusive supply and distribution of VMR's *V2 Cigs V2* brand of liquid vapor products and tobacco vaporizer products to retail outlets throughout the U.S.

We have a successful track record of rapidly commercializing new products and leveraging the value of our existing brands into new OTP categories. For example, in our smokeless products category, we leveraged our *Stoker's* brand legacy in loose leaf chewing tobacco (the #2 loose leaf chewing tobacco brand in the U.S.), to create our *Stoker's* moist snuff, which was introduced in 2009 using value-sized, 12 oz. tub packaging as opposed to the industry standard 1.2 oz. can. By the end of 2015, *Stoker's* had grown to be among the fastest growing moist snuff brands in the U.S., based on pounds sold, as reported by MSAi. We believe that *Stoker's* moist snuff is poised for continued strong growth and, in the second half of 2015, we began to introduce a traditional 1.2 oz. can of *Stoker's* moist snuff. This smaller packaging will allow us to expand our presence from the approximately 25,000 retail stores that carry the large tub by targeting the over 145,000 convenience stores (which sell 75% of all moist snuff tobacco (MST) volumes) for which our current large tub footprint is less commercially viable.

We have a portfolio of widely recognized brands with significant customer loyalty and an experienced management team that possesses long-standing industry relationships and a deep understanding of the OTP industry. However, we have historically been capital constrained by high leverage – our total long-term debt was \$298.7 million as of December 31, 2015 – and as a result we believe our brands, management and our management's relationships are underutilized. Notwithstanding our high leverage, our management team has grown net sales from \$113.8 million in 2008 to \$197.3 million in 2015. We have identified additional opportunities to grow revenue that we believe will be more readily achievable with reduced leverage, including the launch of new products and expanding our distribution and salesforce. We also believe there are meaningful opportunities to grow through acquisitions (for which we could use cash, our stock or the SG Credit Line) and joint ventures across all of our product categories. We intend to use the proceeds of this offering to reduce our leverage, which, along with our access to cash, the SG Credit Line and our stock, will give us the flexibility to pursue these opportunities, facilitating our strategy of increasing revenue and our share of the OTP market.

Our Industry

We currently compete in three distinct markets within the OTP industry: (i) the smokeless products market, which includes loose leaf chewing tobacco and moist snuff, (ii) the smoking products market, which includes cigarette papers, MYO cigar wraps and related products as well as cigars, MYO cigarettes and traditional pipe tobacco, and (iii) the new generation (NewGen) products market, which includes liquid vapor products, tobacco vaporizer products and other products without tobacco and/or nicotine.

We believe that the OTP industry is characterized by non-cyclical demand, relative brand loyalty, consistent profit margins, relatively low price elasticity and the ability to generate consistent cash flows. In addition, the smokeless and

smoking products markets have meaningful barriers to entry as a result of, among other things, applicable regulation, and relatively defined channels of distribution. In contrast to the traditional cigarette market that is in decline, the OTP industry has areas of significant growth, such as for moist snuff, liquid vapor products and cigarillo cigars.

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Competitive Strengths

We believe that our competitive strengths include the following:

Large, Leading Brands with Significant Scale

We have built a portfolio of leading brands with significant scale that are well recognized by consumers, retailers and wholesalers. Our *Zig-Zag*[®], *Stoker's*[®], and *Beech-Nut*[®] brands are each well established and date back 116 years, 76 years, and 119 years, respectively. In 2015, *Zig-Zag*[®], *Stoker's*[®], and *Beech-Nut*[®] together generated approximately \$183.2 million, or 84.8%, of our total gross sales. Specifically:

- *Zig-Zag*[®] is the #1 cigarette paper brand in terms of retail dollar sales in the U.S. as measured by Nielsen Convenience and the #1 MYO cigar wraps brand.
- *Stoker's*[®] is the #2 loose leaf chewing tobacco brand and among the fastest growing MST brands in the industry.
- *Beech-Nut*[®] is the #3 premium brand in the loose leaf chewing tobacco segment.
- *V2*[®] is the #5 e-cigarette brand.

The *Zig-Zag*[®] brand has long-standing brand recognition. The *Stoker's*[®] brand is seen as an innovator in both the loose leaf chewing tobacco and in the moist snuff markets. The *Beech-Nut*[®] brand has a long and enduring name in premium loose leaf chewing tobacco.

Successful Track Record of New Product Launches and Category Expansions

We have successfully launched new products and entered new product categories by leveraging the strength of our brands. For example:

- In 2009 we extended the *Zig-Zag*[®] tobacco brand into the MYO cigar market and captured a 50% market share within the first two years. We are now the market share leader for MYO cigar wraps, with an 80% share.
- We leveraged the proud legacy and value of the *Stoker's*[®] brand to introduce a first-of-its-kind 12 oz. MST tub, which was not offered by any other market participant. Through the six years ending December 31, 2015, *Stoker's*[®] MST was among the fastest growing moist snuff brands in the industry based on pounds sold.
- In 2013, we recognized the growing popularity of e-cigarettes and partnered with VMR to secure the retail bricks and mortar rights to distribute their popular *V* brand. We believe that with *V2*[®], which is now the #5 e-cigarette brand, we are well positioned to capitalize on the emerging vapor category growth in traditional retail.

We strategically target product categories that we believe demonstrate significant growth potential and for which the value of our brands are likely to have a meaningful impact. As we continue to evaluate opportunities to extend our product lines or expand into new categories, we believe that our track record and existing portfolio of brands provide growth advantages.

Extensive Distribution Network and Data Driven Sales Organization

We have taken important steps to enhance our selling and distribution network and our consumer marketing capabilities, while keeping our capital expense requirements relatively low. We service our customer base with an experienced salesforce of approximately 120 professionals who possess in-depth knowledge of the tobacco industry. On average, each sales employee has over 15 years of tobacco-related experience as of December 31, 2015. We have also adopted a data-driven culture supported by leading technology, which enables our salesforce to analyze changing

trends and effectively identify evolving consumer preferences at the store level. In particular, we have subscribed to a robust sales tracking system provided by MSAi that measures all OTP product shipments by all market participants on a weekly basis from approximately 1,000 wholesalers to over 250,000 retail stores in the U.S. As the initial sales effort is critical to the success of a product launch, we believe that our experienced salesforce, expansive distribution network and our market analytics put us in a strong position to execute new product launches in response to evolving consumer and market preferences.

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Long-standing, Strong Relationships with an Established Set of Producers

As part of our asset-light operating model, we built long-standing and extensive relationships with leading, high-quality producers. In 2015, our five most important producers were:

- Bolloré, which provides us with exclusive access to the *Zig-Zag*[®] cigarette paper and accessories brand for the U.S. and Canada;
- Swedish Match, which manufactures all of our loose leaf chewing tobacco;
- VMR, which provides us with the exclusive supply of *V2*[®] branded electronic cigarettes, e-liquids, and vaporizers in the U.S.;
- Durfort, from which we source our MYO cigar wraps; and
- JJA, from which we source our *Zig-Zag*[®] branded cigarillos.

By outsourcing the production of products that represent over 85% of our revenues to a select group of producers with whom we have strong relationships, we are able to maintain low overhead and minimal capital expenditures, which together drive our margins.

Experienced Management Team

With an average of 23 years of consumer products experience, including an average of 19 years in the tobacco industry, our senior management team has enabled us to grow and diversify our business while improving operational efficiency. Members of management have previous experience at other leading tobacco companies, including Altria Group, Inc. (formerly Philip Morris), Liggett & Myers Tobacco Company (now Liggett Group, a subsidiary of Vector Group Ltd), Swedish Match, American Brands, Inc., and U.S. Smokeless Tobacco Company (a subsidiary of Altria). Notably, Lawrence Wexler, our President and CEO, brings over 20 years of experience from Altria Group, Inc., where he held various leadership positions within the finance, marketing, planning, manufacturing and sales departments. Our senior leadership has embraced a collaborative culture, in which all of our combined experience is leveraged to assess opportunities and deliver products that consumers demand.

Growth Strategies

We adopted the following strategies in order to drive growth in our business and to enhance stockholder value:

Grow Share of Existing Product Lines, Domestically and Internationally

We believe that there are meaningful opportunities for growth within the traditional OTP market. We maintain a robust product pipeline and plan to strategically introduce new products in attractive, growing OTP segments, both domestically and internationally. For example, in addition to our successful launch of *Stoker s*[®] smaller 1.2 oz. MST cans, we believe there are opportunities for new products in the MST pouch, cigar and MYO cigar wrap markets.

We believe we have successfully built strong, powerful brands that have significant potential. For instance, *Stoker s*[®], which is among the fastest growing brands in the MST category, has a 2.5% market share nationally. However, our share of sales in stores that carry the brand is 6.8%, or 4.3 percentage points greater than the *Stoker s*[®] national market share. *Stoker s*[®] 6.8% share in stores carrying the brand demonstrates the resident brand power and consumer appeal of this product. In e-cigarettes, *V2*[®] has achieved the #5 brand position and 5.8% market share nationally, versus a 32.3% share in stores where we have retail distribution. *V2*[®]'s 32.3% share in stores currently carrying the brand illustrates the brand share capacity and exceptionally strong consumer appeal of this product. Further, in certain of our product categories, we have seen a positive correlation between the store call frequency by our salesforce and our retail market share.

In 2015, less than 5% of our revenues were generated outside of the U.S. Having established a strong infrastructure and negotiated relationships across multiple segments and products, we intend to pursue an international growth strategy to broaden sales and strengthen margins. For example, we have begun to introduce our moist snuff tobacco products in South America and expect to begin rolling out our *Primal*[™] brand internationally in the second quarter of 2016. To support our international expansion, we intend to pursue a dual path of introducing our own products and brands as well as partnering with other industry leaders to improve market access and profitability.

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Expand into Adjacent Categories through Innovation and New Partnerships

We continually evaluate opportunities to expand into adjacent product categories, by leveraging our portfolio or through new partnerships. In 2009, we leveraged the *Zig-Zag*[®] brand and introduced *Zig-Zag*[®] MYO cigar wraps with favorable results, and we now command the #1 market share position for that product. We are currently expanding our *Zig-Zag*[®] MYO cigar wraps through the introduction of the *Zig-Zag*[®] *Rilld*[™] size cigar wraps, which are similar in size to machine made cigarillos, the most popular and rapidly growing cigar type. In addition, in 2015, we negotiated the worldwide exclusive distribution rights to an herbal sheet material that does not contain tobacco or nicotine, affording us the opportunity to sell on a global basis an assortment of products that meet new and emerging consumer preferences. We intend to continue to identify new adjacent categories for which we are able to leverage our existing brands and partnerships and expand in a cost effective way.

Continue to Grow a Strong NewGen Platform

The OTP category is continually evolving as consumers actively seek out new products and product forms. Given this market demand, we have developed our NewGen Product platform, which we believe will serve new and evolving consumer demands across multiple product categories. Core products within our existing NewGen segment include:

- E-cigarette and vapor products, including liquids,
- Tobacco vaporizers, which heat rather than combust the smoking material,
- Herbal smoking products, which contain no tobacco or nicotine, and
- Shisha-related products, including tobacco- and nicotine-free fruits and gels designed to be used in a traditional Shisha pipe.

Among these categories, we believe that the emerging liquid vapor segment may present the greatest growth opportunity as it allows each consumer to customize their experience by being able to choose both flavor and nicotine level. Although the liquid vapor segment is in its infancy, we believe that when properly commercialized, it may be highly disruptive to the traditional cigarette industry and emerge as a significant segment of the OTP market. We have established a firm foothold and are well positioned in the traditional retail liquid vapor space, with a 6% EQ unit market share, or #5 market rank, of closed system e-cigarettes under the *V2*[®] brand. We have also observed a growing interest among consumers for tobacco vaporizer products, which heat, rather than combust, the smoking material, and believe the *Zig-Zag*[®] brand equity will be a valuable competitive advantage in this emerging segment.

We believe that the categories within our NewGen segment are poised to be the key industry growth drivers in the future, and we are well-positioned to capitalize on this growth.

Strategically Pursue Acquisitions

We believe there are meaningful acquisition opportunities in the fragmented OTP space and therefore are well-positioned to act as a consolidator. We regularly evaluate acquisition opportunities across the OTP landscape and have identified attractive opportunities that we believe represent more than \$250 million of combined net sales, although we have no plans with respect to any specific acquisitions at this time. In evaluating acquisition opportunities, our focus is on identifying acquisitions that strengthen our current product offerings or enable category expansion in potential high growth areas.

Substantially all of our 2015 U.S. gross margin is derived from sales of products that are currently regulated or shortly will be regulated by the U.S. Food and Drug Administration (FDA). We have significant experience in complying with the FDA regulatory regime with an infrastructure composed of legal and scientific professionals. We believe many smaller OTP manufacturers currently lack this infrastructure, which we believe is necessary to comply with the broad scope of FDA regulations. We believe our regulatory compliance infrastructure, combined with our skilled

management and strong distribution platform, position us to enhance our ability as a consolidator within the OTP industry.

In order to allow us to pursue acquisitions, we have entered into an agreement with Standard General Master Fund L.P. concerning the provision of a \$50.0 million line of credit (the SG Credit Line) that may only be used for acquisitions that are approved by Standard General in its sole discretion. Although we have no commitments or firm agreements for any material acquisitions at this time, we will continue to evaluate acquisition opportunities as they may arise.

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We have a strong track record of enhancing our OTP business with strategic and accretive acquisitions. For example, our acquisition of the North American *Zig-Zag*[®] cigarette papers distribution rights in 1997 has made us the #1 cigarette paper brand in the U.S. in terms of retail dollar sales as measured by Nielsen. Perhaps more importantly, we own the *Zig-Zag*[®] tobacco trademark in the U.S. and have leveraged this asset effectively, with over 50% of our total 2015 *Zig-Zag*[®]-branded sales under our own *Zig-Zag*[®] marks, rather than those we license from Bolloré.

Maintain Lean, Low-Cost Operating Model

We have successfully transitioned our business model to a leaner, asset-light manufacturing and sourcing model, with a strategy of maintaining low capital requirements, outsourced relationships, and increased utilization of market and consumer analytics. In 2015, \$183.9 million of our gross sales, or 85%, were from outsourced production operations and our capital expenditures have ranged between \$0.7 million and \$1.6 million per year over the last 5 years. We believe that our asset-light model allows us to achieve favorable margins while generating strong EBITDA and our market analytics allow us to efficiently and effectively address evolving consumer and market demands. In addition, our relationships allow us to increase the breadth of our product offerings and quickly enter new OTP markets as management is able to focus on brand building and innovation. We intend to continue to optimize our asset-light operating model as we grow in order to maintain a low cost of operations and healthy margins.

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Ownership Structure

The following chart displays our ownership structure after giving effect to the Stock Split, the Conversion, this offering and the use of proceeds therefrom:

(1) Unless otherwise indicated, all of our subsidiaries are wholly-owned.

After giving effect to the Stock Split, the Conversion and this offering, Standard General will own 7,560,958 shares of our common stock and 938,857 shares of our non-voting common stock. Our non-voting common stock is identical to our common stock, with the exception of voting rights. Holders of non-voting common stock have rights to share in the earnings, losses, dividends and distributions to which holders of our common stock are entitled. Our non-voting common stock is convertible into shares of our common stock on a one-for-one basis at

(2) the sole discretion of our board of directors. Our board of directors may give consideration to converting the shares of non-voting common stock into common stock at any time after the completion of this offering. Standard General also holds warrants to purchase 442,558 shares of our common stock (the Standard General Warrants). The Standard General Warrants were issued in January 2014, have an exercise price of \$0.01 and an expiration date of January 13, 2021. In addition, Standard General acts as a sub-advisor, and will retain investment and voting control, with respect to an additional 1,233,090 shares held by Fort George.

In January 2014, we granted certain of our stockholders that qualified as accredited investors under the Securities Act of 1933, as amended (the Securities Act) rights to purchase our 7% senior PIK toggle notes due 2023 (the 7% Senior Notes) and warrants (the Intrepid Warrants) to purchase common units of our subsidiary, Intrepid Brands LLC (Intrepid Brands). The Intrepid Warrants issued in the rights offering represent the right to acquire (3) 11,000,000, or approximately 40%, of the common units of Intrepid Brands on a fully-diluted basis. The Intrepid Warrants have an exercise price of \$1.00 per common unit, became exercisable beginning January 21, 2014 and expire on December 31, 2023. We expect to use a portion of the proceeds from this offering to repurchase for cash at least 87.5% of the outstanding Intrepid Warrants. See —IPO Related Transactions.

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In August 2014, Intrepid Brands adopted the Intrepid Brands LLC 2014 Option Plan (the Intrepid Option Plan). As of December 31, 2015, 1,326,842 options were issued and outstanding under the Intrepid Option Plan (the (4) Intrepid Options). We expect to use a portion of the proceeds from this offering to repurchase the Intrepid Options as permitted under the terms of the Intrepid Option Plan. Following this offering we will own at least 94% of the common units of Intrepid on a fully diluted basis.

IPO Related Transactions

Stock Split

Prior to the completion of this offering, we will increase our total authorized number of shares of capital stock and effect a 10.43174381 to 1 stock split (the Stock Split) of our common stock and non-voting common stock. Unless otherwise noted, all information in this prospectus gives effect to the Stock Split.

Anchor Order

Standard General and Fort George are expected to purchase an aggregate of \$34 million of our common stock in this offering at the initial public offering price per share (the Anchor Order).

Conversion

As of December 31, 2015, we had \$60.1 million aggregate principal amount of floating rate PIK Toggle Notes due 2021 (the PIK Toggle Notes) outstanding, all of which were held by Standard General and \$12.6 million aggregate principal amount of our 7% Senior Notes outstanding, which were held by, among others, Standard General and certain of our executive officers. Effective January 1, 2016, Standard General sold a participation interest with respect to \$8.3 million aggregate principal amount of the PIK Toggle Notes to Fort George, for which Standard General acts as a sub-advisor.

In connection with this offering, Standard General has agreed to exchange approximately 46% of the PIK Toggle Notes (including PIK Toggle Notes subject to Fort George's participation interest) for approximately 3,168,438 shares of our common stock (equivalent to a conversion price equal to the price paid by the underwriters for shares in this offering), of which 440,176 shares will be issued to Fort George in respect of its participation interest, and Standard General and certain holders of our 7% Senior Notes have agreed to exchange at least \$11.0 million of the 7% Senior Notes for approximately 1,128,589 shares of our common stock (equivalent to a conversion price equal to the initial public offering price of the shares in this offering). We refer to the exchange of PIK Toggle Notes and 7% Senior Notes for shares of common stock as the Conversion. Any 7% Senior Notes not exchanged in the Conversion will remain outstanding. See Use of Proceeds and Certain Relationships and Transactions—Conversion and Stock Split.

Recent Developments

We are currently finalizing our financial results for the three months ended March 31, 2016. The financial results discussed below for the three months ended March 31, 2016 are preliminary, based upon our estimates and subject to completion of financial and operating closing procedures. This data has been prepared by and is the responsibility of our management. Our independent registered public accounting firm, RSM US LLP, has not audited, reviewed, compiled or performed any procedures, and will not express an opinion or any other form of assurance with respect to these estimates. The summary is not a comprehensive statement of our financial results or operating metrics for this period and our actual results and metrics may differ materially from these estimates following the completion of our financial and operating closing procedures, or as a result of other adjustments or developments that may arise before the results for this period are finalized. In addition, even if our actual results and metrics are consistent with these preliminary results, those results or developments may not be indicative of results or developments in subsequent

periods.

While complete financial information and operating data are not available, based on information currently available, we expect our net sales to be between \$49.5 million and \$50.5 million for the three months ended March 31, 2016, compared to a strong \$51.1 million for the three months ended March 31, 2015. Revenue for our core tobacco segments increased by low single digits compared to the prior year. However, we expect to experience a decline in our NewGen segment revenue due to (i) a significant initial order from a new customer in the first quarter of 2015 to address a new trade channel and (ii) the migration of NewGen consumers from legacy products such as e-cigarettes to new products that are generally not available in traditional retail channels.

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For the three months ended March 31, 2016 we expect our gross margin as a percentage of net sales to increase to between 48.9% and 49.9% compared to 48.3% for the three months ended March 31, 2015.

For the three months ended March 31, 2016, we expect our operating income to be between \$10.5 million and \$11.4 million, compared to \$12.0 million for the three months ended March 31, 2015. This decline is primarily due to a decline in NewGen profitability, due to the decline in sales referenced above, and continued investment in sales infrastructure including additional headcount and initiatives related to developing new trade channels.

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Risk Factors

An investment in our common stock involves risks associated with our business, regulatory and legal matters. This is not a comprehensive list of risks to which we are subject, and you should carefully consider the risks described in Risk Factors and the other information in this prospectus before deciding whether to invest in our common stock.

- Declining sales of tobacco products, and expected continuing decline of sales, in the tobacco industry overall.
- Our dependence on a small number of third-party suppliers and producers.
- The possibility that we will be unable to identify or contract with new suppliers or producers in the event of a supply or production disruption.
- The possibility that our licenses to use certain brands or trademarks will be terminated, challenged or restricted.
- Failure to maintain consumer brand recognition and loyalty of our customers.
- Substantial and increasing U.S. regulation and taxation, particularly by the FDA.
- Possible increases in tobacco-related taxes and the commencement of taxation on NewGen products.
- Our significant amount of indebtedness.
- Intense competition and our ability to compete effectively.
- Contamination of our tobacco supply or products.
- Infringement on our intellectual property.
- Concentration of business with large customers.
- Departure of key management personnel or our inability to attract and retain talent.

Our Principal Stockholders

Standard General will own 47.4% of our common stock after giving effect to the Stock Split, the Conversion and this offering excluding 442,558 shares that may be acquired upon exercise of the Standard General Warrants. Standard General will also own 100% of our issued and outstanding non-voting common stock following this offering (which will be convertible into shares of our common stock on a one-for-one basis at the sole discretion of our board of directors). Standard General is a New York-based investment firm that manages event-driven opportunity funds. Standard General was founded in 2007 and has been an SEC-registered Investment Adviser since 2009. Standard General primarily manages capital for public and private pension plans, endowments, foundations, and high net worth individuals.

In January 2016, Standard General sold 30,730 shares of our common stock (or 320,568 after giving effect to the stock split), and granted a participation interest in \$8.3 million aggregate principal amount of the PIK Toggle Notes, to Fort George. Standard General maintains investment rights over the shares that were sold to Fort George, as well as any shares that Fort George will receive in the Conversion, including the right to vote and dispose of shares. Fort George will own 7.7% of our common stock after giving effect to the Stock Split, Conversion and this offering.

Our Executive Chairman and founder, Thomas Helms, Jr., owns all of the outstanding capital stock of Helms Management Corp. Helms Management Corp. will own 10.9% of our common stock after giving effect to the Stock Split, the Conversion and this offering.

Corporate Information

We were incorporated in 2004 in Delaware under the name North Atlantic Holding Company, Inc. On November 4, 2015, we changed our name to Turning Point Brands, Inc. Our principal executive offices are located at 5201 Interchange Way, Louisville, Kentucky 40229, and our telephone number is (502) 778-4421. Our website address is www.turningpointbrands.com. We intend to make our periodic reports and other information filed with or

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furnished to the Securities and Exchange Commission (the SEC) available, free of charge, through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus.

Implications of Being an Emerging Growth Company

As a company with less than \$1.0 billion in gross revenue during our last fiscal year, we qualify as an Emerging Growth Company as defined in the Jumpstart Our Business Startups Act of 2012 (the JOBS Act). An Emerging Growth Company may take advantage of specified reduced regulatory and reporting requirements that are otherwise generally applicable to public companies, such as:

- we are not required to engage an auditor to report on our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act);
- we are not required to include more than two years of audited financial statements in this prospectus; we are not required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board (the PCAOB) regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);
- we are not required to submit certain executive compensation matters to stockholder advisory votes, such as say-on-pay, say-on-frequency and say-on-golden parachutes; and
- we are not required to disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer's compensation to median employee compensation.

We may take advantage of these exemptions for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed \$1 billion, (ii) the date that we become a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934 (as amended, the Exchange Act), which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three-year period.

For as long as we continue to be an Emerging Growth Company, we expect that we will take advantage of certain reduced disclosure requirements available to us as a result of that classification. We have taken advantage of some of these reduced reporting requirements in this prospectus. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock.

The JOBS Act permits an Emerging Growth Company, such as us, to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have chosen to opt out of this provision and, as a result, we will comply with new or revised accounting standards as required for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

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THE OFFERING

Common stock and non-voting common stock outstanding before this offering and the Conversion.

6,259,480 shares of common stock. 938,857 shares of non-voting common stock.

Common stock issued in the Conversion

4,297,027 shares of common stock.

Common stock offered by us

5,400,000 shares, or 6,210,000 shares if the underwriters exercise in full their overallotment option.

Common stock and non-voting common stock outstanding after this offering and the Conversion.

15,956,507 shares of common stock, or 16,766,507 shares of common stock if the underwriters exercise in full their overallotment option.

938,857 shares of non-voting common stock.

Use of proceeds

We estimate the net proceeds from this offering to us will be approximately \$47.6 million, or approximately \$55.1 million if the underwriters exercise in full their overallotment option, based on the initial public offering price of \$10.00 per share after deducting estimated offering expenses and underwriting discounts and commissions.

We expect to use the net proceeds from this offering, together with cash on hand to: (i) pay offering related fees and expenses, (ii) repurchase at least 87.5% of the Intrepid Warrants and all issued and outstanding Intrepid Options and (iii) repay \$7.0 million of our obligations under our second lien credit facility (the Second Lien Credit Facility), and redeem for cash \$34 million of the outstanding PIK Toggle Notes.

Any excess proceeds will be used for working capital and general corporate purposes, including funding future acquisitions. We have no commitments or firm agreements for any material acquisitions at this time. See Use of Proceeds.

Dividend Policy

We have not paid dividends to holders of our common stock within the past five years. Following this offering, we intend to retain any earnings to reduce our leverage and finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock for the foreseeable future. See Dividend Policy.

Risk Factors

You should read the Risk Factors section of this prospectus for a discussion of factors that you should consider carefully before deciding to invest in shares of our common stock.

NYSE listing

Our common stock has been approved for listing on the NYSE under the symbol TPB.

Directed Share Program

At our request, the underwriters have reserved, at the initial public offering price, up to 3% of the shares of our common stock in this offering for sale to our directors, officers, employees, and certain friends and family members of these persons, and certain clients and prospective clients, as part of a directed share program. We will offer these shares to the extent permitted under applicable regulations. The number of shares of common stock available for sale in this offering will be reduced to the extent that such persons purchase such reserved shares.

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Any reserved shares not so purchased will be offered by the underwriters on the same basis as the other shares offered hereby. Other than the underwriting discount described on the front cover of this prospectus, the underwriters will not be entitled to any commission with respect to shares of common stock sold pursuant to the directed share program. Participants in the directed share program who purchase more than \$250,000 of shares, as well as directors or executive officers who are already subject to lock-up agreements, shall be subject to 180-day lock-ups. Any of these lock-up agreements will have similar restrictions to the lock-up agreements described elsewhere in this prospectus. See Underwriting—Directed Share Program .

Unless we specifically state otherwise, the information in this prospectus:

- assumes the initial public offering price of \$10.00 per share;
- gives effect to the 10.43174381 for 1 Stock Split and the Conversion;
- assumes 3,400,000 shares of our common stock are purchased pursuant to the Anchor Order; the number of shares of our common stock outstanding after this offering excludes (i) 1,661,409 options to purchase shares of common stock that are currently outstanding under our 2006 Equity Incentive Plan (the 2006 Plan), (ii) 28,000 shares of our restricted stock that will be granted to our employees in connection with this offering under the 2015 Plan, (iii) 442,558 shares of our common stock issuable upon the exercise of the Standard General Warrants and (iv) 938,857 shares of our common stock that may be issued upon conversion of our non-voting common stock (which is convertible into shares of our common stock on a one-for-one basis at the sole discretion of our board of directors). Our board of directors may give consideration to converting the shares of non-voting common stock into common stock at any time after the completion of this offering; and
- assumes no exercise of the underwriters' option to purchase up to 810,000 additional shares of common stock.
- If the underwriters exercise in full their overallotment option, we will offer additional shares of common stock and any such shares that are sold will thereafter be outstanding. See Underwriting.

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The following tables set forth certain summary historical condensed consolidated financial data as of and for the periods indicated. The consolidated statements of operations data and cash flows data for the years ended December 31, 2015 and 2014 and the consolidated balance sheet data as of December 31, 2015 were derived from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated statements of operations and cash flows data for the year ended December 31, 2013 were derived from our audited consolidated financial statements not included in this prospectus. In the opinion of management, the unaudited financial information includes all adjustments, consisting of normal recurring adjustments, considered necessary for a fair representation of this information. Our historical results are not necessarily indicative of the results that may be expected in the future and our results of operations for interim periods are not necessarily indicative of the results that may be expected for the entire year or any other interim period.

The information set forth below should be read in conjunction with Capitalization, Selected Historical Condensed Consolidated Financial and Other Information, Management's Discussion and Analysis of Financial Condition and Results of Operations, and our consolidated financial statements and related notes included elsewhere in this prospectus.

(U.S. dollars in thousands except per share data)	2015	Year Ended December 31, 2014	2013	
Consolidated Statement of Operations Data:				
Net sales	\$ 197,256	\$ 200,329	\$ 193,304	
Cost of sales	100,960	107,165	103,043	
Gross profit	96,296	93,164	90,261	
Selling, general and administrative expenses	51,785	45,108	46,822	
Amortization expense	—	—	27	
Operating income	44,511	48,056	43,412	
Interest expense and financing costs	34,284	34,311	44,094	
Loss on extinguishment of debt	—	42,780	441	
Income (loss) before income taxes	10,227	(29,035)	(1,123)	
Income tax expense	1,078	370	486	
Net income (loss)	\$ 9,149	\$ (29,405)	\$ (1,609)	
	As Further Adjusted⁽³⁾	As Adjusted⁽²⁾	Year Ended December 31,	
(U.S. dollars in thousands except per share data)	As of December 31, 2015	2015	2014	2013
	(unaudited)			
Net income per share data⁽¹⁾:				
Net income (loss) available per share:				
Basic	\$ 1.27	\$ (4.07)	\$ (0.22)	

Diluted		\$	1.10	\$	(4.07)	\$	(0.22)
Weighted average shares outstanding:							
Basic			7,198,081		7,223,378		7,288,993
Diluted			8,354,387		7,223,378		7,288,993
As adjusted net income available per share data⁽¹⁾⁽²⁾:							
As adjusted net income available per share:							
Basic		\$	1.14				
Diluted		\$	1.03				
As adjusted weighted average shares outstanding:							
Basic			10,144,900				
Diluted			11,301,206				
As further adjusted net income available per share data⁽¹⁾⁽²⁾⁽³⁾:							
As further adjusted net income available per share:							
Basic		\$	1.07				
Diluted		\$	1.00				
As further adjusted weighted average shares outstanding:							
Basic			15,544,900				
Diluted			16,701,206				

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(U.S. dollars in thousands other than percentages)	Year Ended December 31,					
	2015		2014		2013	
Other Financial Information:						
Net cash provided by (used in) operating activities	\$	24,430	\$	6,025	\$	3,026
Net cash provided by (used in) investing activities		(2,030)		(1,314)		(723)
Net cash provided by (used in) financing activities		(26,032)		(31,623)		10,641
Capital expenditures		(1,602)		(1,314)		(729)
Depreciation and amortization		1,059		933		932
EBITDA ⁽⁴⁾		45,570		6,209		43,903
Adjusted EBITDA ⁽⁴⁾		50,604		48,792		49,609
Adjusted EBITDA Margin ⁽⁴⁾		25.7 %		24.4 %		25.7 %
Leverage Ratio ⁽⁵⁾		5.9 x		6.4 x		6.1 x
		As Further Adjusted⁽³⁾		As Adjusted⁽²⁾		As of December 31,
(U.S. dollars in thousands)		As of December 31, 2015		As of December 31, 2015		2015
		(unaudited)		(unaudited)		
Balance Sheet Data (at period end):						
Cash	\$	5,813	\$	4,835	\$	4,835
Working capital ⁽⁶⁾		43,411		42,433		42,433
Total assets		249,038		248,060		248,720
Notes payable and long-term debt		223,610		264,063		298,697
Total liabilities		255,245		295,698		330,332
Total stockholders' equity (deficit)		(6,207)		(47,638)		(81,612)

- (1) Per share data includes both voting and non-voting common stock. Our non-voting common stock is identical to the common stock, with the exception of voting rights. Holders of non-voting common stock are entitled to share in the earnings, losses, dividends and distributions to which holders of common stock are entitled.

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(2) As adjusted to give effect to the Stock Split and Conversion assuming they had occurred on January 1, 2015. In the Conversion, approximately \$10.3 million of the aggregate principal amount of 7% Senior Notes and approximately \$17.9 million of the aggregate principal amount of PIK Toggle Notes will be converted into 1,025,630 and 1,921,189 shares of common stock, respectively. As a result, an aggregate of 2,946,819 shares will be issued in the Conversion. The following table provides our calculation of our pro forma net income, assuming the Stock Split and the Conversion occurred on January 1, 2015.

	Year ended December 31, 2015 (unaudited)
(U.S. dollars in thousands)	
Net income	\$ 9,149
Pro forma adjustment for interest reduction:	
PIK Toggle Notes	2,763
7% Senior Notes	1,043
Pro forma adjustment for loss on extinguishment of PIK Toggle Notes ^(a)	(1,345)
As Adjusted Pro forma Net income	\$ 11,610
Weighted average shares outstanding	7,198,081
Shares issued in conversion of 7% Senior Notes	1,025,630
Shares issued in conversion of PIK Toggle Notes	1,921,189
As adjusted weighted average shares outstanding	10,144,900
As adjusted weighted average shares outstanding	
Effect of dilutive securities: stock options and warrants	1,156,306
As adjusted diluted weighted average shares outstanding	11,301,206
As adjusted net income	\$ 11,610
As adjusted net income available per share:	
Basic	\$ 1.14
Diluted	\$ 1.03
As adjusted weighted average shares outstanding:	
Basic	10,144,900
Diluted	11,301,206

(a) The loss on extinguishment of debt is a result of the price at which the PIK Toggle Notes are expected to be converted in the Conversion.

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As further adjusted pro forma net income further adjusts the as adjusted pro forma net income to give effect to this offering and the anticipated use of proceeds from this offering assuming the offering had occurred on January 1, 2015. We expect to use the net proceeds from this offering, together with cash on hand to (i) pay offering related fees and expenses, (ii) repurchase at least 87.5% of the Intrepid Warrants and all issued and outstanding (3) Intrepid Options for an aggregate purchase price of approximately \$5.5 million, (iii) repay \$7.0 million of borrowings outstanding under our Second Lien Credit Facility, and (iv) redeem for cash \$34 million of the outstanding PIK Toggle Notes. The following table provides our calculation of our as further adjusted pro forma net income, assuming the Stock Split, the Conversion and this offering and the use of proceeds therefrom occurred on January 1, 2015.

(U.S. dollars in thousands)	Year ended December 31, 2015 (unaudited)
As Adjusted Pro forma Net income (loss)	\$ 11,610
Pro forma adjustment for interest reduction:	
PIK Toggle Notes	5,258
Second Lien Credit Facility	767
Pro forma adjustment for loss on extinguishment of debt: ^(a)	
PIK Toggle Notes	(955)
As Further Adjusted Pro forma Net income	\$ 16,680
As adjusted weighted average shares outstanding	10,144,900
Shares issued in the offering	5,400,000
As further adjusted weighted average shares outstanding	15,544,900
As further adjusted weighted average shares outstanding:	
Effect of dilutive securities: stock options and warrants	1,156,306
As further adjusted diluted weighted average shares outstanding	16,701,206
As further adjusted net income	\$ 16,680
As further adjusted net income available per share:	
Basic	\$ 1.07
Diluted	\$ 1.00
As further adjusted weighted average shares outstanding:	
Basic	15,544,900
Diluted	16,701,206

(a) The loss on extinguishment of debt is a result of the difference between the carrying value and face amount of the debt.

(4) EBITDA and Adjusted EBITDA are not financial measures recognized under U.S. generally accepted accounting principles (GAAP). We define EBITDA as net income before depreciation and amortization, interest expense and

provision for income taxes. We define Adjusted EBITDA as net income before depreciation and amortization, interest expense, provision for income taxes, loss on extinguishment of debt, other non-cash items and other items that we do not consider ordinary course in our evaluation of ongoing operating performance. Adjusted EBITDA Margin is defined as the Adjusted EBITDA for that period divided by the net sales for that period. We present EBITDA and Adjusted EBITDA in this prospectus because they are key metrics used by management and our board of directors to assess our financial performance and are also used by management to assess performance for the purposes of our executive compensation programs. EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are also frequently used by analysts, investors and other interested parties to evaluate companies in our industry. We believe that EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are appropriate measures of operating performance because they eliminate the impact of expenses that do not relate to business performance.

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- They do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- They do not reflect changes in, or cash requirements for, our working capital needs;
- They do not reflect our significant interest expense, or the cash requirements necessary to service interest or principal payments on our debt; and
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin do not reflect any cash requirements for such replacements.

To compensate for these limitations, we consider the economic effect of the excluded expense items independently and through the use of other financial measures, such as capital expenditure budget variances, investment spending levels and return on capital analysis.

The following table presents a reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable GAAP financial measure for the periods indicated.

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(U.S. dollars in thousands)	Year Ended December 31,		
	2015	2014	2013
Reconciliation of EBITDA and Adjusted EBITDA to net income:			
Net income (loss)	\$ 9,149	\$ (29,405)	\$ (1,609)
Add:			
Interest Expense	34,284	34,311	44,094
Amortization Expense	—	—	27
Depreciation Expense	1,059	933	905
Income Tax Expense	1,078	370	486
EBITDA	\$ 45,570	\$ 6,209	\$ 43,903
Components of Adjusted EBITDA			
Loss on extinguishment of debt ^(a)	—	42,780	441
LIFO adjustment ^(b)	(56)	(798)	716
Pension/Postretirement expense ^(c)	341	16	407
Non-cash stock option and incentives expense	234	585	234
Foreign exchange hedging ^(d)	(35)	—	—
Other items ^(e)	4,550	—	3,908
Adjusted EBITDA	\$ 50,604	\$ 48,792	\$ 49,609

(a) Represents loss related to the repurchase and redemption of our previously outstanding second and third lien notes in 2014 and the termination of a revolving credit facility in 2013.

(b) Represents non-cash expense related to an inventory valuation allowance for last-in, first-out (LIFO) reporting.

(c) Represents our Pension/Postretirement expense.

(d) Represents non-cash gain and loss stemming from our foreign exchange hedging activities.

(e) Other items:

For the year ended December 31, 2015, the adjustment amounted to approximately \$4.6 million, which consisted of \$0.4 million relating to the one-time relocation of finished product for improved logistical services from three third-party distribution warehouses to a new third-party distribution warehouse, \$2.3 million in fees for the study of strategic initiatives and \$1.9 million of product launch costs of our new product lines, including our vaporizers within the NewGen segment.

For the year ended December 31, 2013, the aggregate adjustment amounted to \$3.9 million, which consisted of approximately \$3.2 million in expense related to the settlement of a contractual dispute regarding Gordian Group, LLC's alleged right to remuneration under the terms of a 2009

- engagement letter, an additional \$0.1 million consisting of \$0.5 million in legal expenses less \$0.4 million reimbursement from our insurance company relating to the Langston Complaint (as described below) that was paid in 2013, and \$0.6 million in expense relating to product launch costs of our new product lines, including our e-cigarettes and cartomizers within our NewGen segment.

(5) We calculate our Leverage Ratio by dividing Notes payable and long-term debt by Adjusted EBITDA. See footnote (5) above. Management believes that our leverage ratio is an important indicator of our ability to service our indebtedness and is indicative of our compliance with the leverage covenants in our first lien credit agreement

(the First Lien Credit Agreement) and Second Lien Credit Facility. Our First Lien Credit Agreement contains covenants requiring NATC to maintain a maximum leverage ratio ranging from 6.25 to 1.00 from April 1, 2015 through September 30, 2016, decreasing to a ratio of 5.50 to 1.00 from October 1, 2018 to maturity. The Second Lien Credit Facility contains covenants requiring NATC to maintain a maximum leverage ratio ranging from 6.50 to 1.00 from April 1, 2015 through September 30, 2016, decreasing to a maximum ratio of 5.75 to 1.00 from October 1, 2018 to maturity. As of December 31, 2015, NATC was in compliance with these covenants.

(6) Represents total current assets less current liabilities as reflected in our balance sheet. See Management's Discussion & Analysis—Liquidity and Capital Reserves.

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RISK FACTORS

Any investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with the other information contained in this prospectus, before deciding whether to purchase our common stock. If any of the following risks actually occur, our business, financial condition, prospects, liquidity, results of operations or cash flow could be materially and adversely affected. Additional risks or uncertainties not currently known to us, or that we currently deem immaterial, may also impair our business operations. We cannot assure you that any of the events discussed in the risk factors below will not occur, and, if such events do occur, you may lose all or part of your investment in our common stock.

Risks Related to Our Business

Sales of tobacco products are generally expected to continue to decline.

As a result of restrictions on advertising and promotions, increases in regulation and excise taxes, health concerns, a decline in the social acceptability of tobacco and tobacco-related products, increased pressure from anti-tobacco groups and other factors, the overall U.S. market for tobacco products has generally been declining in terms of volume of sales, and is expected to continue to decline. Specifically, the market has experienced annual declines in sales in terms of pound volumes of loose leaf chewing tobacco products for over a decade, and for the past five years the loose leaf chewing tobacco market declined approximately 6% per year in pounds sold. We expect further declines in the market to continue in the future. Our tobacco products comprised approximately 66% of our total 2015 revenues and, while some of our sales volume declines have been offset by higher prices or by increased sales in other product categories, there can be no assurance that these price increases or increased sales can be sustained, especially in an environment of increased regulation and taxation and changes in consumer spending habits.

While the sales of NewGen products have been increasing over the last several years, the market for our NewGen products is new and developing and is only a fraction of the size of the conventional tobacco market. In addition, although we do not market NewGen products as cessation products, in the event they are used as such, the size of the opportunity in this new market may be limited as the population of smokers that is seeking such cessation products continues to shrink.

We cannot assure you that sales of NewGen products will offset any decrease in sales of tobacco products. To the extent that any decrease in sales of tobacco products is not offset by increases in price or increases in sales of NewGen products, it may have a material adverse effect on our business, results of operations and financial condition.

We depend on a small number of key third-party suppliers and producers for our products.

Our operations are largely dependent on a small number of key suppliers and producers to supply or manufacture our products pursuant to long-term contracts. In 2015, our five most important suppliers and producers were: (i) Bolloré, which provides us with exclusive access to the *Zig-Zag* cigarette paper and related accessories in the U.S. and Canada, (ii) Swedish Match, which produces all of our loose leaf chewing tobacco in the U.S., (iii) VMR, which provides us with the exclusive supply and distribution of V2[®] branded electronic cigarettes and vaporizers in the U.S., (iv) Durfort, from which we source our MYO cigar wraps and (v) JJA, from which we source our *Zig-Zag*[®] tobacco branded cigars and cigarillos.

All of our *Zig-Zag*[®] premium cigarette papers, cigarette tubes and injectors are sourced from Bolloré, pursuant to a renewable 20-year exclusive agreement. This agreement was most recently renewed in 2012. In addition, under the terms of the agreement with Bolloré, we renegotiate pricing terms every five years. At the present time, we are operating under a temporary price structure and formula. The parties are considering a modified pricing formula and a

potential new index and duration. There is no guarantee that we will be able to reach a new five-year pricing agreement with Bolloré at all or on terms satisfactory to us.

All of our loose leaf tobacco products are manufactured for us by Swedish Match pursuant to a ten-year renewable agreement, which we entered into in 2008. The agreement will automatically be renewed for five successive ten-year terms unless either party provides at least 180 days notice prior to a renewal term of its intent to terminate the agreement or unless otherwise terminated in accordance with the provisions of the agreement. If a notice of non-renewal is delivered, the contract will expire two years after the date on which the agreement would have otherwise been renewed. Under this agreement, we retain the rights to all marketing, distribution and trademarks over the loose leaf brands that we own or license. We share responsibilities with Swedish Match related to process

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control, manufacturing activities, quality control and inventory management with respect to our loose leaf products. We rely on the performance by Swedish Match of its obligations under the agreement for the production of our loose leaf tobacco products. Any significant disruption in Swedish Match's manufacturing capabilities or our relationship with Swedish Match, a deterioration in Swedish Match's financial condition or an industry-wide change in business practices with respect to loose leaf tobacco products could have a material adverse effect on our business, results of operations and financial condition.

We currently rely on VMR to supply V2[®] branded electronic cigarettes, vaporizers and e-liquids that we distribute. VMR's unwillingness or inability to maintain the quality of its products or to comply with our specifications and requirements for products that we distribute could, among other things, result in a product recall and could adversely affect our reputation. Any significant disruption in our relationship with VMR, a deterioration in VMR's financial condition or an industry-wide change in business practices with respect to NewGen products could have a material adverse effect on our business, results of operations and financial condition.

We source our MYO cigar wraps through Durfort pursuant to an agreement entered into in October 2008. We rely on Durfort to produce and package our MYO cigar wraps to our specifications. Any significant disruption in our relationship with Durfort, a deterioration in Durfort's financial condition, an industry-wide change in business practices relating to MYO cigar wraps or our ability to source the MYO cigar wraps from them could have a material adverse effect on our business, results of operations and financial condition.

We source our Zig-Zag[®] tobacco branded cigars and cigarillos through JJA and its Dominican Republic partner pursuant to an agreement we entered into in April 2013. We rely on JJA to purchase and maintain an inventory all of the necessary raw materials, including packaging bearing our intellectual property, and to manufacture to our specifications and deliver the products to our designated U.S. distribution center. We cannot guarantee that JJA will continue to source sufficient quantities of our Zig-Zag[®] tobacco branded cigars or cigarillos in order for us to meet our customer demands. Any significant disruption in our relationship with JJA, a failure to supply us with inventory in sufficient amounts, a deterioration in JJA's financial condition or an industry-wide change in business practices with respect to Zig-Zag[®] tobacco branded cigars could have a material adverse effect on our business, results of operations and financial condition.

Pursuant to agreements with certain suppliers, we have agreed to store tobacco inventory purchased on our behalf and generally maintain a 12- to 24-month supply of our various tobacco products at their facilities. We cannot guarantee that our supply of these products will be adequate to meet the demands of our customers. Further, a major fire, violent weather conditions or other disasters that affect us or any of our key suppliers or producers, including Bolloré, Swedish Match, Durfort, JJA or VMR, as well as those of our other suppliers and vendors, could have a material adverse effect on our operations. Although we have insurance coverage for some of these events, a prolonged interruption in our operations, as well as those of our producers, suppliers and vendors, could have a material adverse effect on our business, results of operations and financial condition. In addition, we do not know whether we will be able to renew any or all of our agreements on a timely basis or on terms satisfactory to us or at all.

Any disruptions in our relationships with Bolloré, Swedish Match, Durfort, JJA or VMR, a failure to renew any of our agreements, an inability or unwillingness by any supplier to produce sufficient quantities of our products in a timely manner or finding a new supplier would have a significant impact on our ability to continue distributing the same volume and quality of products and maintain our market share, even during a temporary disruption, which could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to identify or contract with new suppliers or producers in the event of a disruption to our supply.

In order to continue selling our products in the event of a disruption to our supply, we would have to identify new suppliers or producers that would be required to satisfy significant regulatory requirements. Only a limited number of suppliers or producers may have the ability to produce our products at the volumes we need, and it could be costly or time-consuming to locate and approve such alternative sources. Moreover, it may be difficult or costly to find suppliers to produce small volumes of our new products in the event we are looking only to supplement current supply as suppliers may impose minimum order requirements. In addition, we may be unable to negotiate pricing or other terms with our existing or new suppliers as favorable as those we currently enjoy. Even if we were able to successfully identify new suppliers and contract with them on favorable terms, these new suppliers would also be subject to stringent regulatory approval procedures that could result in prolonged disruptions to our sourcing and distribution processes. See Regulation—Smoking and Smokeless Products and Regulation—NewGen Products.

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Furthermore, there is no guarantee that a new third-party supplier could accurately replicate the production process and taste profile of our existing products. We cannot guarantee that a failure to adequately replace our existing suppliers would not have a material adverse effect on our business, results of operations and financial condition.

Our licenses to use certain brands and trademarks may be terminated or not renewed.

We are reliant upon brand recognition in the OTP markets in which we compete, as the OTP industry is characterized by a high degree of brand loyalty and a reluctance to switch to new or unrecognizable brands on the part of consumers. Some of the brands and trademarks under which our products are sold are licensed to us for a fixed period of time in respect of specified markets, such as our distribution and license agreement with Bolloré for use of the *Zig-Zag*[®] name and associated trademarks in connection with certain of our cigarette papers and related products.

We have two licensing agreements with Bolloré, the first of which governs licensing and the use of the *Zig-Zag*[®] name with respect to cigarette papers, cigarette tubes and cigarette injector machines, and the second of which governs licensing and the use of the *Zig-Zag*[®] name with respect to e-cigarettes and vaporizers. In 2015, we generated \$117.5 million in gross sales of *Zig-Zag*[®] products, of which \$55 million was generated from products sold through our license agreement with Bolloré. In the event the licensing agreements with Bolloré are not renewed, the terms of the agreements bind us under a five-year non-compete clause, under which we cannot engage in direct or indirect manufacturing, selling, distributing, marketing or otherwise promoting of cigarette papers of a competitor without Bolloré's consent, except in limited instances. We do not know whether we will renew these agreements on a timely basis or on terms satisfactory to us or at all. As a result of these restrictions, if our agreements with Bolloré are terminated, we may not be able to access the markets with recognizable brands that would be positioned to compete in these segments.

In our NewGen products segment, in addition to our license to sell NewGen products under the *Zig-Zag*[®] name, we also have a license to sell under VMR's *V2Cigs*[®] brand name in the U.S. We rely on this branding to attract customers based on its existing value as a recognizable and trusted name in the OTP industry. Our agreement with VMR grants us rights to use the *V2Cigs*[®] and *V2*[®] marks in our distribution of its NewGen products to brick-and-mortar retailers. If we are unable to continue to market *Zig-Zag*[®]- or *V2*[®]-branded NewGen products, we may see a significant decline in our market share and may not be able to find an equally attractive brand or trademark for our NewGen products. Even if we successfully market NewGen products under different brand names, it may take some time and significant investment for us to obtain rights to a new brand and gain market share with these products. Any potential delays or periods of time in which we cannot continue to use the *Zig-Zag*[®] or *V2*[®] names in the NewGen products market may make it difficult for us to compete against other producers who have title to or use of established brands and access to resources through which to capture market share.

In the event that the licenses to use the brands and trademarks in our portfolio are terminated or are not renewed after the end of the term, there is no guarantee we will be able to find a suitable replacement, or that if a replacement is found, that it will be on favorable terms. Any loss in our brand-name appeal to our existing customers as a result of the lapse or termination of our licenses could have a material adverse effect on our business, results of operations and financial condition.

We may not be successful in maintaining the consumer brand recognition and loyalty of our products.

We compete in a market that relies on innovation and the ability to react to evolving consumer preferences. The tobacco industry in general, and the OTP industry in particular, is subject to changing consumer trends, demands and preferences. Therefore, products once favored may over time become disfavored by consumers or no longer perceived as the best option. Consumers in the OTP market have demonstrated a high degree of brand loyalty, but producers must continue to adapt their products in order to maintain their status among these customers as the market evolves.

The *Zig-Zag*[®] brand has strong brand recognition among smokers, and our continued success depends in part on our ability to continue to differentiate the brand names that we own or license and maintain similarly high levels of recognition with target consumers. Trends within the OTP industry change often and our failure to anticipate, identify or react to changes in these trends could, among other things, lead to reduced demand for our products. Factors that may affect consumer perception of our products include health trends and attention to health concerns associated with tobacco, price-sensitivity in the presence of competitors' products or substitute products and trends in favor of new NewGen products that are currently being researched and produced by participants in our industry. For example, in recent years, we have witnessed a shift in consumer purchases from chewing tobacco to moist snuff,

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due to its increased affordability. Along with our biggest competitors in the chewing tobacco market, which also produce moist snuff, we have been able to shift priorities and adapt to this change. A failure to react to similar trends in the future could enable our competitors to grow or establish their brands' market share in these categories before we have a chance to respond.

Consumer perceptions of the overall health of tobacco-based products is likely to continue to shift, and our success depends, in part, on our ability to anticipate these shifting tastes and the rapidity with which the markets in which we compete will evolve in response to these changes on a timely and affordable basis. If we are unable to respond effectively and efficiently to changing consumer preferences, the demand for our products may decline which could have a material adverse effect on our business, results of operations and financial condition.

Regulations may be enacted in the future, particularly in light of increasing restrictions on the form and content of marketing of tobacco products, that would make it more difficult to appeal to our consumers or to leverage existing recognition of the brands that we own or license. Furthermore, even if we are able to continue to distinguish our products, there can be no assurance that the sales, marketing and distribution efforts of our competitors will not be successful in persuading consumers of our products to switch to their products. Many of our competitors have greater access to resources than we do, which better positions them to conduct market research in relation to branding strategies or costly marketing campaigns. Any loss of consumer brand loyalty to our products or in our ability to effectively brand our products in a recognizable way will have a material effect on our ability to continue to sell our products and maintain our market share, which could have a material adverse effect on our business, results of operations and financial condition.

We are subject to substantial and increasing regulation.

The tobacco industry has been under public scrutiny for over fifty years. Industry critics include special interest groups, the U.S. Surgeon General and many legislators and regulators at the state and federal levels. A wide variety of federal, state and local laws limit the advertising, sale and use of tobacco and these laws have proliferated in recent years. Together with changing public attitudes towards tobacco consumption, the constant expansion of regulations has been a major cause of the overall decline in the consumption of tobacco products since the early 1970s. These regulations relate to, among other things, the importation of tobacco products and shipping throughout the U.S. market, increases in the minimum age to purchase tobacco products, imposition of taxes, sampling and advertising bans or restrictions, flavor bans or restrictions, ingredient and constituent disclosure requirements and media campaigns and restrictions on where smokers can smoke. Additional restrictions may be legislatively imposed or agreed to in the future. These limitations may make it difficult for us to maintain the value of any brand.

Moreover, the current trend is toward increasing regulation of the tobacco industry, which is likely to differ between the various U.S. states and Canadian provinces in which we currently conduct business. Extensive and inconsistent regulation by multiple states and at different governmental levels could prove to be particularly disruptive to our business as well, as we may be unable to accommodate such regulations in a cost-effective manner that allows us to continue to compete in an economically viable way. Regulations are often introduced without the tobacco industry's input and have been a significant reason behind reduced industry sales volumes and increased illicit trade.

In 1986, federal legislation was enacted regulating smokeless tobacco products (including dry and moist snuff and chewing tobacco) by, among other things, requiring health warnings on smokeless tobacco packages and prohibiting the advertising of smokeless tobacco products on media subject to the jurisdiction of the Federal Communications Commission (FCC). Since 1986, other proposals have been made at the federal, state and local levels for additional regulation of tobacco products and it is likely that additional proposals will be made in the coming years. For example, the Prevent All Cigarette Trafficking Act prohibits the use of the U.S. Postal Service to mail most tobacco products and amends the Jenkins Act, which established cigarette sales reporting requirements for state excise tax collection, to

require individuals and businesses that make interstate sales of cigarettes or smokeless tobacco comply with state tax laws. See —There is uncertainty related to the federal regulation of NewGen products, cigars and pipe tobacco products. Additional federal or state regulation relating to the manufacture, sale, distribution, advertising, labeling, mandatory ingredients disclosure and nicotine yield information disclosure of tobacco products could reduce sales, increase costs and have a material adverse effect on our business, results of operations and financial condition.

On June 22, 2009, the Family Smoking Prevention and Tobacco Control Act (the Tobacco Control Act) authorized the FDA to regulate the tobacco industry and amended the Federal Cigarette Labeling and Advertising Act,

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which governs how cigarettes can be advertised and marketed. In addition to the FDA, we are subject to regulation by numerous other federal agencies, including the Federal Trade Commission (FTC), the TTB, the FCC, the U.S. Environmental Protection Agency, the U.S. Department of Agriculture (USDA), U.S. Customs and Border Protection and the U.S. Center for Disease Control and Prevention's Office on Smoking and Health. There have also been adverse legislative and political decisions and other unfavorable developments concerning cigarette smoking and the tobacco industry, which have received widespread public attention. There can be no assurance as to the ultimate content, timing or effect of any regulation of tobacco products by governmental bodies, nor can there be any assurance that potential corresponding declines in demand resulting from negative media attention would not have a material adverse effect on our business, results of operations and financial condition.

Our products are regulated by the FDA, which has broad regulatory powers.

Substantially all of our 2015 U.S. gross margin is derived from sales of products that are currently regulated or shortly will be regulated by the FDA. The Tobacco Control Act grants the FDA broad regulatory authority over the design, manufacture, sale, marketing and packaging of tobacco products. Among the regulatory powers conferred to the FDA under the Tobacco Control Act is the authority to impose tobacco product standards that are appropriate for the protection of the public health, require manufacturers to obtain FDA review and authorization for the marketing of certain new or modified tobacco products and impose various additional restrictions. Such restrictions may include requiring reduction or elimination of the use of particular constituents or components, requiring product testing, or addressing other aspects of tobacco product construction, constituents, properties or labeling.

Specifically, the Tobacco Control Act (i) increases the number of health warnings required on cigarette and smokeless tobacco products, increases the size of warnings on packaging and in advertising, requires the FDA to develop graphic warnings for cigarette packages, and grants the FDA authority to require new warnings, (ii) imposes restrictions on the sale and distribution of tobacco products, including significant restrictions on tobacco product advertising and promotion as well as the use of brand and trade names, (iii) bans the use of light, mild, low or similar descriptors on tobacco products, (iv) bans the use of characterizing flavors in cigarettes other than tobacco or menthol, (v) requires manufacturers to report ingredients and harmful constituents and requires the FDA to disclose certain constituent information to the public, (vi) authorizes the FDA to require the reduction of nicotine (although it may not require the reduction of nicotine yields of a tobacco product to zero) and the potential reduction or elimination of other constituents, including menthol, (vii) establishes pre-market review pathways for tobacco products that are considered new, including authorizing the FDA to deny any new product applications for products modified or first introduced into the market after March 22, 2011, or to determine that products modified or first introduced into the market between February 15, 2007 and March 22, 2011 are not substantially equivalent to products commercially marketed as of February 15, 2007, thereby preventing the sale or distribution of such products or requiring them to be removed from the market, and (viii) requires tobacco product manufacturers (and certain other entities) to register with the FDA.

The FDA charges user fees based on the USDA unit calculations pro-rated to the annualized FDA congressionally allocated budget. These fees only apply to our smokeless and smoking products (not electronic cigarettes or other e-products), but we may in the future be required to pay such fees on more of our products, and we cannot accurately predict which additional products may be subject to such fees or the magnitude of such fees, which could become significant.

Although the FDA is prohibited from issuing regulations banning all cigarettes or all smokeless tobacco products, or requiring the reduction of nicotine yields of a tobacco product to zero, it is likely that its regulations in accordance with the Tobacco Control Act could result in a decrease in cigarette and smokeless tobacco sales in the U.S. We believe that such regulation could adversely affect our ability to compete against our larger competitors, who may be able to more quickly and cost-effectively comply with these new rules and regulations. Our ability to gain efficient

market clearance for new tobacco products, or even to keep existing products on the market, could also be affected by FDA rules and regulations. All of our currently marketed products that are subject to FDA regulation will require approval from the FDA for us to continue marketing them, which we cannot guarantee we will be able to obtain. In addition, failure to comply with new or existing tobacco laws under which the FDA imposes regulatory requirements could result in significant financial penalties and government investigations of us. To the extent we are unable to respond to, or comply with, new FDA regulations it could have a material adverse effect on our business, results of operations and financial condition.

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Many of our products contain nicotine, which is considered to be a highly addictive substance.

Many of our products contain nicotine, a chemical that is considered to be highly addictive. The Tobacco Control Act empowers the FDA to regulate the amount of nicotine found in tobacco products, but not to require the reduction of nicotine yields of a tobacco product to zero. Any FDA regulation, whether of nicotine levels or other product attributes, may require us to reformulate, recall and/or discontinue certain of the products we may sell from time to time, which may have a material adverse effect on our ability to market our products and have a material adverse effect on our business, results of operations and financial condition.

There is uncertainty related to the federal regulation of NewGen products, cigars and pipe tobacco products.

Since their introduction, there has been significant uncertainty regarding whether, how and when tobacco regulations would apply to NewGen products, such as electronic cigarettes or other vaporizer products. Based on a decision in December 2010 by the U.S. Court of Appeals for the D.C. Circuit (the *Sottera* decision), the FDA is permitted to regulate electronic cigarettes containing tobacco-derived nicotine as tobacco products under the Tobacco Control Act.

On May 5, 2016, the FDA issued final regulations that extend its regulatory authority under the Tobacco Control Act to electronic cigarettes, vaporizers and certain other products, including cigars and pipe tobacco products, by newly deeming these products as tobacco products. The scope of the rules includes the following products that we market under the FDA's authority: electronic cigarettes (e-cigarettes), vaporizers, e-liquids, cigars and pipe tobacco not already under the FDA's authority. The scope of the FDA's authority also includes tobacco product components or parts that are used in the consumption of a tobacco product, like e-cigarette cartridges. The rules will become effective 90 days from their date of publication, which occurred on May 10, 2016. The rules will require that electronic cigarette manufacturers and manufacturers of other newly-deemed tobacco products, including cigars and pipe tobacco products, (i) register with the FDA and report product and ingredient listings; (ii) market new products only after FDA review and approval; (iii) only make direct and implied claims of reduced risk if the FDA approves after finding that scientific evidence supports the claim and that marketing the product will benefit public health as a whole; (iv) refrain from distributing free samples; (v) implement minimum age and identification restrictions to prevent sales to individuals under age 18; (vi) include a health warning; and (vii) refrain from selling the products in vending machines, unless the machine is located in a facility that never admits youth. Under the rules, newly-deemed tobacco products will be subject to the other requirements of the Tobacco Control Act, such as that they not be adulterated or misbranded. The FDA could in the future promulgate good manufacturing practice regulations for these and our other products, which could have a material adverse impact on our ability and the cost to manufacture our products.

Any significant impediments to the sale of NewGen products, cigars and pipe tobacco products caused by the rules could have a material adverse impact on our business and compliance and related costs could be substantial and could significantly increase the costs of operating in the NewGen products, cigar and pipe tobacco markets. In addition, failure to comply with the Tobacco Control Act and with FDA regulatory requirements could result in litigation, criminal convictions or significant financial penalties and could impair our ability to market and sell our electronic and vaporizer products. At present, we are not able to predict whether the Tobacco Control Act will impact our products to a greater degree than competitors in the industry, thus affecting our competitive position.

Under the final rules, regulatory approvals will be necessary in order for us to continue our distribution of NewGen products and cigar and pipe tobacco products. We intend to file for the appropriate approvals to allow us to sell our products in the U.S. We have no assurances that the outcome of such approval process will result in our products being approved by the FDA.

The anticipated costs of complying with future FDA regulations will be dependent on the rules issued by the FDA. Failure to comply with existing or new FDA regulatory requirements could result in significant financial penalties and

could have a material adverse effect on our business, results of operations, financial condition and ability to market and sell our products.

Furthermore, neither the Prevent All Cigarette Trafficking Act nor the Federal Cigarette Labeling and Advertising Act currently apply to NewGen products. There may, in the future, also be increased regulation of additives in smokeless products and internet sales of NewGen products. The application of either or both of these

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federal laws, and of any new laws or regulations which may be adopted in the future, to NewGen products or such additives could result in additional expenses and require us to change our advertising and labeling, and methods of marketing and distribution of our products, any of which could have a material adverse effect on our business, results of operations and financial condition.

Significant increases in state and local regulation of our NewGen products have been proposed or enacted and are likely to continue to be proposed or enacted in numerous jurisdictions.

There has been increasing activity on the state and local levels with respect to scrutiny of NewGen products. State and local governmental bodies across the U.S. have indicated NewGen products may become subject to new laws and regulations at the state and local levels. For example, in January 2015, the California Department of Health declared electronic cigarettes a health threat that should be strictly regulated like tobacco products. Further, some states and cities, including the State of Iowa, have enacted regulations that require obtaining a tobacco retail license in order to sell electronic cigarettes and vaporizer products. Many states and some cities have passed laws restricting the sale of electronic cigarettes and vaporizer products to minors. If one or more states from which we generate or anticipate generating significant sales of NewGen products bring actions to prevent us from selling our NewGen products unless we obtain certain licenses, approvals or permits, and if we are not able to obtain the necessary licenses, approvals or permits for financial reasons or otherwise and/or any such license, approval or permit is determined to be overly burdensome to us, then we may be required to cease sales and distribution of our products to those states, which could have a material adverse effect on our business, results of operations and financial condition.

Certain states and cities have already restricted the use of electronic cigarettes and vaporizer products in smoke-free venues. Additional city, state or federal regulators, municipalities, local governments and private industry may enact rules and regulations restricting the use of electronic cigarettes and vaporizer products in those same places where cigarettes cannot be smoked. Because of these restrictions, our customers may reduce or otherwise cease using our NewGen products, which could have a material adverse effect on our business, results of operations and financial condition.

Increases in tobacco-related taxes have been proposed or enacted and are likely to continue to be proposed or enacted in numerous jurisdictions.

Tobacco products, premium cigarette papers and tubes have long been subject to substantial federal, state and local excise taxes. Such taxes have frequently been increased or proposed to be increased, in some cases significantly, to fund various legislative initiatives or further disincentivize smoking. Since 1986, smokeless products have been subject to federal excise tax. Smokeless products are taxed by weight (in pounds or fractional parts thereof) manufactured or imported.

Since the State Children's Health Insurance Program (S-CHIP) reauthorization in early 2009, which utilizes, among other things, taxes on tobacco products to fund health insurance coverage for children, the federal excise tax increases adopted have been substantial and have materially reduced sales in the roll your own (RYO)/MYO cigarette smoking products market, and also caused volume declines in other markets. Although the RYO/MYO cigarette smoking tobacco and related products market had been one of the fastest growing markets in the tobacco industry in the five years prior to 2009, the reauthorization of S-CHIP increased the federal excise tax on RYO tobacco from \$1.10 to \$24.78 per pound, and materially reduced the MYO cigarette smoking tobacco market in the U.S. There have not been any increases announced since 2009, but we cannot guarantee that we will not be subject to further increases, nor whether any such increases will affect prices in a way that further deters consumers from purchasing our products and/or affects our net revenues in a way that renders us unable to compete effectively.

In addition to federal excise taxes, every state and certain city and county governments have imposed substantial excise taxes on sales of tobacco products, and many have raised or proposed to raise excise taxes in recent years, including Arkansas, Kansas, Louisiana, Minnesota, Nevada, Ohio, Vermont, Oregon, Indiana, Kentucky and Rhode Island. A number of states have weight-based taxes/unit-based taxes on moist snuff tobacco, including Alabama, Arizona, Connecticut, Delaware, Illinois, Indiana, Iowa, Kentucky, Maine, Montana, Nebraska, New Jersey, New York, North Dakota, Oregon, Rhode Island, Texas, Utah, Vermont, Virginia, Washington and Wyoming. Additional states may consider adopting such revised tax structures as well. Tax increases, depending on their parameters, may result in consumers switching between tobacco products or depress overall tobacco consumption, which is likely to result in declines in overall sales volumes.

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Any future enactment of increases in federal or state excise taxes on our tobacco products or rulings that certain of our products should be categorized differently for excise tax purposes could adversely affect demand for our products and may result in consumers switching between tobacco products or a depression in overall tobacco consumption, which would have a material adverse effect on our business, results of operations and financial condition.

If our NewGen products become subject to increased taxes it could adversely affect our business.

Presently the sale of NewGen products is generally not subject to federal, state and local excise taxes like the sale of conventional cigarettes or other tobacco products, all of which generally have high tax rates and have faced significant increases in the amount of taxes collected on their sales. In recent years, however, state and local governments have taken actions to move towards imposing excise taxes on NewGen products. As of January 1, 2016, the District of Columbia, Louisiana, Minnesota, North Carolina and certain localities impose excise taxes on electronic cigarettes and/or liquid vapor. In addition, the state of Kansas has passed legislation approving excise taxes that will take effect in July 2016. Other jurisdictions are contemplating similar legislation and other restrictions on electronic cigarettes. Should federal, state and local governments and/or other taxing authorities begin or continue to impose excise taxes similar to those levied against conventional cigarettes and tobacco products on NewGen products, it may have a material adverse effect on the demand for these products, as consumers may be unwilling to pay the increased costs, which in turn could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to increasing international control and regulation.

The World Health Organization's Framework Convention on Tobacco Control (FCTC) is the first international public health treaty that establishes a global agenda to reduce initiation of tobacco use and regulate tobacco in an effort to encourage tobacco cessation. Over 170 governments worldwide have ratified the FCTC. The FCTC has led to increased efforts to reduce the supply and demand of tobacco products and to encourage governments to further regulate the tobacco industry. The tobacco industry expects significant regulatory developments to take place over the next few years, driven principally by the FCTC. Regulatory initiatives that have been proposed, introduced or enacted include:

- the levying of substantial and increasing tax and duty charges;
- restrictions or bans on advertising, marketing and sponsorship;
- the display of larger health warnings, graphic health warnings and other labeling requirements;
- restrictions on packaging design, including the use of colors and generic packaging;
- restrictions or bans on the display of tobacco product packaging at the point of sale, and restrictions or bans on cigarette vending machines;
- requirements regarding testing, disclosure and performance standards for tar, nicotine, carbon monoxide and other smoke constituents levels;
- requirements regarding testing, disclosure and use of tobacco product ingredients;
- increased restrictions on smoking in public and work places and, in some instances, in private places and outdoors;
- elimination of duty free allowances for travelers; and
- encouraging litigation against tobacco companies.

If the U.S. becomes a signatory to the FCTC and/or national laws are enacted in the U.S. that reflect the major elements of the FCTC, our business, results of operations and financial condition could be materially and adversely affected. If NewGen products become subject to one or more of the significant regulatory initiatives proposed under the FCTC, our NewGen products segment may also be materially adversely affected.

As part of our strategy, we have begun strategic international expansions, such as introducing our moist snuff tobacco products in South America. This and other future expansions may subject us to additional or increasing international

regulation, either by the countries that are the object of the strategic expansion or through international regulatory regimes, such as the FCTC, to which those countries may be signatories.

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Liquid vapor products containing nicotine have not been approved for sale in Canada. Some Canadian provinces have restricted sales and marketing of electronic cigarettes, and other provinces are in the process of passing similar legislation. Furthermore, some Canadian provinces have limited the use of electronic cigarettes and vaporizer products in public places. As a result, we are unable to market these products in the relevant parts of Canada. These measures, and any future measures taken to limit the marketing, sale and use of NewGen products may have a material adverse effect on our business, results of operations and financial condition.

To the extent our existing or future products become subject to international regulatory regimes that we are unable to comply with or fail to comply with, they may have a material adverse effect on our business, results of operations and financial condition.

Our distribution efforts rely in part on our ability to leverage relationships with large retailers and national chains.

Our distribution efforts rely in part on our ability to leverage relationships with large retailers and national chains to sell and promote our products, which is dependent upon the strength of the brand names that we own or license. In order to maintain these relationships, we must continue to supply products that will bring steady business to these retailers and national chains. We may not be able to sustain these relationships or establish other relationships with such entities, which could have a material adverse effect on our ability to execute our branding strategies, our ability to access the end-user markets with our products or our ability to maintain our relationships with the producers of our products. For example, if we are unable to meet benchmarking provisions in contracts or if we are unable to maintain and leverage our retail relationships on a scale sufficient to make us an attractive distributor, it would have a material adverse effect on our ability to source products, and on our business, results of operations and financial condition.

In addition, there are factors beyond our control that may prevent us from leveraging existing relationships, such as industry consolidation. If we are unable to develop and sustain relationships with large retailers and national chains, or are unable to leverage those relationships due to factors such as a decline in the role of brick-and-mortar retailers in the North American economy, our capacity to maintain and grow brand and product recognition and increase sales volume will be significantly undermined. In such an event, we may ultimately be forced to pursue and rely on local and more fragmented sales channels, which will have a material adverse effect on our business, results of operations and financial condition.

After giving effect to this offering, we will have a substantial amount of indebtedness that could affect our financial condition.

As of December 31, 2015, after giving effect to this offering, we would have had \$151.7 million outstanding under our First Lien Credit Agreement, \$73.0 million outstanding under our Second Lien Credit Facility, \$1.6 million of aggregate principal amount of our 7% Senior Notes outstanding and \$18,000 of borrowings outstanding under our asset-based lending (ABL) facility, with the ability to borrow an additional \$23.5 million under the ABL. In addition, we expect to utilize the SG Credit Line to finance acquisitions approved by Standard General L.P. If we cannot generate sufficient cash flow from operations to service our debt, we may need to further refinance our debt, dispose of assets or issue equity to obtain necessary funds. We do not know whether we will be able to do any of this on a timely basis or on terms satisfactory to us or at all.

Our substantial amount of indebtedness could limit our ability to:

- obtain necessary additional financing for working capital, capital expenditures or other purposes in the future;
- plan for, or react to, changes in our business and the industries in which we operate;
- make future acquisitions or pursue other business opportunities;

- react in an extended economic downturn; and
- pay dividends to the extent we determine to do so in the future.

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The terms of the agreement governing our indebtedness may restrict our current and future operations, which would adversely affect our ability to respond to changes in our business and to manage our operations.

Our ABL, First Lien Credit Agreement and Second Lien Credit Facility contain, and any future indebtedness of ours would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things:

- incur additional debt;
- pay dividends and make other restricted payments;
- create liens;
- make investments and acquisitions;
- engage in sales of assets and subsidiary stock;
- enter into sale-leaseback transactions;
- enter into transactions with affiliates;
- transfer all or substantially all of our assets or enter into merger or consolidation transactions; and
- enter into certain hedging agreements.

Our ABL, First Lien Credit Agreement and Second Lien Credit Facility also require us to maintain certain financial ratios. As of December 31, 2015, we were in compliance with the financial and restrictive covenants in our existing debt instruments. However, a failure by us to comply with the covenants or financial ratios in our debt instruments could result in an event of default under the applicable facility, which could adversely affect our ability to respond to changes in our business and manage our operations. In the event of any default under our ABL, First Lien Credit Agreement or Second Lien Credit Facility, the lenders under our debt instruments could elect to declare all amounts outstanding under such instruments to be due and payable and require us to apply all of our available cash to repay these amounts. If the indebtedness under our ABL, First Lien Credit Agreement or Second Lien Credit Facility were to be accelerated, which would cause an event of default and a cross-acceleration of our obligations under our other debt instruments, there can be no assurance that our assets would be sufficient to repay this indebtedness in full, which could have a material adverse effect on our business, results of operations and financial condition.

We face intense competition and may fail to compete effectively.

The OTP industry is characterized by brand recognition and loyalty, with product quality, price, marketing and packaging constituting the primary methods of competition. Substantial marketing support, merchandising display, competitive pricing and other financial incentives generally are required to introduce a new brand or to improve or maintain a brand's market position. Our principal competitors are big tobacco, Altria Group, Inc. (formerly Phillip Morris) and Reynolds American Inc., as well as Swedish Match, Swisher International and manufacturers of electronic cigarettes, including U.K.-based Imperial Tobacco Group PLC. These competitors are significantly larger than us and aggressively seek to limit the distribution or sale of other companies' products, both at the wholesale and retail levels. For example, certain competitors have entered into agreements limiting retail merchandising displays of other companies' products or imposing minimum prices for OTP products, thereby limiting their competitors' ability to offer discounted products. In addition, the tobacco industry is experiencing a trend toward industry consolidation, most recently evidenced by the June 2015 acquisition of Lorillard Inc. by Reynolds American Inc. Industry consolidation could result in a more competitive environment if our competitors are able to increase their combined resources, enhance their access to national distribution networks, or become acquired by established companies with greater resources than ours. Any inability to compete due to our smaller scale as the industry continues to consolidate and be dominated by big tobacco could have a material adverse effect on our business, results of operations and financial condition.

The competitive environment and our competitive position is also significantly influenced by economic conditions, erosion of consumer confidence, competitors' introduction of low-priced products or innovative products, higher taxes,

higher absolute prices and larger gaps between price categories and product regulation that diminishes the consumer's ability to differentiate tobacco products. Due to the impact of these factors, as well as higher state

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and local excise taxes and the market share of deep discount brands, the tobacco industry has become increasingly price competitive. As we seek to adapt to the price competitive environment, our competitors that are better capitalized may be able to sustain price discounts for long periods of time by spreading the loss across their expansive portfolios, with which we are not positioned to compete.

Competition in the electronic cigarette and vaporizer products industry is particularly intense. The nature of our NewGen product competitors is varied as the market is highly fragmented. In addition, some marketers still have the ability to access sales channels through the mail, which is no longer available in the markets for traditional tobacco products, and which facilitates market access for a range of competitors who would otherwise find themselves at a competitive disadvantage in a brick-and-mortar context.

Big tobacco has also established its presence in the NewGen products market. There can be no assurance that our products will be able to compete successfully against these companies or any of our other competitors, some of which have far greater resources, capital, experience, market penetration, sales and distribution channels than us. In addition, there are currently no U.S. restrictions on advertising electronic cigarettes and vaporizer products and competitors, including big tobacco, may have more resources than us for advertising expenses, which could have a material adverse effect on our ability to build and maintain market share, and thus have a material adverse effect on our business, results of operations and financial condition.

The market for NewGen products is a niche market, subject to a great deal of uncertainty and is still evolving.

Vaporizer products and electronic cigarettes, having recently been introduced to market, are at an early stage of development, and represent core components of a niche market that is evolving rapidly and is characterized by a number of market participants. Rapid growth in the use of, and interest in, vaporizer products and electronic cigarettes is recent, and may not continue on a lasting basis. The demand and market acceptance for these products is subject to a high level of uncertainty. Therefore, we are subject to all of the business risks associated with a new enterprise in a niche market. Continued evolution, uncertainty and the resulting increased risk of failure of our new and existing product offerings in this market could have a material adverse effect on our ability to build and maintain market share and on our business, results of operations and financial condition. Further, there can be no assurance that we will be able to continue to effectively compete in the NewGen products marketplace, in light of the low barriers to entry.

We may become subject to significant product liability litigation.

The tobacco industry has experienced and continues to experience significant product liability litigation. Most tobacco liability lawsuits have been brought against manufacturers and sellers of cigarettes by individual plaintiffs, often participating on a class-action basis, for injuries allegedly caused by cigarette smoking or by exposure to cigarette smoke. However, several lawsuits have also been brought against us and other manufacturers and sellers of smokeless products for injuries to health allegedly caused by use of smokeless products. There are several such suits pending against us, but all have been dormant for a number of years. No assurance can be given however, that such suits will remain dormant. In addition to the risks to our business, results of operations and financial condition resulting from adverse results in any such action, ongoing litigation may divert management's attention and resources, which could have an impact on our business and operations. For a description of current material litigation to which we or our subsidiaries are a party, see Business—Legal Proceedings. We cannot predict with certainty the outcome of these claims and there can be no assurance that we will not sustain losses in connection with such lawsuits and that such losses will not have a material adverse effect on our business, results of operations and financial condition.

In addition to current and potential future claims related to our smoking and smokeless products, we may be subject to claims in the future relating to our NewGen products. As a result of their relative novelty, electronic cigarette and vaporizer product manufacturers and sellers have only recently become subject to litigation. We may see increasing

litigation over our NewGen products or the regulation of our products, as the regulatory regimes surrounding these products develop. In February 2015, for example, the Center for Environmental Health, a public interest group in California, filed an action against vaporizer marketers, including one of our subsidiaries, alleging a violation of California's Proposition 65 (Prop 65). Prop 65 requires the State of California to identify chemicals that could cause cancer, birth defects, or reproductive harm, and businesses selling products in California are then required to warn consumers of any possible exposure to the chemicals on the list. The basis for the action brought by the Center for Environmental Health is the reproductive harm associated with nicotine. Although we are not aware of an instance in which we have sold nicotine-containing e-cigarette products that did not carry the appropriate Prop 65 warning, the Center for Environmental Health has asserted in its complaint that even e-cigarette products that do

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not contain nicotine, but could potentially be used with nicotine-containing products (such as open-system vaporizers or blank cartridges), should also carry a Prop 65 warning. In February 2016, the Company received the Notice of Order and Entry of Consent Judgment granting approval of the Consent Judgment, which results in a settlement in the amount of \$80,000.

As a result of this or other similar suits which may be filed in the future, we may face substantial costs due to increased product liability litigation relating to new regulations or other potential defects associated with our NewGen products, which could have a material adverse effect on our business, results of operations and financial condition.

The scientific community has not yet studied extensively the long-term health effects of electronic cigarette, vaporizer or e-liquids products use.

Electronic cigarettes, vaporizers and related products were recently developed and therefore the scientific community has not had a sufficient period of time to study the long-term health effects of their use. Currently, there is no way of knowing whether these products are safe for their intended use. If the scientific community were to determine conclusively that use of any or all of these products poses long-term health risks, market demand for these products and their use could materially decline. Such a determination could also lead to litigation and significant regulation. Loss of demand for our product, product liability claims and increased regulation stemming from unfavorable scientific studies on these products could have a material adverse effect on our business, results of operations and financial condition.

We are required to maintain and contribute cash amounts to an escrow account in order to be compliant with a settlement agreement between us and certain U.S. states and territories.

In November 1998, the major U.S. cigarette manufacturers entered into the Master Settlement Agreement (MSA) and the Smokeless Tobacco Master Settlement Agreement (STMSA) with 46 U.S. states and certain U.S. territories and possessions. Pursuant to the MSA and subsequent states' statutes, a cigarette manufacturer (which is defined to also include a manufacturer of RYO/MYO cigarette tobacco) has the option of either becoming a signatory to the MSA, or, as we have elected, operating as a non-participating manufacturer (NPM) by funding and maintaining an escrow account, with sub-accounts on behalf of each settling state. These NPM escrow accounts are governed by states' escrow and complementary statutes that are generally monitored by the Office of the State Attorney General. The statutes require NPM companies to deposit, on an annual basis, into qualified banks' escrow funds based on the number of cigarettes or cigarette equivalents, which is measured by pounds of RYO/MYO tobacco sold. NPM companies are, within specified limits, entitled to direct the investment of the escrowed funds and withdraw any interest or appreciation, but cannot withdraw the principal for twenty-five years from the year of each annual deposit, except to withdraw funds deposited pursuant to an individual state's escrow statute to pay a final judgment to that state's plaintiffs in the event of such a final judgment. The investment vehicles available to us are specified in the state escrow agreements and are limited to low-risk government securities.

Various states have enacted or proposed complementary legislation intended to curb the activity of certain manufacturers and importers of cigarettes or MYO tobacco that are selling into MSA states without signing the MSA or who have failed to properly establish and fund a qualifying escrow account. To the best of our knowledge, no statute has been enacted that could inadvertently and negatively impact us. We believe we have been and are currently fully compliant with all applicable laws, regulations and statutes, although compliance-related issues may, from time to time, be disruptive of our business, any of which could have a material adverse effect on our business, results of operations and financial condition.

Pursuant to the NPM escrow account statutes, in order to be compliant with the NPM escrow requirements, we are required to deposit such funds for each calendar year into a qualifying escrow account by April 15 of the following

year with each year's deposit being released from escrow after 25 years. We have deposited approximately \$0.1 million relating to 2013 sales, approximately \$0.1 million relating to 2014 sales and anticipate deposits of approximately \$0.1 million relating to 2015 sales. As of December 31, 2015, we had on deposit approximately \$31.8 million.

Although no such legislation has been proposed or enacted, future changes to the MSA, such as legislation that extends the MSA to products to which it does not currently apply or legislation that limits the ability of companies to receive unused escrow funds after 25 years, may have a material adverse effect on our business, results of operations and financial condition.

Despite the amounts maintained and funded to the escrow account, compliance with the funding requirements for the escrow account does not necessarily prevent future federal and/or state regulations with respect to the OTP

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industry from having a material adverse effect on our business, results of operations and financial condition. For more information on the MSA and compliance with the NPM escrow requirements, see Regulation—State Attorney General Settlement Agreements.

Competition from illicit sources may have an adverse effect on our overall sales volume, restricting the ability to increase selling prices and damaging brand equity.

Illicit trade and tobacco trafficking in the form of counterfeit products, smuggled genuine products and locally manufactured products on which applicable taxes are evaded, represent a significant and growing threat to the legitimate tobacco industry. Factors such as increasing tax regimes, regulatory restrictions, compliance requirements and economic downturn are encouraging more consumers to switch to illegal, cheaper tobacco products and providing greater rewards for smugglers. Illicit trade can have an adverse effect on our overall sales volume, restrict the ability to increase selling prices, damage brand equity and may lead to commoditization of our products. See Business—Legal Proceedings.

Although we combat counterfeiting of our products by engaging in certain tactics, such as requiring all sales force personnel to randomly collect our products from retailers in order to be tested by our quality control team, maintaining a quality control group that is responsible for identifying counterfeit products and using a private investigation firm to help perform surveillance of retailers we suspect are selling counterfeit products, no assurance can be given that we will be able to detect or stop sales of all counterfeit products. In addition, we have in the past and will continue to bring suits against retailers and distributors that sell certain counterfeit products. While we have been successful in securing financial recoveries from and helping to obtain criminal convictions of counterfeiters in the past, no assurance can be given that we will be successful in any such suits or that such suits will be successful in stopping other retailers or distributors from selling counterfeit products. Even if we are successful, such suits could consume a significant amount of management's time and could also result in significant expenses to the company. See Business—Production and Quality Control. Any failure to track and prevent counterfeiting of our products could have a material adverse on our ability to maintain our effectively compete for the products we distribute under our brand names, which would have a material adverse effect on our business, results of operations and financial condition.

Reliance on information technology means a significant disruption could affect our communications and operations.

We increasingly rely on information technology systems for our internal communications, controls, reporting and relations with customers and suppliers and information technology is becoming a significantly important tool for our sales staff. Our marketing and distribution strategy is dependent upon our ability to closely monitor consumer and market trends on a highly specified level, for which we are reliant on our highly sophisticated data tracking systems, which are susceptible to disruption or failure. In addition, our reliance on information technology exposes us to cyber-security risks, which could have a material adverse effect on our ability to compete. Security and privacy breaches may expose us to liability and cause us to lose customers, or may disrupt our relationships and ongoing transactions with other entities with whom we contract throughout our supply chain. The failure of our information systems to function as intended, or the penetration by outside parties intent on disrupting business processes, could result in significant costs, loss of revenue, assets or personal or other sensitive data and reputational harm.

Security and privacy breaches may expose us to liability and cause us to lose customers.

Federal and state laws require us to safeguard our wholesalers' and retailers' financial information, including credit information. Although we have established security procedures to protect against identity theft and the theft of our customers' and distributors' financial information, our security and testing measures may not prevent security breaches and breaches of privacy may occur, could harm our business. Typically, we rely on encryption and authentication

technology licensed from third parties to enhance transmission security of confidential information in relation to financial and other sensitive information that we have on file. Advances in computer capabilities, new discoveries in the field of cryptography, inadequate facility security or other developments may result in a compromise or breach of the technology used by us to protect customer data. Any compromise of our security could harm our reputation or financial condition and, therefore, our business. In addition, a party who is able to circumvent our security measures or exploit inadequacies in our security measures, could, among other effects, misappropriate proprietary information, cause interruptions in our operations or expose customers and other entities with which we interact to computer viruses or other disruptions. Actual or perceived vulnerabilities may lead to claims against us. To the extent the measures we have taken prove to be insufficient or inadequate, we may become subject to litigation or administrative sanctions, which could result in significant fines, penalties or damages and harm to our reputation.

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Contamination of, or damage to, our products could adversely impact sales volume, market share and profitability.

Our market position may be affected through the contamination of our tobacco supply or products during the manufacturing process or at different points in the entire supply chain. We keep significant amounts of inventory of our products in warehouses and it is possible that this inventory could become contaminated prior to arrival at our premises or during the storage period. If contamination of our inventory or packaged products occurs, whether as a result of a failure in quality control by us or by one of our suppliers, we may incur significant costs in replacing the inventory and recalling products. We may be unable to meet customer demand and may lose customers who purchase alternative brands or products. In addition, consumers may lose confidence in the affected product.

Under the terms of our contracts, we impose requirements on our suppliers to maintain quality and comply with product specifications and requirements, and on our third-party co-manufacturer to comply with all federal, state and local laws. These third-party suppliers, however, may not continue to produce products that are consistent with our standards or that are in compliance with applicable laws, and we cannot guarantee that we will be able to identify instances in which our third-party suppliers fail to comply with our standards or applicable laws. A loss of sales volume from a contamination event may occur, and such a loss may affect our ability to supply our current customers and to recapture their business in the event they are forced to switch products or brands, even if on a temporary basis. We may also be subject to legal action as a result of a contamination, which could result in negative publicity and affect our sales. During this time, our competitors may benefit from an increased market share that could be difficult and costly to regain. Such a contamination event could have a material adverse effect on our business, results of operations and financial condition.

Our intellectual property may be infringed.

We currently rely on trademark and other intellectual property rights to establish and protect the brand names and logos we own or license. Third parties have in the past infringed, and may in the future infringe, on these trademarks and our other intellectual property rights. Our ability to maintain and further build brand recognition is dependent on the continued and exclusive use of these trademarks, service marks and other proprietary intellectual property, including the names and logos we own or license. Despite our attempts to ensure these intellectual property rights are protected, third parties may take actions that could materially and adversely affect our rights or the value of this intellectual property. Any litigation concerning our intellectual property rights, whether successful or unsuccessful, could result in substantial costs to us and diversions of our resources. Expenses related to protecting our intellectual property rights, the loss or compromise of any of these rights or the loss of revenues as a result of infringement could have a material adverse effect on our business, results of operations and financial condition, and may prevent the brands we own or license from growing or maintaining market share.

Third parties may claim that we infringe their intellectual property and trademark rights.

Competitors in the tobacco products market have claimed, and others may claim, that we infringe their proprietary rights. In particular, we have been involved in ongoing litigation with the Republic Group concerning the Zig-Zag® trademark in certain territories outside the U.S. and Canada. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, injunctions against us or the payment of damages.

We have one customer that represents approximately 10% of our revenue.

We relied on a single customer, McLane Company Inc. (McLane) for more than 10% of our revenues for the years 2011 through 2014. Furthermore, in 2015, sales to our top three customers accounted for over 20% of our revenues. In 2015, McLane represented 9.8% of our revenues. However, McLane purchases its products on a purchase order basis and we do not have an agreement with them that requires them to purchase our products as opposed to those of our

competitors. If our relationship with McLane ends or is disrupted, we would experience a material adverse effect on our business, results of operations and financial condition, and may struggle to replace such a significant relationship. We may also face reputational harm, even if the impact of this loss is temporary, due to the potential loss of market share and a reduction of the presence of our branded products in the end markets.

We may fail to manage our growth.

We have expanded over our history and intend to grow in the future. For example, we acquired the *Stokers*[®] brand in 2003, and have continued to develop it through the introduction of new products, such as moist snuff in 2009. We have also focused on growing our relationships with our key suppliers through expansion into new product

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lines, such as the addition of cigarillos, which are sourced by JJA in addition to cigars, and vaporizer products, which are produced by VMR, in addition to e-cigarettes. However, any future growth will place additional demands on our resources, and we cannot be sure we will be able to manage our growth effectively. If we are unable to manage our growth while maintaining the quality of our products and profit margins, or if new systems that we implement to assist in managing our growth do not produce the expected benefits, our business, financial position, results of operations and cash flows could be adversely affected. We may not be able to support, financially or otherwise, future growth, or hire, train, motivate and manage the required personnel. Our failure to manage growth effectively could also limit our ability to achieve our goals as they relate to streamlined sales, marketing and distribution operations and the ability to achieve certain financial metrics.

We are subject to fluctuations in our month-to-month results that make it difficult to track trends and develop strategies in the short-term.

In response to competitor actions and pricing pressures, we have engaged in significant use of promotional and sales incentives. We regularly review the results of our promotional spending activities and adjust our promotional spending programs in an effort to maintain our competitive position. Accordingly, unit sales volume and sales promotion costs in any period are not necessarily indicative of sales and costs that may be realized in subsequent periods. Additionally, promotional activity significantly increases net sales in the month in which it is initiated and net sales are adversely impacted in the month after a promotion. Accordingly, based upon the timing of our marketing and promotional initiatives, we have and may continue to experience significant variability in our month-to-month results, which could affect our ability to formulate strategies that allow us to maintain our market presence across volatile months. If our monthly fluctuations obscure our ability to track important trends in our key markets, it may have a material adverse effect on our business, results of operations and financial condition.

We are subject to the risks of exchange rate fluctuations.

Currency movements and suppliers' price increases relating to premium cigarette papers and cigarette tubes are the primary factors affecting our cost of sales. These products are purchased from Bolloré and we make payments in Euros. Thus, we bear certain foreign exchange rate risk for certain of our inventory purchases. In addition, as part of our strategy, we have begun strategic international expansions, such as introducing our moist snuff tobacco products in South America. As a result, we may be more sensitive to the risks of exchange rate fluctuations. To minimize this risk, we sometimes utilize short-term forward currency contracts, through which we secure Euros in order to pay for our monthly inventory purchases. In 2005, we adopted and instituted a formal foreign exchange currency policy and more actively contracted for the forward purchase of Euros. We engage in hedging transactions from time to time but no assurance can be made that we will be successful in eliminating currency exchange risks or that changes in currency rates will not have a material adverse effect on our business, results of operations and financial condition.

Adverse U.S. and global economic conditions could negatively impact our business, prospects, results of operations, financial condition or cash flows.

Our business and operations are sensitive to global economic conditions. These conditions include interest rates, energy costs, inflation, recession, fluctuations in debt and equity capital markets and the general condition of the U.S. and world economy. A material decline in the economic conditions affecting consumers, which cause a reduction in disposable income for the average consumer, may change consumption patterns, and may result in a reduction in spending on tobacco products or a switch to cheaper products or products obtained through illicit channels. Electronic cigarettes, vaporizer and e-liquid products are relatively new to market and may be regarded by users as a novelty item and expendable. As such, demand for our NewGen products may be particularly sensitive to economic conditions such as inflation, recession, high energy costs, unemployment, changes in interest rates and money supply, changes in the political environment and other factors beyond our control, any combination of which could result in a material

adverse effect on our business, results of operations and financial condition.

Our supply to our wholesalers and retailers is dependent on the demands of their customers who are sensitive to increased sales taxes and economic conditions affecting their disposable income.

Consumer purchases of tobacco products are historically affected by economic conditions, such as changes in employment, salary and wage levels, the availability of consumer credit, inflation, interest rates, fuel prices, sales taxes, and the level of consumer confidence in prevailing and future economic conditions. Discretionary consumer purchases, such as of tobacco products, may decline during recessionary periods or at other times when disposable income is lower and taxes may be higher.

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In addition, states such as New York, Hawaii, Rhode Island, Georgia and North Carolina have begun collecting taxes on internet sales where companies have used independent contractors in those states to solicit sales from residents of those states. These taxes apply to our online sales of NewGen products into those states, and may result in reduced demand from the independent wholesalers who may not be able to absorb the increased taxes or successfully pass them onto the end-user without experiencing reduced demand. The requirement to collect, track and remit taxes based on independent affiliate sales may require us to increase our prices, which may affect demand for our products or conversely reduce our net profit margin, which could have a material adverse effect on our business, results of operations and financial condition.

Our failure to comply with certain environmental, health and safety regulations could adversely affect our business.

The storage, distribution and transportation of some of the products that we sell are subject to a variety of federal and state environmental regulations. In addition, our manufacturing facilities are similarly subject to federal, state and local environmental laws. We are also subject to operational, health and safety laws and regulations. Our failure to comply with these laws and regulations could cause a disruption in our business, an inability to maintain our manufacturing resources, and additional and potentially significant remedial costs and damages, fines, sanctions or other legal consequences that could have a material adverse effect on our business, results of operations and financial condition.

The departure of key management personnel and the failure to attract and retain talent could adversely affect our operations.

Our success depends upon the continued contributions of our senior management. Our ability to implement our strategy of attracting and retaining the best talent may be impaired by the decreasing social acceptance of tobacco usage. The tobacco industry competes for talent with the consumer products industry and other companies that enjoy greater societal acceptance. As a result, we may be unable to attract and retain the best talent, which could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to the Offering and our Common Stock

The reduced disclosure requirements applicable to Emerging Growth Companies may make our common stock less attractive to investors, potentially decreasing our stock price.

For as long as we continue to be an Emerging Growth Company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not Emerging Growth Companies. Investors may find our common stock less attractive because we may rely on these exemptions, which include but are not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act (Section 404), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. In addition, Section 107 of the JOBS Act (Section 107) provides that an Emerging Growth Company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. We have elected to opt out of the extended transition period for complying with the revised accounting standards.

If investors find our common stock less attractive as a result of exemptions and reduced disclosure requirements, there may be a less active trading market for our common stock and our stock price may be more volatile or decrease.

We may lose our status as an Emerging Growth Company before the five-year maximum time period a company may retain such status.

We have elected to rely on the exemptions and reduced disclosure requirements applicable to Emerging Growth Companies and expect to continue to do so. However, we may choose to opt out of such reduced disclosure requirements and provide disclosure required for companies that do not qualify as emerging growth companies. In addition, we chose to opt out of the provision of the JOBS Act that permits us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. Section 107 provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards would be irrevocable.

Furthermore, although we are able to remain an Emerging Growth Company for up to five years, we may lose such status at an earlier time if (i) our annual gross revenues exceed \$1 billion, (ii) we become a large accelerated

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filer as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) we issued more than \$1 billion in non-convertible debt during the preceding three-year period.

When we lose our Emerging Growth Company status, whether due to an election, the end of the five-year period, or one of the circumstances listed in the preceding paragraph, the Emerging Growth Company exemptions will cease to apply and we expect we will incur additional expenses and devote increased management effort toward ensuring compliance with the non-Emerging Growth Company requirements. We cannot predict or estimate the amount of additional costs we may incur as a result of the change in our status under the JOBS Act or the timing of such costs, though such costs may be substantial.

The requirements of being a public company, including compliance with the reporting requirements of the Exchange Act and the requirements of the Sarbanes-Oxley Act, may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.

As a public company, we will need to comply with new laws, regulations and requirements, certain corporate governance provisions of the Sarbanes-Oxley Act, related regulations of the SEC and the requirements of the NYSE, with which we are not required to comply as a private company. Complying with these statutes, regulations and requirements will occupy a significant amount of time of our board of directors and management and will significantly increase our costs and expenses and will make some activities more time-consuming and costly. We anticipate that our incremental general and administrative expenses as a publicly traded company will include costs associated with annual reports to shareholders, tax returns, investor relations, registrar and transfer agent's fees and incremental director and officer liability insurance costs. We will need to:

- institute a more comprehensive compliance function;
- comply with rules promulgated by the SEC and NYSE;
- prepare and distribute periodic public reports in compliance with our obligations under the federal securities laws;
- establish new internal policies, such as those relating to insider trading; and
- involve and retain to a greater degree outside counsel and accountants in the above activities.

Furthermore, while we generally must comply with Section 404 for our fiscal year ending December 31, 2017, we are not required to have our independent registered public accounting firm attest to the effectiveness of our internal controls until our first annual report subsequent to our ceasing to be an emerging growth company within the meaning of Section 2(a)(19) of the Securities Act. See —The reduced disclosure requirements applicable to Emerging Growth Companies may make our common stock less attractive to investors, potentially decreasing our stock price.

Accordingly, we may not be required to have our independent registered public accounting firm attest to the effectiveness of our internal controls until as late as our annual report for the fiscal year ending December 31, 2021. Once it is required to do so, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed, operated or reviewed. If we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We will be required to dedicate a significant amount of time and resources to ensure compliance with the regulatory requirements of Section 404. We will work with our legal, accounting and financial advisors to identify any areas in which changes should be made to our financial and management control systems to manage our growth and our obligations as a public company. However, these and other measures we may take may not be sufficient to allow us to satisfy our obligations as a public company on a timely and reliable basis. Compliance with these requirements may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.

The initial public offering price of our common stock may not be indicative of the market price of our common stock after this offering. In addition, an active, liquid and orderly trading market for our common stock may not develop or be maintained, and our stock price may be volatile.

Prior to this offering, our common stock was not traded on any market. An active, liquid and orderly trading market for our common stock may not develop or be maintained after this offering. Active, liquid and orderly trading markets usually result in less price volatility and more efficiency in carrying out investors' purchase and sale orders. The market price of our common stock could vary significantly as a result of a number of factors, some of which are

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beyond our control. In the event of a drop in the market price of our common stock, you could lose a substantial part or all of your investment in our common stock. The initial public offering price will be negotiated between us and representatives of the underwriters, based on numerous factors which we discuss in Underwriting, and may not be indicative of the market price of our common stock after this offering. Consequently, you may not be able to sell shares of our common stock at prices equal to or greater than the price paid by you in this offering. The following factors could affect our stock price:

- our operating and financial performance;
- quarterly variations in the rate of growth of our financial indicators, such as net income per share, net income and revenues;
- strategic actions by our competitors;
- changes in revenue or earnings estimates, or changes in recommendations or withdrawal of research coverage, by equity research analysts;
- speculation in the press or investment community;
- sales of our common stock by us or other stockholders, or the perception that such sales may occur;
- changes in accounting principles;
- additions or departures of key management personnel;
- actions by our stockholders; and
- domestic and international economic, legal and regulatory factors.

The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. Such litigation, if instituted against us, could result in very substantial costs, divert our management's attention and resources and harm our business, operating results and financial condition. Furthermore, if a significant amount of shares of our common stock is purchased in this offering pursuant to the Anchor Order, the overall trading market for our shares will not be as active as it otherwise would have been had these shares been purchased by other investors.

Our Principal Stockholders will be able to exert significant influence over matters submitted to our stockholders and may take certain actions to prevent takeovers.

After giving effect to the Stock Split, the Conversion and this offering, Standard General will own approximately 47.4% of our common stock (or 45.1% if the underwriters fully exercise their option to purchase additional shares of common stock in this offering) and will have the ability to acquire an additional 442,558 shares of our common stock pursuant to the Standard General Warrants. Standard General will also have investment and voting control over an additional 7.7% of our common stock owned by Fort George, for which Standard General is a sub-advisor. Standard General will also own 100% of our issued and outstanding non-voting common stock following this offering. Our non-voting common stock, which is identical to the common stock, with the exception of voting rights, is convertible into shares of our common stock on a one-for-one basis at the sole discretion of our board of directors at any time after the completion of this offering. After giving effect to the Stock Split, Conversion and this offering, Thomas Helms, our Executive Chairman, will directly or indirectly hold approximately 10.9% of our common stock (or 10.4% if the underwriters fully exercise their options to purchase additional shares of common stock in this offering). The existence of these and other significant stockholders may have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management, or limiting the ability of our other stockholders to approve transactions that they may deem to be in the best interests of our company. In addition, our significant stockholders will be able to exert significant influence over the decision, if any, to authorize additional capital stock, which, if issued, could have a significant dilutive effect on holders of common stock.

We have opted out of Section 203 of the Delaware General Corporation Law (the "DGCL"), which prohibits a publicly held Delaware corporation from engaging in a business combination transaction with an interested stockholder for a period of three years after the interested stockholder became such unless the transaction fits within an applicable exemption, such as board approval of the business combination or the transaction which resulted in such stockholder becoming an interested stockholder. Therefore, after the lock-up period expires, holders of in excess

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of 15% of the shares will be able to transfer such shares to a third party by transferring their common stock, which would not require the approval of our board of directors or our other stockholders.

Our second amended and restated certificate of incorporation provides that the doctrine of corporate opportunity will not apply against Standard General in a manner that would prohibit them from investing in competing businesses or doing business with our customers. To the extent they invest in such other businesses, Standard General may have differing interests than our other stockholders. In addition, Standard General is permitted to engage in business activities or invest in or acquire businesses which may compete with or do business with any competitors of ours.

Furthermore, Standard General is in the business of managing investment funds and therefore may pursue acquisition opportunities that may be complementary to our business and, as a result, such acquisition opportunities may not be available to us.

Our amended and restated certificate of incorporation and amended and restated bylaws, as well as Delaware law and certain regulations, could discourage or prohibit acquisition bids or merger proposals, which may adversely affect the market price of our common stock.

Our amended and restated certificate of incorporation authorizes our board of directors to issue preferred stock without stockholder approval. If our board of directors elects to issue preferred stock, it could be more difficult for a third party to acquire us. In addition, some provisions of our amended and restated certificate of incorporation, amended and restated bylaws and applicable law could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our stockholders, including:

- limitations on the removal of directors;
- limitations on the ability of our stockholders to call special meetings;
- limitations on stockholder action by written consent;
- establishing advance notice provisions for stockholder proposals and nominations for elections to the board of directors to be acted upon at meetings of stockholders; and
- limitations on the ability of our stockholders to fill vacant directorships or amend the number of directors constituting our board of directors.

See Description of Capital Stock—Anti-takeover Effects of Certain Provisions of Our Amended and Restated Certificate of Incorporation and Bylaws.

Our certificate of incorporation limits the ownership of our common stock by individuals and entities that are Restricted Investors. These restrictions may affect the liquidity of our common stock and may result in Restricted Investors being required to sell or redeem their shares at a loss or relinquish their voting, dividend and distribution rights.

For so long as we or one of our subsidiaries is party to any of the Bolloré distribution agreements, our second amended and restated certificate of incorporation will limit the ownership of our common stock by any Restricted Investor to 14.9% of our outstanding common stock and shares convertible or exchangeable therefor (including our non-voting common stock) (the Permitted Percentage). A Restricted Investor is defined as: (i) any entity that directly or indirectly manufactures, sells, markets, distributes or otherwise promotes cigarette paper booklets, filter tubes, injector machines or filter tips in the United States, the District of Columbia, the territories, possessions and military bases of the United States and the Dominion of Canada (a Bolloré Competitor), (ii) any entity that owns more than a 20% equity interest in any Bolloré Competitor, or (iii) any person who serves as a director or officer of, or any entity that has the right to appoint an officer or director of, any Bolloré Competitor or of any Entity that owns more than a 20% equity interest in any Bolloré Competitor (each, a Restricted Investor). Our second amended and restated certificate of incorporation further provides that any issuance or transfer of shares to a Restricted Investor in excess of

the Permitted Percentage will be ineffective as against us and that neither we nor our transfer agent will register the issuance or transfer of shares or be required to recognize the transferee or owner as a holder of our common stock for any purpose except to exercise our remedies described below. Any shares in excess of the Permitted Percentage in the hands of a Restricted Investor will not have any voting or dividend rights and are subject to redemption by us in our discretion. The liquidity or market value of the shares of our common stock may be adversely impacted by such transfer restrictions.

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As a result of the above provisions, a proposed transferee of our common stock that is a Restricted Investor may not receive any return on its investment in shares it purchases or owns, as the case may be, and it may sustain a loss. We are entitled to redeem all or any portion of such shares acquired by a Restricted Investor in excess of the Permitted Percentage (Excess Shares) at a redemption price based on a fair market value formula that is set forth in our second amended and restated certificate of incorporation, which may be paid in any form, including cash or promissory notes, at our discretion. Excess Shares not yet redeemed will not be accorded any voting, dividend or distribution rights while they constitute Excess Shares. As a result of these provisions, a stockholder who is a Restricted Investor may be required to sell its shares of our common stock at an undesirable time or price and may not receive any return on its investment in such shares. However, we may not be able to redeem Excess Shares for cash because our operations may not have generated sufficient excess cash flow to fund the redemption and we may incur additional indebtedness to fund all or a portion of such redemption, in which case our financial condition may be materially weakened.

Our second amended and restated certificate of incorporation permits us to require that owners of any shares of our common stock provide certification of their status as a Restricted Investor. In the event that a person does not submit such documentation, our second amended and restated certificate of incorporation provides us with certain remedies, including the suspension of the payment of dividends and distributions with respect to shares held by such person and deposit of any such dividends and distributions into an escrow account. As a result of non-compliance with these provisions, an owner of the shares of our common stock may lose significant rights associated with those shares.

Although our second amended and restated certificate of incorporation contains the above provisions intended to assure compliance with the restrictions on ownership of our common stock by Restricted Investors, we may not be successful in monitoring or enforcing the provisions. A failure to enforce or otherwise maintain compliance could lead Bolloré to exercise its termination rights under the agreements, which would have a material and adverse effect on the Company's financial position and its results of operations.

In addition to the risks described above, the foregoing restrictions could delay, defer or prevent a transaction or change in control that might involve a premium price for our common stock or that might otherwise be in the best interest of our stockholders.

Investors in this offering will experience immediate and substantial dilution of \$19.04 per share.

Based on the initial public offering price of \$10.00 per share, purchasers of our common stock in this offering will experience an immediate and substantial dilution of \$19.04 per share in the as adjusted net tangible book deficit per share of common stock and non-voting common stock from the initial public offering price, and our as adjusted net tangible book deficit as of December 31, 2015 after giving effect to the Stock Split, the Conversion and this offering would be \$(9.04) per share. This dilution is due in large part to earlier investors having paid substantially less than the initial public offering price when they purchased their shares. See Dilution.

We do not intend to pay dividends in the foreseeable future, and, because we are a holding company, we may be unable to pay dividends.

For the foreseeable future, we intend to retain any earnings to reduce our leverage and to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and will be dependent on then-existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects and other factors that our board of directors considers relevant. Furthermore, because we are a holding company, any dividend payments would depend on the cash flow of our subsidiaries. However, our credit agreements limit the amount of distributions our subsidiaries can make to us and the purposes for which distributions can be made. Accordingly, we may not be able to pay dividends even if our board of directors would

otherwise deem it appropriate.

Future sales of our common stock in the public market could reduce our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us.

We may sell additional shares of common stock in subsequent public offerings. We may also issue additional shares of common stock or convertible securities. After giving effect to the Stock Split, Conversion and this offering, we will have 16,766,507 outstanding shares of common stock, assuming full exercise of the underwriters' options to purchase additional shares. This number includes 5,400,000 shares that we are selling in this offering and 6,210,000 shares that we may sell in this offering if the underwriters' option to purchase additional 810,000 shares from us is

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fully exercised. In addition, we could issue 442,558 additional shares of common stock if Standard General were to exercise the Standard General Warrants, 938,857 shares upon conversion of Standard General's non-voting common stock into common stock and up to 1,661,409 shares underlying outstanding options under our 2006 Plan and 1,400,000 shares reserved for issuance under our 2015 Plan.

After giving effect to the Stock Split, Conversion and this offering, Standard General will own 7,560,958 shares of our common stock and will have investment and voting control over 1,233,090 shares owned by Fort George. In addition, Thomas Helms will indirectly own 1,740,062 shares. All of these shares (as well as any shares issued upon exercise of the Standard General Warrants and shares received upon conversion of the non-voting common stock into common stock) are restricted from immediate resale under the federal securities laws and are subject to the lock-up agreements with the underwriters described in Underwriting, but may be sold into the market in the future. Any shares sold pursuant to the Anchor Order may not be immediately resold in the public market immediately following this offering as result of restrictions under securities laws, but would be able to be sold following the expiration of these restrictions as further described in Shares Eligible for Future Sale. We have granted each of Standard General and Thomas Helms certain registration rights. See Certain Relationships and Transactions—Other Arrangements—Registration Rights Agreement.

Prior to the completion of this offering, we intend to file a registration statement with the SEC on Form S-8 providing for the registration of 3,061,409 shares of our common stock underlying options issued under our 2006 Plan or reserved for issuance under our 2015 Plan. Subject to the satisfaction of vesting conditions, Rule 144 restrictions applicable to our affiliates and the expiration of lock-up agreements and lock-up provisions of our Stockholders' Agreement, shares registered under the registration statement on Form S-8 will be available for resale immediately in the public market without restriction.

We cannot predict the size of future issuances of our common stock or securities convertible into common stock or the effect, if any, that future issuances and sales of shares of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices of our common stock.

The underwriters of this offering may waive or release parties to the lock-up agreements entered into in connection with this offering, which could adversely affect the price of our common stock.

Our executive officers and directors and our significant stockholders have entered into lock-up agreements with respect to their common stock, pursuant to which they are subject to certain resale restrictions for a period of 180 days following the effective date of the registration statement of which this prospectus forms a part, subject to certain exceptions. The underwriters at any time and without notice, may release all or any portion of the common stock subject to the foregoing lock-up agreements. In connection with this offering, we will amend our stockholders agreement (the Stockholders Agreement) to include a six month lock-up provision applicable to any shares held by the parties to the agreement that would mirror the lock-up agreements signed by our directors and executive officers in connection with this offering. If the restrictions under the lock-up agreement and lock-up provisions of our Stockholders' Agreement are waived, then common stock will be available for sale into the public markets, which could cause the market price of our common stock to decline and impair our ability to raise capital.

We may issue preferred stock whose terms could adversely affect the voting power or value of our common stock.

Our amended and restated certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may

determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the common stock.

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If securities analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. We currently do not, and in the future may not, have research coverage by securities analysts. If no securities analysts commence coverage of our company, the trading price for our stock could be negatively impacted. In the event we obtain securities analyst coverage, if one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price could decline as a result. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements included in this prospectus concerning our plans and objectives for future operations or economic performance, or related assumptions, including our financial forecast, contain forward-looking statements. The disclosure and analysis set forth in this prospectus includes assumptions, expectations, projections, intentions and beliefs about future events in a number of places, particularly in relation to our operations, cash flows, financial position, plans, strategies, business prospects, changes and trends in our business and the markets in which we operate. In some cases, predictive, future-tense or forward-looking words such as believe, continue, intend, anticipate, estimate, project, forecast, plan, potential, may, should, could, will, predict, project and expect are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. In addition, we and our representatives may from time to time make other oral or written statements which are forward-looking statements, including in our periodic reports that we will file with the SEC, other information sent to our stockholders, and other written materials.

The following factors, among others, could cause our actual results, performance or achievements to differ from those set forth in the forward-looking statements:

- declining sales of tobacco products, and expected continuing decline of sales, in the tobacco industry overall;
- our dependence on a small number of third-party suppliers and producers;
- the possibility that we will be unable to identify or contract with new suppliers or producers in the event of a supply or product disruption;
- the possibility that our licenses to use certain brands or trademarks will be terminated, challenged or restricted;
- failure to maintain consumer brand recognition and loyalty of our customers;
- substantial and increasing U.S. regulation;
- regulation of our products by the FDA;
- uncertainty related to the regulation and taxation of our NewGen products;
- possible significant increases in federal, state and local municipal tobacco-related taxes;
- possible significant increases in tobacco-related taxes;
- possible taxation of our NewGen products;
- possible increasing international control and regulation;
- our reliance on relationships with several large retailers and national chains for distribution of our products;
- intense competition and our ability to compete effectively;
- significant potential product liability litigation;
- the scientific community's lack of information regarding the long-term health effects of electronic cigarettes, vaporizer and e-liquid use;
- failure to maintain and contribute significant cash amounts to an escrow account as part of a settlement agreement between us and certain U.S. states;
- our substantial amount of indebtedness;
- the terms of our credit facilities may restrict our current and future operations;
- competition from illicit sources;
- our reliance on information technology;
- security and privacy breaches;
- contamination of our tobacco supply or products;
- infringement on our intellectual property;

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- third-party claims that we infringe on their intellectual property;
- concentration of business with large customers;
- failure to manage our growth;
- fluctuations in our month-to-month results;
- exchange rate fluctuations;
- adverse U.S. and global economic conditions;
- failure to comply with certain regulations; and
- departure of key management personnel or our inability to attract and retain talent.

We caution that these and other forward-looking statements included in this prospectus represent our estimates and assumptions only as of the date of this prospectus and are not intended to give any assurance as to future results. Many of the forward-looking statements included in this prospectus are based on our assumptions about factors that are beyond our ability to control or predict. Assumptions, expectations, projections, intentions and beliefs about future events may, and often do, vary from actual results and these differences can be material. The reasons for this include, but are not limited to, the risks, uncertainties and factors described in the Risk Factors section of this prospectus. As a result, the forward-looking events discussed in this prospectus might not occur and our actual results may differ materially from those anticipated in the forward-looking statements. Accordingly, you should not unduly rely on any forward-looking statements.

Except as otherwise required by law, we undertake no obligation to update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events, a change in our views or expectations or otherwise. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

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USE OF PROCEEDS

We estimate the net proceeds from this offering to us will be approximately \$47.6 million, or approximately \$55.1 million if the underwriters exercise their option to purchase additional shares in full, based on the initial public offering price of \$10.00 per share after deducting estimated offering expenses and underwriting discounts and commissions.

We expect to use the net proceeds from this offering, together with cash on hand to: (i) pay offering related fees and expenses, (ii) repurchase at least 87.5% of the Intrepid Warrants and all issued and outstanding Intrepid Options for an aggregate purchase price of approximately \$5.5 million, (iii) repay \$7.0 million of our obligations under our Second Lien Credit Facility and (iv) redeem for cash \$34 million of the outstanding PIK Toggle Notes.

Any excess proceeds will be used for working capital and general corporate purposes, including to fund future acquisitions. We have no commitments or firm agreements for any material acquisitions at this time.

The interest rate on the PIK Toggle Notes is equal to LIBOR in effect at that time (not less than 1.25%), plus 13.75%, reset quarterly, and the PIK Toggle Notes mature on January 13, 2021. The interest rate on the Second Lien Credit Facility is equal to LIBOR in effect at that time (but in any case, not less than 1.25%), plus 10.25%, and the Second Lien Credit Facility matures on July 13, 2020. Additional terms of the Second Lien Credit Facility are described under Management's Discussion and Analysis of Financial Condition and Results of Operations—Long-Term Debt.

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DIVIDEND POLICY

Prior to this offering we have not paid dividends to holders of our common stock or non-voting common stock within the past five years. Following this offering, we intend to retain any earnings to reduce our leverage and finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and will be dependent upon then-existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, including restrictions contained in our credit agreements, business prospects and other factors that our board of directors considers relevant.

To the extent our board does determine to pay a dividend in the future, our ability to do so will be subject to limitations in NATC's ABL, First Lien Credit Agreement and Second Lien Credit Facility on the ability of our subsidiaries (other than Turning Point Brands, LLC and its direct subsidiary) to make distributions to us, which may affect our ability to pay dividends to our stockholders.

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The following table shows our consolidated capitalization as of December 31, 2015 on:

- an actual basis;
- an as adjusted basis to give effect to the Conversion and Stock Split; and
- an as further adjusted basis to give effect to the Conversion and the Stock Split, as well as this offering and the application of proceeds therefrom.

This table is derived from, and should be read together with, the historical condensed consolidated financial statements and related notes included elsewhere in this prospectus. You should also read this table in conjunction with Use of Proceeds and Management's Discussion and Analysis of Financial Condition and Results of Operations.

(U.S. dollars in thousands)	As of December 31, 2015		
	Actual	As Adjusted (unaudited)	As Further Adjusted (unaudited)
Cash and cash equivalents	\$ 4,835	\$ 4,835	\$ 5,813
Long-term indebtedness:			
ABL ⁽¹⁾⁽²⁾	\$ 18	\$ 18	\$ 18
First Lien Credit Agreement ⁽¹⁾	150,555	150,555	