UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: March 31, 2015

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to _________

Commission File Number: 0-19254

LIFETIME BRANDS, INC.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**11-2682486** **(I.R.S. Employer Identification No.)**

1000 Stewart Avenue, Garden City, New York, 11530
(Address of principal executive offices) (Zip Code)

(516) 683-6000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's common stock outstanding as of April 30, 2015 was 13,861,406.

LIFETIME BRANDS, INC.

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2015

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

LIFETIME BRANDS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	March 31, 2015 (unaudited)	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,415	$ 5,068
Accounts receivable, less allowances of $6,375 at March 31, 2015 and $6,663 at December 31, 2014	78,761	107,211
Inventory (Note A)	142,997	137,924
Prepaid expenses and other current assets	11,462	7,914
Deferred income taxes (Note H)	420	—
TOTAL CURRENT ASSETS	237,055	258,117
PROPERTY AND EQUIPMENT, net	26,317	26,801
INVESTMENTS (Note C)	27,970	28,155
INTANGIBLE ASSETS, net (Note D)	101,851	103,597
OTHER ASSETS	4,539	4,732
TOTAL ASSETS	$ 397,732	$ 421,402
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturity of Credit Agreement Term Loan (Note E)	$ 10,000	$ 10,000
Short term loan (Note E)	480	765
Accounts payable	27,155	28,694
Accrued expenses	32,393	36,961
Deferred income taxes (Note H)	2,551	2,293
Income taxes payable (Note H)	60	5,156
TOTAL CURRENT LIABILITIES	72,639	83,869
DEFERRED RENT & OTHER LONG-TERM LIABILITIES	20,303	20,160
DEFERRED INCOME TAXES (Note H)	1,485	1,485
REVOLVING CREDIT FACILITY (Note E)	85,279	92,655
CREDIT AGREEMENT TERM LOAN (Note E)	32,500	35,000
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value, shares authorized: 100 shares of Series A and 2,000,000 shares of Series B; none issued and outstanding	—	—
Common stock, $.01 par value, shares authorized: 25,000,000; shares issued and outstanding: 13,859,121 at March 31, 2015 and 13,712,081 at December 31, 2014	139	137
Paid-in capital	162,970	160,315
Retained earnings	35,078	37,703
Accumulated other comprehensive loss (Note K)	(12,661)	(9,922)
TOTAL STOCKHOLDERS' EQUITY	185,526	188,233
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 397,732	$ 421,402

See accompanying independent registered public accounting firm review report and notes to unaudited condensed consolidated financial statements.

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LIFETIME BRANDS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(unaudited)

	Three Months Ended March 31,	
	2015	2014
Net sales	$117,657	$118,411
Cost of sales	72,749	74,079
Gross margin	44,908	44,332
Distribution expenses	13,483	12,346
Selling, general and administrative expenses	33,596	34,183
Loss from operations	(2,171)	(2,197)
Interest expense (Note E)	(1,431)	(1,390)
Financing expense	(154)	—
Loss on early retirement of debt	—	(319)
Loss before income taxes and equity in earnings	(3,756)	(3,906)
Income tax benefit (Note H)	1,363	1,185
Equity in earnings (losses), net of taxes (Note C)	288	(208)
NET LOSS	$ (2,105)	$ (2,929)
BASIC LOSS PER COMMON SHARE (NOTE G)	$ (0.15)	$ (0.22)
DILUTED LOSS PER COMMON SHARE (NOTE G)	$ (0.15)	$ (0.22)
Cash dividends declared per common share	$ 0.0375	$ 0.0375

See accompanying independent registered public accounting firm review report and notes to unaudited condensed consolidated financial statements.

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LIFETIME BRANDS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(unaudited)

	Three Months Ended March 31,	
	2015	**2014**
Net loss	$ (2,105)	$ (2,929)
Other comprehensive income (loss), net of taxes:		
Translation adjustment	(2,705)	690
Derivative fair value adjustment	(54)	9
Effect of retirement benefit obligations	20	7
Other comprehensive income (loss), net of taxes	(2,739)	706
Comprehensive loss	$ (4,844)	$ (2,223)

See accompanying independent registered public accounting firm review report and notes to unaudited condensed consolidated financial statements.

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LIFETIME BRANDS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
OPERATING ACTIVITIES		
Net loss	$ (2,105)	$ (2,929)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Provision for doubtful accounts	18	50
Depreciation and amortization	3,555	3,613
Amortization of financing costs	149	149
Deferred rent	346	(274)
Deferred income taxes	—	(179)
Stock compensation expense	750	726
Undistributed equity in (earnings) losses, net	(288)	208
Loss on early retirement of debt	—	319
Changes in operating assets and liabilities (excluding the effects of business acquisitions)		
Accounts receivable	27,355	19,218
Inventory	(6,468)	(3,068)
Prepaid expenses, other current assets and other assets	(3,593)	(3,755)
Accounts payable, accrued expenses and other liabilities	(4,407)	(10,197)
Income taxes payable	(5,071)	(2,947)
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,241	934
INVESTING ACTIVITIES		
Purchases of property and equipment	(1,406)	(1,156)
Kitchen Craft acquisition, net of cash acquired	—	(59,856)
Other acquisitions, net of cash acquired	—	(5,280)
NET CASH USED IN INVESTING ACTIVITIES	(1,406)	(66,292)
FINANCING ACTIVITIES		
Proceeds from Revolving Credit Facility	61,523	78,657
Repayments of Revolving Credit Facility	(68,899)	(43,458)
Repayments of Senior Secured Term Loan	—	(20,625)
Proceeds from Credit Agreement Term Loan	—	50,000
Repayment of Credit Agreement Term Loan	(2,500)	—
Proceeds from Short Term Loan	37	—
Payments on Short Term Loan	(322)	—
Payment of financing costs	—	(1,375)
Proceeds from exercise of stock options	281	1,200
Cash dividends paid (Note K)	(514)	(501)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(10,394)	63,898
Effect of foreign exchange on cash	(94)	736
DECREASE IN CASH AND CASH EQUIVALENTS	(1,653)	(724)
Cash and cash equivalents at beginning of period	5,068	4,947
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 3,415	$ 4,223

See accompanying independent registered public accounting firm review report and notes to unaudited condensed consolidated financial statements.

LIFETIME BRANDS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015
(unaudited)

NOTE A — BASIS OF PRESENTATION AND SUMMARY ACCOUNTING POLICIES

Organization and business

Lifetime Brands, Inc. (the "Company") designs, sources and sells branded kitchenware, tableware and other products used in the home and markets its products under a number of brand names and trademarks, which are either owned or licensed by the Company, or through retailers' private labels. The Company markets and sells its products principally on a wholesale basis to retailers. The Company also markets and sells a limited selection of its products directly to consumers through its Pfaltzgraff®, Mikasa®, Fred® and Friends, Built NY®, Lifetime Sterling® and The English Table Internet websites.

During the second quarter of 2014, the Company realigned its reportable segments into three categories, U.S. Wholesale, International and Retail Direct. The U.S. Wholesale segment, formerly the Wholesale segment, includes the domestic operations of the Company's primary business that designs, markets and distributes its products to retailers and distributors. Due to recent acquisitions, certain business operations conducted outside the U.S., previously included in the Wholesale segment, were moved to the International segment. This change reflects the manner in which management assesses performance and allocates resources. No changes were made to the Retail Direct segment. Previous periods presented have been recast to conform with the current period presentation.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, which consist only of normal recurring accruals, considered necessary for a fair presentation have been included. These condensed consolidated financial statements should be read in conjunction with the condensed consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014. Operating results for the three month period ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

The Company's business and working capital needs are highly seasonal, with a majority of sales occurring in the third and fourth quarters. In 2014 and 2013, net sales for the third and fourth quarters accounted for 60% and 61% of total annual net sales, respectively. In anticipation of the pre-holiday shipping season, inventory levels increase primarily in the June through October time period.

Revenue recognition

The Company sells products wholesale, to retailers and distributors, and retail, directly to the consumer. Wholesale sales and retail sales are recognized when title passes to the customer, which is primarily at the shipping point for wholesale sales and upon delivery to the customer for retail sales. Shipping and handling fees that are billed to customers in sales transactions are included in net sales and amounted to $409,000 and $370,000 for the three months ended March 31, 2015 and 2014, respectively. Net sales exclude taxes that are collected from customers and remitted to the taxing authorities.

The Company offers various sales incentives and promotional programs to its customers from time to time in the normal course of business. These incentives and promotions typically include arrangements such as cooperative advertising, buydowns, volume rebates and discounts. These arrangements and an estimate of sales returns are reflected as reductions in net sales in the Company's condensed consolidated statements of operations.

LIFETIME BRANDS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015
(unaudited)

Cost of sales

Cost of sales consists primarily of costs associated with the production and procurement of product, inbound freight costs, purchasing costs, royalties and other product procurement related charges.

Distribution expenses

Distribution expenses consist primarily of warehousing expenses and freight-out expenses.

Inventory

Inventory consists principally of finished goods sourced from third-party suppliers. Inventory also includes finished goods, work in process and raw materials related to the Company's manufacture of sterling silver products. Inventory is priced using the lower of cost (first-in, first-out basis) or market method. The Company estimates the selling price of its inventory on a product by product basis based on the current selling environment. If the estimated selling price is lower than the inventory's cost, the Company reduces the value of the inventory to its net realizable value.

The components of inventory are as follows:

	March 31, 2015	December 31, 2014
	(in thousands)	
Finished goods	$139,556	$ 134,564
Work in process	1,814	1,887
Raw materials	1,627	1,473
Total	$142,997	$ 137,924

Fair value of financial instruments

The Company determined the carrying amounts of cash and cash equivalents, accounts receivable and accounts payable are reasonable estimates of their fair values because of their short-term nature. The Company determined that the carrying amounts of borrowings outstanding under its revolving credit facility, term loan and short term loan approximate fair value since such borrowings bear interest at variable market rates.

Derivatives

The Company accounts for derivative instruments in accordance with Accounting Standard Codification ("ASC") Topic No. 815, Derivatives and Hedging. ASC Topic No. 815 requires that all derivative instruments be recognized on the balance sheet at fair value as either an asset or liability. Changes in the fair value of derivatives that qualify as hedges and have been designated as part of a hedging relationship for accounting purposes have no net impact on earnings to the extent the derivative is considered highly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, until the hedged item is recognized in earnings. If a derivative which is designated as part of a hedging relationship is considered ineffective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, the changes in fair value are recorded in operations. For derivatives that do not qualify or are not designated as hedging instruments for accounting purposes, changes in fair value are recorded in operations.

The Company is a party to interest rate swap agreements with an aggregate notional amount of $24.1 million to manage interest rate exposure in connection with its variable interest rate borrowings. The hedge periods of these agreements commenced in March 2013 and expire in June 2018 and the notional amounts amortize over this period. The interest rate swap agreements were designated as cash flow hedges under ASC Topic No. 815. The effective portion of the fair value gain or loss on these agreements is recorded as a component of accumulated other comprehensive loss. The effect of recording these derivatives at fair value resulted in an unrealized loss of $54,000 and an unrealized gain of $9,000, net of taxes, for the three months ended March 31, 2015 and 2014, respectively. No amounts recorded in accumulated other comprehensive loss are expected to be reclassified to interest expense in the next twelve months.

The fair value of the derivatives have been obtained from the counterparties to the agreement and were based on Level 2 observable inputs using proprietary models and estimates about relevant future market conditions. The aggregate fair value of the Company's interest derivative instruments was a liability of $123,000 and $32,000 at March 31, 2015 and December 31, 2014, respectively, and is included in accrued expenses and other long-term liabilities in the condensed consolidated balance sheet.

Employee Healthcare

The Company self-insures certain portions of its health insurance plan. The Company maintains an accrual for unpaid claims and estimated claims incurred but not yet reported ("IBNR"). Although management believes that it uses the best information available to estimate claims IBNR, actual claims may vary significantly from estimated claims.

New Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, which provides guidance about whether a cloud computing arrangement includes a software license. This ASU is effective for financial statements issued for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. This ASU can be applied prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. Early adoption is permitted. The Company is currently determining its implementation approach and assessing the impact, if any, on the condensed consolidated financial statements.

In April 2015, FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. This ASU is effective for financial statements issued for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. This ASU will be applied on a retrospective basis and early adoption is permitted. The Company's adoption of this guidance will not have a material impact on the Company's condensed consolidated financial position.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles of recognizing revenue and create common revenue recognition guidance under U.S. GAAP and International Financial Reporting Standards. This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2016 and can be adopted either retrospectively to each reporting period presented or as a cumulative effect adjustment as of the date of the adoption, with early application not permitted. The Company is currently determining its implementation approach and assessing the impact, if any, on the condensed consolidated financial statements.

NOTE B — ACQUISITIONS

Kitchen Craft

On January 15, 2014, the Company acquired 100% of the share capital of Thomas Plant (Birmingham) Limited ("Kitchen Craft") for cash in the amount of £37.4 million ($61.5 million) and 581,432 shares of common stock of the Company with the market value of £5.5 million ($9.0 million), at the date of closing. The purchase price also included contingent cash consideration of up to £5.5 million ($9.0 million). Kitchen Craft is a leading supplier of kitchenware products and accessories in the United Kingdom. The assets, liabilities and operating results of Kitchen Craft are reflected in the Company's condensed consolidated financial statements in accordance with ASC Topic No. 805, *Business Combinations*, commencing from the acquisition date. For detailed information on the allocation of the purchase price, see the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

The purchase price has been determined to be as follows (in thousands):

Cash	$61,302
Share consideration issued(1)	8,382
Value of contingent consideration(2)	2,488
Working capital adjustment(3)	374
Total purchase price	$72,546

(1) Share consideration issued is valued at the closing market price discounted to account for lack of marketability related to the lock up period as described in the share purchase agreement.
(2) The value of contingent consideration represents the present value of the estimated payments related to the attainment of certain financial targets for the years 2014 through 2016, determined as of the date of the acquisition. The maximum undiscounted contingent consideration to be paid under the agreement is £5.5 million ($9.0 million).
(3) A working capital adjustment was made in May 2014 as provided for in the share purchase agreement.

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(unaudited)

As of March 31, 2015 the fair value of the contingent consideration is approximately £2.1 million (approximately $3.1 million). In April 2015, the Company entered into a Deed of Variation and Settlement with the sellers of Kitchen Craft to amend the calculation and financial targets of the contingent consideration included in the purchase agreement. The maximum undiscounted contingent consideration to be paid remains unchanged at £5.5 million. The Company is in the process of determining the fair value of this amended contingent consideration.

Kitchen Craft is the sponsor of a defined benefit pension plan (the "Plan") for which service costs accrual ceased prior to the acquisition. Pursuant to the share purchase agreement, the Company and the sellers agreed to take action to settle the Plan's obligation through the purchase of a group annuity contract and terminate the Plan. At December 31, 2014 the Plan's net funding was approximately $1.7 million. There was no impact, nor is there any expected future impact, to the Company's annual statement of operations in connection with the settlement and planned termination of the Plan, which is expected to occur in 2015.

The Company's results of operations for the three months ended March 31, 2014 includes the operations of Kitchen Craft for the period from January 15, 2014 to March 31, 2014. Kitchen Craft's results of operations for the period from January 1, 2014 to January 14, 2014 were immaterial. For the three months ended March 31, 2014, the Company's results from operations reflect a $0.5 million charge in cost of sales for the increase in fair value of Kitchen Craft's acquired inventory and $0.9 million charge of related acquisition costs. Had these charges not been incurred, the reported net loss would have been $2.1 million (basic and diluted per loss per common share of $(0.16)).

NOTE C — INVESTMENTS

The Company owns approximately a 30% interest in Grupo Vasconia S.A.B. ("Vasconia"), an integrated manufacturer of aluminum products and one of Mexico's largest housewares companies. Shares of Vasconia's capital stock are traded on the Bolsa Mexicana de Valores, the Mexican Stock Exchange. The Quotation Key is VASCONI. The Company accounts for its investment in Vasconia using the equity method of accounting and records its proportionate share of Vasconia's net income in the Company's statement of operations. Accordingly, the Company has recorded its proportionate share of Vasconia's net income (reduced for amortization expense related to the customer relationships acquired) for the three month periods ended March 31, 2015 and 2014 in the accompanying condensed consolidated statements of operations. The value of the Company's investment balance has been translated from Mexican Pesos ("MXN") to U.S. Dollars ("USD") using the spot rates of MXN 15.26 and MXN 14.74 at March 31, 2015 and December 31, 2014, respectively. The Company's proportionate share of Vasconia's net income has been translated from MXN to USD using the average exchange rates of MXN 14.94 and MXN 13.23 during the three months ended March 31, 2015 and 2014, respectively. The effect of the translation of the Company's investment resulted in a decrease to the investment of $1.7 million and $11,000 during the three months ended March 31, 2015 and 2014, respectively (also see Note K). These translation effects are recorded in accumulated other comprehensive loss. Included within accrued expenses at March 31, 2015 are amounts due to Vasconia of $119,000. Included in prepaid expenses and other current assets at December 31, 2014 are amounts due from Vasconia of $33,000.

Summarized statement of income information for Vasconia in USD and MXN is as follows:

	Three Months Ended March 31,			
	2015		2014	
	(in thousands)			
	USD	MXN	USD	MXN
Net sales	$47,339	$707,435	$43,258	$572,196
Gross profit	9,436	141,012	7,839	103,697
Income from operations	2,747	41,048	1,754	23,207
Net income	1,245	18,612	109	1,438

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March 31, 2015
(unaudited)

The Company recorded equity in earnings of Vasconia, net of taxes, of $0.3 million and $41,000 for the three months ended March 31, 2015 and 2014, respectively.

As of March 31, 2015 and December 31, 2014, the fair value (based upon Vasconia's quoted stock price) of the Company's investment in Vasconia was $29.8 million and $30.8 million, respectively. The carrying value of the Company's investment in Vasconia was $27.6 million and $27.8 million as of March 31, 2015 and December 31, 2014, respectively.

The Company has a 40% equity interest in GS Internacional S/A ("GSI"), a leading wholesale distributor of branded housewares products in Brazil, which the Company acquired in December 2011. As of March 31, 2015 and December 31, 2014, the carrying value of the Company's investment in GSI was $0 and therefore the Company has not recorded its share of equity in losses in the three months ended March 31, 2015. The Company will continue to monitor the operating results of GSI and will record equity in earnings when the equity in earnings exceeds the Company's previously unrecognized losses. The Company recorded equity in losses of GSI of $213,000, net of taxes for the three months ended March 31, 2014.

The Company evaluated the disclosure requirements of ASC Topic No. 860, *Transfers and Servicing*, and determined that at March 31, 2015, the Company did not have a controlling voting interest or variable interest in any of its investments and therefore continued accounting for the investments using the equity method of accounting.

NOTE D — INTANGIBLE ASSETS

Intangible assets consist of the following (in thousands):

	March 31, 2015			December 31, 2014		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Goodwill	$ 18,101	$ —	$ 18,101	$ 18,101	$ —	$ 18,101
Indefinite-lived intangible assets:						
Trade names	7,616	—	7,616	7,616	—	7,616
Finite-lived intangible assets:						
Licenses	15,847	(8,121)	7,726	15,847	(8,007)	7,840
Trade names	29,724	(5,097)	24,627	29,768	(4,568)	25,200
Customer relationships	50,823	(7,762)	43,061	50,823	(6,754)	44,069
Other	1,202	(482)	720	1,202	(431)	771
Total	$123,313	$ (21,462)	$101,851	$123,357	$ (19,760)	$103,597

NOTE E — DEBT

Credit Agreement

The Company's Credit Agreement, which expires in January 2019, provides for, among other things, a Revolving Credit Facility commitment totaling $175.0 million ($40.0 million of which is available for multi-currency borrowings) and a Term Loan facility of $50.0 million.

At March 31, 2015 and December 31, 2014, borrowings outstanding under the Revolving Credit Facility were $85.3 million and $92.7 million, respectively, and open letters of credit were $1.9 million and $2.3 million, respectively. At March 31, 2015, availability under the Revolving Credit Facility was approximately $55.4 million.

LIFETIME BRANDS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015
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The borrowing capacity under the Revolving Credit Facility depends, in part, on eligible levels of accounts receivable and inventory that fluctuate regularly and certain trademark values based upon periodic appraisals, and may be lower in the first and second quarters when the Company's inventory level is lower due to seasonality.

The Company's payment obligations under the Revolving Credit Facility are unconditionally guaranteed by each of its existing U.S. subsidiaries and will be unconditionally guaranteed by each of its future U.S. subsidiaries. Certain payment obligations under the Revolving Credit Facility are also direct obligations of its foreign subsidiary borrowers designated as such under the Credit Agreement and, subject to limitations on such guaranties, are guaranteed by the foreign subsidiary borrowers, as well as by the Company. The obligations of the Company under the Revolving Credit Facility and any hedging arrangements and cash management services and the guarantees by its domestic subsidiaries in respect of those obligations are secured by substantially all of the assets and stock (but in the case of foreign subsidiaries, limited to 65% of the capital stock in first-tier foreign subsidiaries and not including the stock of subsidiaries of such first-tier foreign subsidiaries) owned by the Company and the U.S. subsidiary guarantors, subject to certain exceptions. Such security interests consist of a first-priority lien, subject to certain permitted liens, with respect to the assets of the Company and its domestic subsidiaries pledged as collateral in favor of lenders under the Revolving Credit Facility.

As of March 31, 2015 and December 31, 2014, $42.5 million and $45.0 million, respectively, was outstanding under the Term Loan.

Interest rates on outstanding borrowings at March 31, 2015 ranged from 2.125% to 4.6875%. In addition, the Company pays a commitment fee of 0.375% on the unused portion of the Revolving Credit Facility.

The Credit Agreement provides for customary restrictions and events of default. Restrictions include limitations on additional indebtedness, acquisitions, investments and payment of dividends, among other things. Further, the Credit Agreement provides that at any time any Term Loan is outstanding or at any time no Term Loan is outstanding and availability under the Revolving Credit Facility is less than $17.5 million and continuing until availability of at least $20.0 million is maintained for three consecutive months, the Company is required to maintain a minimum fixed charge coverage ratio of 1.10 to 1.00 for each of four consecutive fiscal quarter periods. The Credit Agreement also provides that when the Term Loan is outstanding, the Company is required to maintain a Senior Leverage Ratio within defined parameters not to exceed 4.00 to 1.00 for each fiscal quarter ending during 2015; and 3.25 to 1.00 for each fiscal quarter ending thereafter.

Pursuant to the term loan agreement, as of March 31, 2015, the maximum additional permitted indebtedness other than certain subordinated indebtedness was $35.5 million. The Company was in compliance with the financial covenants of the Credit Agreement at March 31, 2015.

Other Credit Agreements

A subsidiary of the Company has a credit facility ("HSBC Facility" or "Short term loan") with HSBC Bank (China) Company Limited, Shanghai Branch ("HSBC") for up to RMB 18.0 million ($2.9 million). The HSBC Facility is subject to annual renewal and may be used to fund general working capital needs of the subsidiary which is a trading company in the People's Republic of China. Borrowings under the HSBC Facility are guaranteed by the Company and are granted at the sole discretion of HSBC. At March 31, 2015, RMB 3.0 million ($480,000) was outstanding and the average interest rate was 6.28% under the HSBC Facility.

LIFETIME BRANDS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015
(unaudited)

NOTE F — STOCK COMPENSATION

A summary of the Company's stock option activity and related information for the three months ended March 31, 2015 is as follows:

	Options	Weighted-average exercise price	Weighted-average remaining contractual life (years)	Aggregate intrinsic value
Options outstanding, January 1, 2015	2,326,627	$ 14.19		
Exercises	(30,700)	9.16		
Cancellations	(19,000)	15.09		
Options outstanding, March 31, 2015	2,276,927	14.25	5.7	$ 7,304
Options exercisable, March 31, 2015	1,503,085	$ 13.79	4.6	$ 5,922

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that would have been received by the option holders had all option holders exercised their stock options on March 31, 2015. The intrinsic value is calculated for each in-the-money stock option as the difference between the closing price of the Company's common stock on March 31, 2015 and the exercise price.

The total intrinsic value of stock options exercised for the three months ended March 31, 2015 and 2014 was $163,500 and $668,300, respectively. The intrinsic value of a stock option that is exercised is calculated at the date of exercise.

Total unrecognized stock option compensation expense at March 31, 2015, before the effect of income taxes, was $4.4 million and is expected to be recognized over a weighted-average period of 2.4 years.

During the three months ended March 31, 2015, the Company granted 1,471 shares of restricted stock to a director with a weighted average grant date fair value of $15.65 per share. These shares will vest over approximately three months.

Total unrecognized restricted stock compensation expense at March 31, 2015 was $140,000 and is expected to be recognized over a weighted-average period of 0.6 years.

The Company recognized total stock compensation expense of $750,000 for the three months ended March 31, 2015, of which $597,000 represents stock option compensation expense, $100,000 represents restricted stock compensation expense and $53,000 represents stock awards granted in 2015. Total stock compensation expense for the three months ended March 31, 2014 was $726,000, of which $648,000 represents stock option compensation expense and $78,000 represents restricted share compensation expense.

At March 31, 2015, there were 199,022 shares available for awards that could be granted under the Company's 2000 Long-Term Incentive Plan.

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NOTE G — LOSS PER COMMON SHARE

Basic loss per common share has been computed by dividing net loss by the weighted-average number of shares of the Company's common stock outstanding during the relevant period. Diluted loss per common share adjusts net loss and basic loss per common share for the effect of all potentially dilutive shares of the Company's common stock. The calculations of basic and diluted loss per common share for the three month periods ended March 31, 2015 and 2014 are as follows:

	Three Months Ended March 31,	
	2015	2014
	(in thousands, except per share amounts)	
Net loss – basic and diluted	$ (2,105)	$ (2,929)
Weighted-average shares outstanding – basic and diluted	13,738	13,274
Basic and diluted loss per common share	$ (0.15)	$ (0.22)

The computation of diluted loss per common share for the three months ended March 31, 2015 and 2014 excludes options to purchase 2,276,927 and 2,361,437 shares, respectively. These shares were excluded due to their antidilutive effects.

NOTE H — INCOME TAXES

On a quarterly basis, the Company evaluates its tax positions and revises its estimates accordingly. The estimated value of the Company's uncertain tax positions at March 31, 2015 is a gross liability of tax and interest of $475,000. The Company believes that $313,000 of its tax positions will be resolved within the next twelve months.

The Company has identified the following jurisdictions as "major" tax jurisdictions: U.S. Federal, California, Massachusetts, New York, New Jersey and the United Kingdom. The Company is no longer subject to U.S. Federal income tax examinations for the years prior to 2010. At March 31, 2015, the periods subject to examination for the Company's major state jurisdictions are the years ended 2010 through 2013.

The Company's policy for recording interest and penalties is to record such items as a component of income taxes. Interest and penalties were not material to the Company's financial position, results of operations or cash flows as of and for the three months ended March 31, 2015 and 2014.

NOTE I — BUSINESS SEGMENTS

The Company operates in three reportable business segments: U.S. Wholesale, International and Retail Direct. The U.S. Wholesale segment is the Company's primary domestic business that designs, markets and distributes its products to retailers and distributors. The International segment consists of certain business operations conducted outside the U.S. which was previously included in the Wholesale segment. The Retail Direct segment is where the Company markets and sells a limited selection of its products directly to consumers through its Pfaltzgraff®, Mikasa®, Fred® and Friends, Built NY®, Lifetime Sterling® and The English Table Internet websites.

The Company has segmented its operations to reflect the manner in which management reviews and evaluates the results of its operations. While the three segments distribute similar products, the segments have been distinct due to the different methods the Company uses to sell, market and distribute the products. Management evaluates the performance of the U.S. Wholesale, International and Retail Direct segments based on net sales and income (loss) from operations. Such measures give recognition to specifically identifiable operating costs such as cost of sales, distribution expenses and selling, general and administrative expenses. Certain general and administrative expenses, such as senior executive salaries and benefits, stock compensation, director fees and accounting, legal and consulting fees, are not allocated to the specific segments and are reflected as unallocated corporate expenses.

During the second quarter of 2014, the Company realigned its reportable segments into the three categories discussed above. The March 31, 2014 period presented has been recast to conform with the current period presentation.

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(unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
	(in thousands)	
Net sales		
U.S. Wholesale	$ 86,521	$ 85,681
International	25,365	28,137
Retail Direct	5,771	4,593
Total net sales	$117,657	$118,411
Income (loss) from operations		
U.S. Wholesale	$ 1,951	$ 2,409
International	(545)	(206)
Retail Direct	(49)	(299)
Unallocated corporate expenses	(3,528)	(4,101)
Total loss from operations	$ (2,171)	$ (2,197)
Depreciation and amortization		
U.S. Wholesale	$ 2,187	$ 2,269
International	1,330	1,280
Retail Direct	38	64
Total depreciation and amortization	$ 3,555	$ 3,613

	March 31, 2015	December 31, 2014
	(in thousands)	
Assets		
U.S. Wholesale	$275,116	$ 287,744
International	118,345	128,055
Retail Direct	436	535
Unallocated/ Corporate/ Other	3,835	5,068
Total assets	$397,732	$ 421,402

NOTE J — CONTINGENCIES

Wallace Silversmiths de Puerto Rico, Ltd. (“Wallace de Puerto Rico”), a wholly-owned subsidiary of the Company, operates a manufacturing facility in San Germán, Puerto Rico that is leased from the Puerto Rico Industrial Development Company (“PRIDCO”). In March 2008, the United States Environmental Protection Agency (the “EPA”) announced that the San Germán Ground Water Contamination site in Puerto Rico (the “Site”) had been added to the Superfund National Priorities List due to contamination present in the local drinking water supply.

In May 2008, Wallace de Puerto Rico received from the EPA a Notice of Potential Liability and Request for Information Pursuant to 42 U.S.C. Sections 9607(a) and 9604(e) of the Comprehensive Environmental Response, Compensation, and Liability Act. The Company responded to the EPA’s Request for Information on behalf of Wallace de Puerto Rico. In July 2011, Wallace de Puerto Rico received a letter from the EPA requesting access to the property that it leases from PRIDCO, and the Company granted such access. In February 2013, the EPA requested access to conduct further environmental investigation at the property. PRIDCO agreed to such access

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and the Company consented. EPA conducted further investigation during 2013. EPA has since provided PRIDCO and the Company with the vapor intrusion sampling results and, during an April 2015 meeting with PRIDCO and the Company, the EPA advised that the results from the vapor intrusion sampling required the implementation of measures to mitigate potential exposure to sub-slab soil gas. The Company is presently reviewing this information and has requested that PRIDCO, as the property owner, find and implement a solution acceptable to the EPA. The Company is not yet able to estimate the extent of any possible liability with respect to the vapor intrusion issues. During the referenced April 2015 meeting, the EPA also advised PRIDCO and the Company that in the coming months they plan to release Remedial Investigation results with respect to the San Germán Groundwater Contamination Site. The Company is unable to determine what, if any, additional requirements or potential liabilities will result from the EPA's Remedial Investigation.

The Company is, from time to time, involved in other legal proceedings. The Company believes that other current litigation is routine in nature and incidental to the conduct of the Company's business and that none such litigation, individually or collectively, would have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

NOTE K — OTHER

Cash dividends

On March 4, 2015, the Board of Directors declared a quarterly dividend of $0.0375 per share payable on May 15, 2015 to shareholders of record on May 1, 2015. As of March 31, 2015, the Company accrued $520,000 for the payment of the dividend.

Supplemental cash flow information

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,151	$ 1,099
Cash paid for taxes	6,018	4,340
Non-cash investing activities:		
Translation adjustment	$ 2,705	$ (690)

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(unaudited)

Components of accumulated other comprehensive loss, net

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
	(in thousands)	
Accumulated translation adjustment:		
Balance at beginning of period	$ (7,680)	$(2,944)
Translation gain (loss) during period	(2,705)	690
Balance at end of period	$(10,385)	$(2,254)
Accumulated deferred losses on cash flow hedges:		
Balance at beginning of period	$ (18)	$ (31)
Derivative fair value adjustment, net of taxes of $49 and $6 for the three months ended March 31, 2015 and 2014, respectively.	(54)	9
Balance at end of period	$ (72)	$ (22)
Accumulated effect of retirement benefit obligations:		
Balance at beginning of period	$ (2,224)	$ (745)
Amounts reclassified from accumulated other comprehensive loss: (1)		
Amortization of actuarial losses, net of taxes of $13 and $5 for the three months ended March 31, 2015 and 2014, respectively.	20	7
Balance at end of period	$ (2,204)	$ (738)
Total accumulated other comprehensive loss at end of period	$(12,661)	$(3,014)

(1) Amounts are recorded in selling, general and administrative expense on the condensed consolidated statements of operations.

Subsequent Event

Reed and Barton

In February 2015, the Company entered into an asset purchase agreement to acquire the operating assets and to assume certain liabilities of Reed and Barton Corporation. The agreement provides that the Company will purchase the assets pursuant to Section 363 of the United States Bankruptcy Code. The transaction is subject to a number of conditions, including completion of an auction process and bankruptcy court approval. On April 28, 2015, the Bankruptcy Court selected an alternative bidder to purchase the operating assets and to assume certain liabilities of Reed and Barton Corporation. If the transaction with the alternative bidder does not close, the Company has agreed to serve as backup bidder for these assets, at the price and on the terms and conditions set forth in the asset purchase agreement.

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Review Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Lifetime Brands, Inc.:

We have reviewed the condensed consolidated balance sheet of Lifetime Brands, Inc. as of March 31, 2015, and the related condensed consolidated statements of operations, comprehensive loss and cash flows for the three-month periods ended March 31, 2015 and 2014. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Lifetime Brands, Inc. as of December 31, 2014, and the related consolidated statements of operations, comprehensive (loss) income, shareholders' equity, and cash flows for the year then ended (not presented herein) and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated March 16, 2015. We did not audit the consolidated financial statements of Grupo Vasconia, S.A.B. and Subsidiaries (a corporation in which the Company has a 30% interest), which statements have been audited by other auditors whose report has been furnished to us, and our opinion on the consolidated financial statements, insofar as it relates to the amounts included for Grupo Vasconia, S.A.B. and Subsidiaries, is based solely on the report of the other auditors. In the consolidated financial statements, the Company's investment in Grupo Vasconia, S.A.B. and Subsidiaries is stated at $27.8 million at December 31, 2014, and the Company's equity in the net income of Grupo Vasconia, S.A.B. and Subsidiaries is stated at $0.2 million for the year ended December 31, 2014. In our opinion, the accompanying condensed consolidated balance sheet of Lifetime Brands, Inc. as of December 31, 2014, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ ERNST & YOUNG LLP

Jericho, New York
May 8, 2015

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q of Lifetime Brands, Inc. (the "Company" and, unless the context otherwise requires, references to the "Company" shall include its consolidated subsidiaries) contains "forward-looking statements" as defined by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include information concerning the Company's plans, objectives, goals, strategies, future events, future revenues, performance, capital expenditures, financing needs and other information that is not historical information. Many of these statements appear, in particular, in *Management's Discussion and Analysis of Financial Condition and Results of Operations.* When used in this Quarterly Report on Form 10-Q, the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "may," "should," "seeks," and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, the Company's examination of historical operating trends, are based upon the Company's current expectations and various assumptions. The Company believes there is a reasonable basis for its expectations and assumptions, but there can be no assurance that the Company will realize its expectations or that the Company's assumptions will prove correct.

There are a number of risks and uncertainties that could cause the Company's actual results to differ materially from the forward-looking statements contained in this Quarterly Report. Important factors that could cause the Company's actual results to differ materially from those expressed as forward-looking statements are set forth in the Company's 2014 Annual Report on Form 10-K in Part I, Item 1A under the heading *Risk Factors*. Such risks, uncertainties and other important factors include, among others, risks related to:

- Indebtedness;
- Liquidity;
- Interest;
- General economic factors and political conditions;
- Competition;
- Customer practices;
- Intellectual property, brands and licenses;
- International operations;
- Supply chain;
- Foreign exchange rates;
- International trade and transportation;
- Product liability;
- Regulatory matters;
- Product development;
- Reputation;
- Technology;
- Personnel;
- Price fluctuations;
- Seasonality;
- Business interruptions;
- Projections;

- Fixed costs; and
- Acquisitions and investments;

There may be other factors that may cause the Company's actual results to differ materially from the forward-looking statements. Except as may be required by law, the Company undertakes no obligation to publicly update or revise forward-looking statements which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

ABOUT THE COMPANY

The Company designs, sources and sells branded kitchenware, tableware and other products used in the home. The Company's product categories include two categories of products that people use to prepare, serve and consume foods: Kitchenware (kitchen tools and gadgets, cutlery, cutting boards, cookware and bakeware) and Tableware (dinnerware, stemware, flatware and giftware); and one category, Home Solutions, which comprises other products used in the home (pantryware, spice racks, thermal beverageware, food storage and home décor). In 2014, Kitchenware products and Tableware products accounted for approximately 88% of the Company's U.S. Wholesale net sales and 87% of the Company's consolidated net sales.

At the heart of the Company is a culture of innovation. The Company employs over 130 artists, engineers, industrial designers and graphics specialists, who create new products, packaging and merchandising concepts. The Company brought over 4,000 new or redesigned products to market in 2014 and expects to introduce approximately 4,000 new or redesigned products in 2015.

The Company markets several product lines within each of its product categories and under most of the Company's brands, primarily targeting moderate price points through virtually every major level of trade. The Company believes it possesses certain competitive advantages based on its brands, its emphasis on innovation and new product development and its sourcing capabilities. The Company owns or licenses a number of leading brands in its industry including Farberware®, KitchenAid®, Mikasa®, KitchenCraft®, Pfaltzgraff®, Fred®, Sabatier®, masterclass®, Kamenstein®, Towle® and Built NY®. Historically, the Company's sales growth has come from expanding product offerings within its product categories, by developing existing brands, acquiring new brands and establishing new product categories. Key factors in the Company's growth strategy have been the selective use and management of the Company's brands and the Company's ability to provide a stream of new products and designs. More recently, the Company has significantly expanded its international footprint through acquisitions of businesses which own or license complementary brands in markets outside the United States.

BUSINESS SEGMENTS

During the second quarter of 2014, the Company realigned its reportable segments into three categories: U.S. Wholesale, International and Retail Direct. The U.S. Wholesale segment, formerly the Wholesale segment, is the Company's primary domestic business that designs, markets and distributes its products to retailers and distributors. The International segment consists of certain business operations conducted outside the U.S. which were previously included in the Wholesale segment. The Retail Direct segment is that in which the Company markets and sells a limited selection of its products directly to consumers through its Pfaltzgraff®, Mikasa®, Fred® and Friends, Built NY® and Lifetime Sterling® Internet websites. The Company has segmented its operations to reflect the manner in which management reviews and evaluates its results of operations. To facilitate year over year comparison, previous periods presented have been recast to conform with the current period presentation.

EQUITY INVESTMENTS

The Company owns approximately 30% of the outstanding capital stock of Grupo Vasconia, S.A.B. ("Vasconia"), an integrated manufacturer of aluminum products and one of Mexico's largest housewares companies. Shares of Vasconia's capital stock are traded on the Bolsa Mexicana de Valores, the Mexican Stock Exchange. The Quotation Key is VASCONI.

The Company accounts for its investment in Vasconia using the equity method of accounting and has recorded its proportionate share of Vasconia's net income, net of taxes, as equity in earnings in the Company's consolidated statements of operations. Pursuant to a Shares Subscription Agreement (the "Agreement"), the Company may designate four persons to be nominated as members of Vasconia's Board of Directors. As of March 31, 2015, Vasconia's Board of Directors is comprised of ten members of whom the Company has designated three members.

The Company owns approximately 40% of the outstanding capital stock of GS Internacional S/A ("GSI"). GSI is a wholesale distributor of branded housewares products in Brazil. The Company accounts for its investment in GSI using the equity method of accounting. As of March 31, 2015 the carrying value of the Company's investment in GSI was $0 and therefore the Company has not recorded its share of equity in losses for the three months ended March 31, 2015. The Company will continue to monitor the operating results of GSI and will record equity in earnings when the equity in earnings exceeds the Company's previously unrecognized losses. The Company recorded equity in losses of GSI of $213,000, net of taxes for the three months ended March 31, 2014.

Pursuant to a Shareholders' Agreement, the Company has the right to designate three persons (including one independent person, as defined) to be nominated as members of GSI's Board of Directors which shall be comprised of a maximum of seven members. As of March 31, 2015, GSI's Board of Directors is comprised of six members (including two independent members) of which three have been designated by the Company (including one independent member).

SEASONALITY

The Company's business and working capital needs are highly seasonal, with a majority of sales occurring in the third and fourth quarters. In 2014 and 2013, net sales for the third and fourth quarters accounted for 60% and 61% of total annual net sales, respectively. In anticipation of the pre-holiday shipping season, inventory levels increase primarily in the June through October time period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no material changes to the Company's critical accounting policies and estimates discussed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

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RESULTS OF OPERATIONS

The following table sets forth statement of operations data of the Company as a percentage of net sales for the periods indicated:

	Three Months Ended March 31,	
	2015	2014
Net sales	100.0%	100.0%
Cost of sales	61.8	62.6
Gross margin	38.2	37.4
Distribution expenses	11.5	10.4
Selling, general and administrative expenses	28.6	28.9
Loss from operations	(1.9)	(1.9)
Interest expense	(1.2)	(1.2)
Financing expense	(0.1)	—
Loss on early retirement of debt	—	(0.3)
Loss before income taxes and equity in earnings	(3.2)	(3.4)
Income tax benefit	1.2	1.0
Equity in earnings (losses), net of taxes	0.2	(0.2)
Net loss	(1.8)%	(2.6)%

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2015 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2014

As a result of the Company's realignment of its reportable segments into three categories: U.S. Wholesale, International and Retail Direct in the second quarter of 2014, previous periods presented have been recast to conform with the current period presentation.

Net Sales

Net sales for the three months ended March 31, 2015 were $117.7 million, a decrease of $0.7 million, or 0.6%, as compared to net sales of $118.4 million for the corresponding period in 2014.

Net sales for the U.S. Wholesale segment for the three months ended March 31, 2015 were $86.5 million, an increase of $0.8 million, or 0.9%, as compared to net sales of $85.7 million for the corresponding period in 2014.

Net sales for the U.S. Wholesale segment's Kitchenware product category were $54.6 million for the three months ended March 31, 2015, an increase of $2.7 million, or 5.2%, as compared to $51.9 million for the corresponding period in 2014. The increase in the U.S. Wholesale Kitchenware product category was primarily due to an increase in tools and gadgets and cookware programs.

Net sales for the U.S. Wholesale segment's Tableware product category were $19.3 million for the three months ended March 31, 2015, a decrease of $4.0 million, or 17.2%, as compared to $23.3 million for the corresponding period in 2014. The decrease in the Tableware product category was partially attributable to the timing of flatware warehouse club programs, as well as a decrease in luxury tableware sales with certain retailers.

Net sales for U.S. Wholesale segment's Home Solutions product category were $12.6 million for the three months ended March 31, 2015, an increase of $2.1 million, or 20.0%, as compared to $10.5 million for the three months ended March 31, 2014. The increase in the Home Solutions product category reflects the inclusion of Built NY, acquired in the first quarter of 2014, as well as successful programs for the Pantryware product line.

Net sales for the International segment were $25.4 million for the three months ended March 31, 2015, a decrease of $2.7 million, as compared to net sales of $28.1 million for the corresponding period in 2014. In local currency, net sales decreased approximately 1.2%. The decrease was in part due to a decline in export sales of kitchenware products as a result of the weakness in the European economy.

Net sales for the Retail Direct segment were $5.8 million for the three months ended March 31, 2015, an increase of $1.2 million, as compared to net sales of $4.6 million for the corresponding period in 2014. The increase was primarily attributable to an increase in sales from the Mikasa® Internet website.

Gross margin

Gross margin for the three months ended March 31, 2015 was $44.9 million, or 38.2%, as compared to $44.3 million, or 37.4%, for the corresponding period in 2014.

Gross margin for the U.S. Wholesale segment was $32.0 million, or 37.0%, for the three months ended March 31, 2015, as compared to $30.8 million, or 35.9%, for the corresponding period in 2014. The increase in U.S. Wholesale gross margin reflects a change in product mix.

Gross margin for the International segment was $9.0 million, or 35.6%, for the three months ended March 31, 2015, as compared to $10.3 million, or 36.8%, for the corresponding period in 2014. The decrease in gross margin in the International segment is a result of an increase in promotional activities and the strengthening U.S. dollar against the pound sterling during the quarter.

Gross margin for the Retail Direct segment was $3.9 million, or 66.6%, for the three months ended March 31, 2015, as compared to $3.2 million, or 69.3%, for the corresponding period in 2014. The decrease in gross margin in Retail Direct reflects increased promotional activities.

Distribution expenses

Distribution expenses for the three months ended March 31, 2015 were $13.5 million as compared to $12.3 million for the corresponding period in 2014. Distribution expenses as a percentage of net sales were 11.5% for the three months ended March 31, 2015 as compared to 10.5% for the three months ended March 31, 2014.

Distribution expenses as a percentage of net sales for the U.S. Wholesale segment were approximately 10.4% and 9.9% for the three months ended March 31, 2015 and 2014, respectively. As a percentage of sales shipped from the Company's warehouses, distribution expenses for the U.S. Wholesale segment were 10.5% and 10.6% for the three months ended March 31, 2015 and 2014, respectively. The decrease reflects the effect of an increase in sales offsetting increased labor costs related to smaller case pack shipments.

Distribution expenses as a percentage of net sales for the International segment were approximately 10.6% and 8.5% for the three months ended March 31, 2015 and 2014, respectively. As a percentage of sales shipped from the Company's U.K. warehouses, distribution expenses for the International segment were 11.9% and 10.8% for the three months ended March 31, 2015 and 2014, respectively. The increase in expenses as a percentage of sales shipped from the Company's U.K. warehouses reflects a decrease in sales volume of kitchenware products and an increase in drop ship sales which require more labor.

Distribution expenses as a percentage of net sales for the Retail Direct segment were approximately 31.0% for the three months ended March 31, 2015 and 2014, respectively.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended March 31, 2015 were $33.6 million, a decrease of $0.6 million, or 1.7%, as compared to $34.2 million for the corresponding period in 2014.

Selling, general and administrative expenses for the three months ended March 31, 2015, for the U.S. Wholesale segment were $21.1 million, an increase of $1.3 million, or 6.6%, from $19.8 million for the corresponding period in 2014. The increase is attributable to Built NY which was acquired in March 2014, higher employee related expenses (including healthcare costs), our export operation which began in the latter part of 2014 and foreign currency transaction losses. As a percentage of net sales, selling, general and administrative expenses were 24.4% and 23.1% for the three months ended March 31, 2015 and 2014, respectively.

Selling, general and administrative expenses for the three months ended March 31, 2015 for the International segment were $6.9 million, a decrease of $1.3 million, from $8.2 million for the corresponding period in 2014. The decrease was due in part to the weakness of British pound against the U.S. dollar in the three months ended March 31, 2015, as compared to the three months ended March 31, 2014. As a percentage of net sales, selling, general and administrative expenses decreased to 27.2% for the three months ended March 31, 2015, as compared to 29.2% for the corresponding period in 2014.

Selling, general and administrative expenses for the Retail Direct segment were $2.1 million for the three months ended March 31, 2015 and 2014, respectively.

Unallocated corporate expenses for the three months ended March 31, 2015 were $3.5 million as compared to $4.1 million for the corresponding period in 2014. The decrease was primarily attributable to a decrease in acquisition related professional expenses.

Interest expense

Interest expense was $1.4 million for the three months ended March 31, 2015 and 2014, respectively. Average borrowings under the Company's Revolving Credit Facility increased during the three months ended March 31, 2015, as compared to the three months ended March 31, 2014. This increase in borrowings was partially offset by scheduled repayments of the Company's Term Loan.

Financing expense

During the three months ended March 31, 2015, the Company wrote off $0.2 million of expenses related to the refinancing of indebtedness that was not completed. The Company did not incur financing expenses during the three months ended March 31, 2014.

Loss on early retirement of debt

In January 2014, the Company repaid the Senior Secured Term Loan. In connection therewith, the Company wrote off the related debt issuance costs of $0.3 million in the three months ended March 31, 2014.

Income tax benefit

The income tax benefit for the three months ended March 31, 2015 was $1.4 million as compared to $1.2 million for the corresponding period in 2014. The Company’s effective tax rate for the three months ended March 31, 2015 was 36.3% as compared to 30.3% for the corresponding 2014 period. The higher effective tax benefit for the three months ended March 31, 2015 reflects a release for uncertain tax liabilities. The tax rate for the three months ended March 31, 2014 reflected an expense recorded for uncertain tax positions which partially offset the income tax benefit of the period.

Equity in earnings (losses)

Equity in earnings of Vasconia, net of taxes, was $0.3 million for the three months ended March 31, 2015 as compared to equity in earnings of $41,000, net of tax, for the three months ended March 31, 2014. Vasconia reported income from operations of $2.7 million for the three months ended March 31, 2015, as compared to a $1.8 million for the three months ended March 31, 2014.

As described above, the Company’s investment in GSI was $0 as of March 31, 2015. The Company has not recorded its share of equity in losses for the three months ended March 31, 2015. The Company will continue to monitor the operating results of GSI and will record equity in earnings when the equity in earnings exceeds the Company’s previously unrecognized losses. The Company recorded equity in losses of GSI of $213,000, net of tax, for the three months ended March 31, 2014.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of cash to fund liquidity needs are: (i) cash provided by operating activities and (ii) borrowings available under its revolving credit facility. The Company's primary uses of funds consist of working capital requirements, capital expenditures and payments of principal and interest on its debt.

At March 31, 2015, the Company had cash and cash equivalents of $3.4 million compared to $5.1 million at December 31, 2014. Working capital was $164.4 million at March 31, 2015 compared to $174.2 million at December 31, 2014. Liquidity, which includes cash and cash equivalents and availability under its credit facilities (subject to the financial covenants of the Credit Agreement), was $38.9 million.

The Company's Credit Agreement, which expires in January 2019, provides for, among other things, a Revolving Credit Facility commitment totaling $175.0 million ($40.0 million of which is available for multi-currency borrowings) and a Term Loan facility of $50.0 million.

At March 31, 2015, borrowings outstanding under the Revolving Credit Facility were $85.3 million and open letters of credit were $1.9 million. At March 31, 2015, availability under the Revolving Credit Facility was approximately $55.4 million. The borrowing capacity under the Revolving Credit Facility depends, in part, on eligible levels of accounts receivable and inventory that fluctuate regularly and certain trademark values based upon periodic appraisals, and may be lower in the first and second quarters when the Company's inventory level is lower due to seasonality.

The Company's payment obligations under the Revolving Credit Facility are unconditionally guaranteed by each of its existing and will be unconditionally guaranteed by each of its future U.S. subsidiaries. Certain payment obligations under the Revolving Credit Facility are also direct obligations of its foreign subsidiary borrowers designated as such under the Credit Agreement and, subject to limitations on such guaranties, are guaranteed by the foreign subsidiary borrowers, as well as by the Company. The obligations of the Company under the Revolving Credit Facility and any hedging arrangements and cash management services and the guarantees by its domestic subsidiaries in respect of those obligations are secured by substantially all of the assets and stock (but in the case of foreign subsidiaries, limited to 65% of the capital stock in first-tier foreign subsidiaries and not including the stock of subsidiaries of such first-tier foreign subsidiaries) owned by the Company and the U.S. subsidiary guarantors, subject to certain exceptions. Such security interests consist of a first-priority lien, subject to certain permitted liens, with respect to the assets of the Company and its domestic subsidiaries pledged as collateral in favor of lenders under the Revolving Credit Facility.

As of March 31, 2015 and December 31, 2014, $42.5 million and $45.0 million, respectively, were outstanding under the Term Loan.

Interest rates on outstanding borrowings at March 31, 2015 ranged from 2.125% to 4.6875%. In addition, the Company pays a commitment fee of 0.375% on the unused portion of the Revolving Credit Facility.

The Credit Agreement provides for customary restrictions and events of default. Restrictions include limitations on additional indebtedness, acquisitions, investments and payment of dividends, among other things. Further, the Credit Agreement provides that at any time any Term Loan is outstanding or at any time no Term Loan is outstanding and availability under the Revolving Credit Facility is less than $17.5 million and continuing until availability of at least $20.0 million is maintained for three consecutive months, the Company is required to maintain a minimum fixed charge coverage ratio of 1.10 to 1.00 for each of four consecutive fiscal quarter periods. The Credit Agreement also provides that when the Term Loan is outstanding, the Company is required to maintain a Senior Leverage Ratio within defined parameters not to exceed 4.00 to 1.00 for each fiscal quarter ending during 2015; and 3.25 to 1.00 for each fiscal quarter ending thereafter. As of March 31, 2015, the Company's Senior Leverage Ratio was 3.14 to 1.00.

Pursuant to the term loan agreement, as of March 31, 2015 the maximum additional permitted indebtedness other than certain subordinated indebtedness was $35.5 million. The Company was in compliance with the financial covenants of the Credit Agreement at March 31, 2015.

Covenant Calculations

Consolidated EBITDA, as provided below, is used in the calculation of covenants provided for in the Company's Second Amended and Restatement Credit Agreement. The following is the Company's Consolidated EBITDA for the last four fiscal quarters:

	Consolidated EBITDA for the Four Quarters Ended March 31, 2015
	(in thousands)
Three months ended March 31, 2015	$ 2,519
Three months ended December 31, 2014	20,918
Three months ended June 30, 2014	16,470
Three months ended September 30, 2014	1,494
Total for the four quarters	$ 41,401

Capital expenditures for the three months ended March 31, 2015 were $1.4 million.

Non-GAAP financial measure

Consolidated EBITDA is a non-GAAP financial measure within the meaning of Regulation G promulgated by the Securities and Exchange Commission. The following is a reconciliation of the net income, as reported, to Consolidated EBITDA, for the three months ended March 31, 2015 and 2014:

	Three Months Ended March 31, 2015	2014
	(in thousands)	
Net loss as reported	$(2,105)	$(2,929)
Subtract out:		
Undistributed equity in (earnings) losses, net	(288)	208
Add back:		
Income tax benefit	(1,363)	(1,185)
Interest expense	1,431	1,390
Financing expense	154	—
Loss on early retirement of debt	—	319
Depreciation and amortization	3,555	3,613
Stock compensation expense	750	726
Contingent consideration accretion	147	—
Permitted acquisition related expenses	238	1,518
Consolidated EBITDA	$ 2,519	$ 3,660

Other Credit Agreements

A subsidiary of the Company has a credit facility ("HSBC Facility" or "Short term loan") with HSBC Bank (China) Company Limited, Shanghai Branch ("HSBC") for up to RMB 18.0 million ($2.9 million). The HSBC Facility is subject to annual renewal and may be used to fund general working capital needs of the subsidiary which is a trading company in the People's Republic of China. Borrowings under the HSBC Facility are guaranteed by the Company and are granted at the sole discretion of HSBC. At March 31, 2015, RMB 3.0 million ($480,000) was outstanding and the interest rate was 6.28% under the HSBC Facility.

Derivatives

The Company is a party to interest rate swap agreements with an aggregate notional amount of $24.1 million to manage interest rate exposure in connection with its variable interest rate borrowings. The hedge periods in these agreements commenced in March 2013 and will expire in September 2018, and the notional amounts amortize over this period. The hedge provides for a fixed payment of interest at an annual rate of 1.05% in exchange for the Adjusted LIBO Rate.

Operating activities

Cash provided by operating activities was $10.2 million for the three months ended March 31, 2015 as compared to $934,000 for the corresponding 2014 period. The increase in cash provided by operating activities was due to a net decrease in working capital, primarily attributable to a larger decrease in accounts receivable in 2015 as compared to 2014 and a smaller decrease in accrued expenses and accounts payable.

Investing activities

Cash used in investing activities was $1.4 million and $66.3 million for the three months ended March 31, 2015 and 2014, respectively. The amount for 2014 primarily related to the acquisition of Kitchen Craft.

Financing activities

Cash used in financing activities was $10.4 million for the three months ended March 31, 2015 as compared to cash provided by financing activities of $63.9 million for the corresponding 2014 period. The proceeds from the 2014 borrowings were principally used to finance the acquisition of Kitchen Craft.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes in market risk for changes in foreign currency exchange rates and interest rates from the information provided in Item 7A – Quantitative and Qualitative Disclosures About Market Risk in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of March 31, 2015, that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed by it under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer of the Company, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls

In January 2014, the Company acquired 100% of the share capital of Kitchen Craft. The Company has begun to integrate policies, processes, people, technology and operations of Kitchen Craft with those of the Company and is evaluating and will continue to evaluate the impact of any changes to internal control over financial reporting. Except for any changes in internal controls related to the integration of Kitchen Craft into the post-acquisition combined company, during the quarter ended on March 31, 2015, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Wallace Silversmiths de Puerto Rico, Ltd. (“Wallace de Puerto Rico”), a wholly-owned subsidiary of the Company, operates a manufacturing facility in San Germán, Puerto Rico that is leased from the Puerto Rico Industrial Development Company (“PRIDCO”). In March 2008, the United States Environmental Protection Agency (the “EPA”) announced that the San Germán Ground Water Contamination site in Puerto Rico (the “Site”) had been added to the Superfund National Priorities List due to contamination present in the local drinking water supply.

In May 2008, Wallace de Puerto Rico received from the EPA a Notice of Potential Liability and Request for Information Pursuant to 42 U.S.C. Sections 9607(a) and 9604(e) of the Comprehensive Environmental Response, Compensation, and Liability Act. The Company responded to the EPA’s Request for Information on behalf of Wallace de Puerto Rico. In July 2011, Wallace de Puerto Rico received a letter from the EPA requesting access to the property that it leases from PRIDCO, and the Company granted such access. In February 2013, the EPA requested access to conduct further environmental investigation at the property. PRIDCO agreed to such access and the Company consented. EPA conducted further investigation during 2013. EPA has since provided PRIDCO and the Company with the vapor intrusion sampling results and, during an April 2015 meeting with PRIDCO and the Company, the EPA advised that the results from the vapor intrusion sampling required the implementation of measures to mitigate potential exposure to sub-slab soil gas. The Company is presently reviewing this information and has requested that PRIDCO, as the property owner, find and implement a solution acceptable to the EPA. The Company is not yet able to estimate the extent of any possible liability with respect to the vapor intrusion issues. During the referenced April 2015 meeting, the EPA also advised PRIDCO and the Company that in the coming months they plan to release Remedial Investigation results with respect to the San Germán Groundwater Contamination Site. The Company is unable to determine what, if any, additional requirements or potential liabilities will result from the EPA’s Remedial Investigation.

The Company is, from time to time, involved in other legal proceedings. The Company believes that such other current litigation is routine in nature and incidental to the conduct of the Company’s business and that none such litigation, individually or collectively, would have a material adverse effect on the Company’s consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors

There have been no material changes in the company’s risk factors from those disclosed in the Company’s 2014 Annual Report on Form 10K.

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Item 6. Exhibits

Exhibit No.	
10.1	Deed of Variation and Settlement, dated April 1, 2015, by and among Lifetime Brands, Inc. and the sellers of Thomas Plant (Birmingham) Limited
10.2	Amendment No. 2 to Second Amended and Restated Credit Agreement, dated as of February 17, 2015, among Lifetime Brands, Inc., as the Company, the financial institutions party thereto as lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on February 23, 2015)
31.1	Certification by Jeffrey Siegel, Chief Executive Officer and Chairman of the Board of Directors, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by Laurence Winoker, Senior Vice President – Finance, Treasurer and Chief Financial Officer, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification by Jeffrey Siegel, Chief Executive Officer and Chairman of the Board of Directors, and Laurence Winoker, Senior Vice President – Finance, Treasurer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

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

Lifetime Brands, Inc.

/s/ Jeffrey Siegel	May 8, 2015
Jeffrey Siegel Chief Executive Officer and Director (Principal Executive Officer)	
/s/ Laurence Winoker	May 8, 2015
Laurence Winoker Senior Vice President – Finance, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	

Exhibit 10.1

DATED 1st April **2015**

(1) ANDREW PLANT, RICHARD PLANT, PETER BUSHELL AND SALLY WRIGHT
(2) LIFETIME BRANDS, INC.

DEED OF VARIATION AND SETTLEMENT

CONTENTS

DATE 1st April **2015**

PARTIES

(1) **THE PERSONS** whose names and addresses are set out in the schedule (**Sellers**); and

(2) **LIFETIME BRANDS, INC.** a company incorporated in Delaware (IRS Employer Identification number 11-2682486), of 1000 Stewart Avenue, Garden City, New York 11530, United States of America (**Buyer**).

BACKGROUND

(A) The parties entered into a share purchase agreement dated 15 January 2014 relating to the sale and purchase of the entire issued share capital of Thomas Plant (Birmingham) Limited ("**SPA**").

(B) The parties have agreed certain variations to the SPA as set out in this deed to take effect from the date of this deed (**Variation Date**).

(C) On or around 31 October 2014 the Company made a payment of £1,500,000 in respect of the Defined Benefit Pension Scheme to part fund securing benefits payable or contingently payable under the Defined Benefit Pension Scheme with an insurance company and this comprises an amount to be taken into account in determining Additional Pension Liability in respect of which the Buyer is to be reimbursed by the Sellers under the SPA.

(D) In consideration of the Buyer agreeing to the variations in this deed relating to the payment of Consideration to the Sellers, the Sellers have agreed to a further variation to the SPA to take effect from the Variation Date to the intent and effect that the Buyer has an immediately enforceable claim to be paid £1,500,000 in respect of Additional Pension Liability (such £1,500,000 amount being hereinafter referred to in this deed as the **Accepted Pension Liability**).

(E) The parties have agreed to enter into this deed for the purposes of varying the SPA and settling in full the Buyer's claim for reimbursement of the Accepted Pension Liability and, for the avoidance of doubt, the Sellers claim in relation to the Pension Tax Benefit resulting from that Accepted Pension Liability.

IT IS AGREED

1. DEFINITIONS AND INTERPRETATION

1.1 In this deed the definitions contained in clause 1.1 of the SPA and the rules of interpretation contained in clauses 1.2 to 1.10 (inclusive) of the SPA will apply.

2. VARIATION OF SALE AND PURCHASE AGREEMENT

2.1 With effect from the Variation Date the parties agree the following amendments to the SPA:

a) Clause 1.1 definitions added: The following definitions are inserted hereby into the SPA:

"Additional CT Sales

the relevant Sales made by Creative Tops Limited to be added to the Company's Sales in the Turnover Statement pursuant to and in accordance with clause 3.33;

Company Turnover Consideration

together the Company's 2015 Turnover Consideration and the Company's 2016 Turnover Consideration;

Company's 2015 Turnover

Sales made by the Company in the period 1 January 2015 to 31 December 2015 (inclusive);

Company's 2015 Turnover Consideration

the part of the Consideration to be paid by the Buyer to the Sellers in accordance with clause 3.1.5;

Company's 2016 Turnover

Sales made by the Company in the period 1 January 2016 to 31 December 2016 (inclusive);

Company's 2016 Turnover Consideration

the part of the Consideration to be paid by the Buyer to the Sellers in accordance with clause 3.1.6;

Deed of Variation

the deed of variation and settlement dated 1 April 2015 made between the Sellers and the Buyer varying certain of the terms of this agreement;

Pension Tax Benefit Repayment

the amount or amounts payable by the Buyer to the Sellers pursuant to clause 3.2 of the Deed of Variation, which amount or amounts will be treated as an increase in the Consideration;

Sales

the meaning given to the expression "Sales" in schedule 9 Appendix C "Company Accounting Policies" provided that the references therein to "the Company" shall be deemed to refer to Creative Tops Limited in the case only of Additional CT Sales (for the purposes of clause 3.33) and Relevant CT Sales and Additional Shared Customers CT Sales (for the purposes of schedule 10);

TP Designed Tableware

items of tableware which the Sellers can demonstrate to the reasonable satisfaction of the Buyer the design and development of which has been undertaken by or on behalf of the Company;

Turnover Periods

the periods 1 January 2015 to 31 December 2015 (inclusive) and 1 January 2016 to 31 December 2016 (inclusive) (each a **Turnover Period**);"

Amendment of definition of "Undetermined Claim" in clause 1.1	The words "or any payment date in clause 3.1.4 or any date for payment to be made pursuant to clauses 3.1.5 and/or 3.1.6 or any date for payment of the Pension Tax Benefit Repayment" are hereby added after the words "Earn Out Payment Date ("in the definition of "Undetermined Claim" in clause 1.1 of the SPA.
Clause 3.1.4 added	The following clause 3.1.4 is inserted hereby into the SPA: "3.1.4 the payment by the Buyer in cash of the amounts set out in column 1 of the table below on the dates set opposite the relevant amount in column 2 of the table below: 1 — 2 (a) £1,500,000 — 1 April 2015 (b) £200,000 — 15 January 2016 (c) £200,000 — 15 January 2017 such amounts to be apportioned as between the Sellers in the Relevant Proportions; and"
Clause 3.1.5 added	The following clause 3.1.5 is inserted hereby into the SPA: "3.1.5 the payment of £400,000 by the Buyer in cash (to be apportioned between the Sellers in the Earn Out Proportions) if the Company's 2015 Turnover exceeds £38,000,000; and"
Clause 3.1.6 added	The following clause 3.1.6 is inserted hereby into the SPA: "3.1.6 the payment of £400,000 by the Buyer in cash (to be apportioned between the Sellers in the Earn Out Proportions) if the Company's 2016 Turnover exceeds £40,000,000."
Clauses 3.7 and 3.8 amended	Clauses 3.7 and 3.8 of the SPA are hereby deleted and replaced with the following replacement clauses 3.7 and 3.8: "3.7 The Buyer may deduct from and set-off against the Earn Out Consideration (and/or against any payment to be made by the Buyer pursuant to any one or more of clauses 3.1.4, 3.1.5 and 3.1.6 and/or against any additional payment to be made by the Buyer under paragraph 4 of schedule 11 (**schedule 11 payment**) and/or against the Pension Tax Benefit Repayment) the amount of any Buyer Determined Claim which is subsisting and has not been settled in full by the Sellers at the time the Earn Out Consideration (or relevant payment(s) pursuant to clauses 3.1.4, 3.1.5 or 3.1.6 or schedule 11 payment or Pension Tax Benefit Repayment, as the case may be) is due to be paid." "3.8 The Buyer may deduct from and set-off against the Earn Out Consideration (and/or against any payment to be made by the Buyer pursuant to any one or more of clauses 3.1.4, 3.1.5 and 3.1.6 and/or against any additional payment to be made by the Buyer under paragraph 4 of schedule 11 and/or against the Pension Tax Benefit Repayment) the Estimated Amount of any Undetermined Claim which is subsisting at the time the Earn Out Consideration (or relevant payment(s) pursuant to clauses 3.1.4, 3.1.5 or 3.1.6 or schedule 11 payment or Pension Tax Benefit Repayment, as the case may be) is due to be paid."

Clause 3.13 amended	Clause 3.13 of the SPA is hereby deleted and replaced with the following replacement clause 3.13:
	"3.13 Where the Counsel's opinion states that the relevant Undetermined Claim is not one where the Buyer has no real prospect of succeeding, the Buyer shall, on or before the date the Earn Out Consideration (or the date the relevant amount payable pursuant to clause 3.1.4 or clause 3.1.5 or clause 3.1.6 or the schedule 11 payment or the Pension Tax Benefit Repayment, as the case may be) is due for payment, pay into the Deposit Account, an amount equal to the amount(s) (if any) deducted from the Earn Out Consideration (or from the amount payable pursuant to clause 3.1.4 or clause 3.1.5 or clause 3.1.6 or the schedule 11 payment or the Pension Tax Benefit Repayment, as the case may be) in accordance with clause 3.8. For this purpose, the Buyer and the Sellers undertake to irrevocably and unconditionally instruct the Buyer's Solicitors and the Sellers' Solicitors, prior to the due date for payment of the Earn Out Consideration (or the amount payable pursuant to clause 3.1.4 or clause 3.1.5 or clause 3.1.6 or the schedule 11 payment or the Pension Tax Benefit Repayment, as the case may be), to open the Deposit Account."
Clause 3.22 amended	Clause 3.22 of the SPA is hereby deleted and replaced with the following replacement clause 3.22: "Any amount(s) deducted from and set-off against the Earn Out Consideration and/or from any payment under any of clauses 3.1.4, 3.1.5 and 3.1.6 and/or from any payment under paragraph 4 of schedule 11 and/or from the Pension Tax Benefit Repayment shall be apportioned between the Sellers in the Earn Out Proportions."
Clauses 3.23 to 3.34 (inclusive) added	The following clauses 3.23 to 3.34 (inclusive) are inserted hereby into the SPA.

"**Determination of the Company's 2015 Turnover and the Company's 2016 Turnover and payment of Company Turnover Consideration**

3.23 For the purposes of determining the Company's 2015 Turnover and the Company's 2016 Turnover only, the Buyer shall procure that a statement of Sales made by the Company in each Turnover Period (**Turnover Statement**) shall be prepared and delivered to the Sellers within 15 Business Days of the earlier to occur of (a) the date it receives the audited accounts of the Company for the Turnover Period in question and (b) 30 September in the following year (being hereinafter referred to in this clause 3 as the **Due Date**):

3.23.1 having added to the Company's Sales for these purposes Additional CT Sales as contemplated pursuant to and in accordance with the provisions of clause 3.33;

3.23.2 in accordance with the same accounting policies and procedures applied for the purposes of preparing the Company's audited accounts (or, in the case of Additional CT Sales, Creative Tops Limited's audited accounts) in respect of the financial period ended 31 December 2014.

3.24 Within 15 Business Days of the Due Date the Buyer shall deliver to the Sellers the relevant Turnover Statement. If the amount of the Company's Sales shown therein determines that the Company's 2015 Turnover Consideration or, as the case may be, the Company's 2016 Turnover Consideration is payable then, subject to clauses 3.7 and 3.8 of this agreement and paragraphs 6.1 and 8 of schedule 11, the relevant Company's Turnover Consideration shall be paid within 10 Business Days of such delivery.

3.25 If the amount of the Company's Sales shown in the relevant Turnover Statement does not exceed the amount thereof required so that the Company's 2015 Turnover Consideration or, as the case may be, the Company's 2016 Turnover Consideration is payable, then within 20 Business Days of the date of service of the relevant Turnover Statement on the Sellers, the Sellers shall either give notice to the Buyer that they accept the contents of the Turnover Statement or give written notice (an **Objection Notice**) to the Buyer stating that they do not agree with the contents of the Turnover Statement and setting out any adjustments which they consider are required thereto so that it complies with the provisions of clause 3.23. The Sellers shall be given access to the Buyer's working papers for the purposes of verifying that the Turnover Statement complies with the provisions of clause 3.23 and preparing an Objection Notice. Any adjustments proposed in an Objection Notice shall be quantified and documented to the extent reasonably practicable.

3.26 If the Sellers do not serve an Objection Notice within the period set out in clause 3.25, or to the extent that the Sellers do not propose adjustments to the Turnover Statement in the Objection Notice, the Sellers shall be deemed to have accepted the Turnover Statement which shall become final and binding on the parties on the expiry of that period.

3.27 Following service of an Objection Notice, the parties shall use their reasonable endeavours to agree the matters in dispute as soon as possible. If the Buyer and the Sellers are unable to agree on the adjustments proposed in the Objection Notice within 20 Business Days of the date of service of the Objection Notice, the matters in dispute shall be referred, at the request of either the Sellers or the Buyer, to an independent chartered accountant (the "**Accountant**") for final determination.

3.28 The Buyer and the Sellers shall agree the identity of the Accountant and the terms of his engagement in writing. If the Buyer and the Sellers fail to agree on the identity of the Accountant or the terms of his engagement within 10 Business Days of either the Sellers or the Buyer serving details of a suggested Accountant on the other, the Accountant shall be nominated by and engaged on such terms as may be specified by the President for the time being of the Institute of Chartered Accountants in England and Wales on the application at any time of either the Sellers or the Buyer.

3.29 The Accountant shall be instructed to certify the amount of the Company's Sales and Additional CT Sales for the relevant Turnover Period.

3.30 The Buyer and the Sellers shall supply the Accountant with any information which he may reasonably request in connection with his certification work. The Buyer and the Sellers shall be entitled to make written submissions to the Accountant provided that a copy of any such written submissions is also simultaneously delivered to the other party. The Accountant shall give due weight to any such written submission which is received by the Accountant within such time limit as he may determine and have notified to the parties.

3.31 The decision of the Accountant (who shall be deemed to act as an expert and not as an arbitrator) shall be final and binding on the parties, save in the event of fraud or manifest error. The costs of the Accountant in connection with his determination shall be borne as he directs (taking into account the conduct of the parties and the merits of their respective arguments in relation to the reference made to him) or, in the absence of any such direction, by the Buyer and the Sellers in equal shares.

3.32 Subject to clauses 3.7 and 3.8 of this agreement and paragraphs 6.1 and 8 of schedule 11, if the decision of the Accountant is such that the Company's 2015 Turnover Consideration or, as the case may be, the Company's 2016 Turnover Consideration is payable or, after the service of the Objection Notice, the Buyer and the Sellers agree that the relevant Company's Turnover Consideration the subject of the Turnover Statement is payable notwithstanding the contents of the Turnover Statement as prepared by the Buyer, the Buyer shall pay the amount due to the Sellers pursuant to clause 3.1.5 (or clause 3.1.6, as the case may be) in cash in the manner specified in clause 3.2 within 10 Business Days of the later of the date on which:

3.32.1 the parties agree in writing that they have resolved all disagreements in relation to the Turnover Statement in question; or

3.32.2 the parties receive notice from the Accountant of his certification of the Company's Sales (having added the Additional CT Sales as contemplated by clause 3.33) for the relevant Turnover Period.

3.33 To the extent that Sales made by Creative Tops Limited in the relevant Turnover Period are in respect of either (1) TP Designed Tableware or (2) kitchen tools and gadgets which are similar to or of a type supplied by the Company, then the amount of such Sales shall be included in the Turnover Statement for such period to the intent and effect that the Sales made by the Company as set out in the Turnover Statement shall be increased by such amount for the purposes of calculating whether the relevant turnover threshold has been achieved. Additional CT Sales shall be determined applying the same accounting procedures and policies used in the preparation of Creative Tops Limited's audited accounts for the financial period ended on 31 December 2014.

3.34 For the avoidance of any doubt:

3.34.1 if the Company's 2015 Turnover increased by the amount (if any) contemplated by the provisions of clause 3.33 in respect of the relevant Turnover Period does not exceed £38,000,000, no amount will be payable pursuant to clause 3.1.5;

3.34.2 if the Company's 2016 Turnover increased by the amount (if any) contemplated by the provisions of clause 3.33 in respect of the relevant Turnover Period does not exceed £40,000,000, no amount will be payable pursuant to clause 3.1.6."

Clause 3.35 added — The following clause 3.35 is inserted hereby into the SPA:

"3.35 Disposal

3.35.1 If at any time before 31 December 2016:

3.35.1.1 a controlling interest in the share capital of the Company or Creative Tops Limited is transferred or sold to a person outside the Buyer's Group; or

3.35.1.2 all or a substantial part of the business of the Company or Creative Tops Limited is transferred or sold (other than on the advice of a licensed insolvency practitioner) to a person outside the Buyer's Group;

then:

(a) if and to the extent not then already paid, the amount payable pursuant to clause 3.1.4(b) and/or clause 3.1.4(c), as the case may be, shall (subject to clauses 3.7 and 3.8 of this agreement and paragraphs 6.1 and 8 of schedule 11) become payable by the Buyer to the Sellers within 10 Business Days of the date of the relevant disposal (which payment shall, for the avoidance of any doubt, be in full and final satisfaction of the Buyer's payment obligations under clause 3.1.4(b) and 3.1.4(c)); and

(b) the Buyer on the one hand and the Sellers on the other shall agree in good faith a fair and reasonable calculation of the Company's 2016 Turnover (and, if the disposal is in 2015, the Company's 2015 Turnover) based on Company Sales (and adding Additional CT Sales) actually achieved from the commencement of the relevant Turnover Period up to the date of such disposal and projected Company Sales and Additional CT Sales for the remainder of the relevant Turnover Period (on the assumption such disposal had not taken place but otherwise based on the then known facts, matters and circumstances (including external factors) affecting the business of the Company and/or Creative Tops Limited) and thereby whether or not the Company's 2016 Turnover Consideration (and, if relevant, the Company's 2015 Turnover Consideration) is payable.

3.35.2 If the Buyer and the Sellers are unable to agree upon the matters referred to in clause 3.35.1 within 40 Business Days of the date of the disposal, the matters in dispute pursuant to clause 3.35.1 shall be referred, at the request of either party, to an independent chartered accountant (the "**Accountant**") for final determination.

3.35.3 The Buyer and the Sellers shall agree upon the identity of the Accountant and the terms of his engagement in writing. If the Buyer and the Sellers fail to agree on the identity of the Accountant or the terms of his engagement within 10 Business Days of either the Sellers or the Buyer serving details of a suggested Accountant on the other, the Accountant shall be nominated by and engaged on such terms as may be specified by the President for the time being of the Institute of Chartered Accountants in England and Wales on the application at any time of either party.

3.35.4 The Accountant shall be instructed to:

3.35.4.1 prepare a written decision and give notice of that decision to the parties within a maximum of 3 months of the matter being referred to him; and

3.35.4.2 certify the amount of the Company's 2016 Turnover (and the Company's 2015 Turnover, if relevant), relevant Additional CT Sales and thereby whether or not the Company's 2016 Turnover Consideration (and, if relevant, the Company's 2015 Turnover Consideration) is payable.

3.35.5 The Buyer and the Sellers shall supply the Accountant with any information which he may reasonably request in connection with his determination. The Buyer and the Sellers shall be entitled to make written submissions to the Accountant provided that a copy of any such written submissions is also simultaneously delivered to the other party. The Accountant shall give due weight to any such written submission which is received by the Accountant within such time limit as he may determine and have notified to the parties.

3.35.6 The decision of the Accountant (who shall be deemed to act as an expert and not as an arbitrator) shall be final and binding on the parties, save in the event of fraud or manifest error. The costs of the Accountant in connection with his determination shall be borne by the Sellers.

3.35.7 If the parties agree that the Company's 2016 Turnover Consideration (and/or, if relevant, the Company's 2015 Turnover Consideration) is payable pursuant to this clause 3.35 (or the same is determined by the Accountant pursuant to this clause 3.35), the Company's 2016 Turnover Consideration (and/or, if relevant, the Company's 2015 Turnover Consideration) shall (subject to clauses 3.7 and 3.8 of this agreement and paragraphs 6.1 and 8 of schedule 11) be paid by the Buyer to the Sellers within 10 Business Days of the same being agreed or determined (which payment shall, for the avoidance of any doubt, be in full and final satisfaction of the Sellers turnover based earn out entitlement, whether pursuant to clause 3.1.5, clause 3.1.6 or otherwise)."

Clause 17.2 amended — The words "clause 3 and in" are hereby added before the words "schedules 9, 10 and 13" in clause 17.2 of the SPA.

b) Schedule 10 deleted in its entirety and replaced by a new schedule 10 — The following provisions are hereby inserted into the SPA as schedule 10 of the SPA to the exclusion of the existing provisions of schedule 10 which are superseded hereby:

SCHEDULE 10

Earn Out Consideration

Part 1 – Definitions

1. In this schedule 10, in addition to the words and expressions defined in clause 1.1, the following definitions shall apply:

Additional Shared Customers

any customer of the Company and CT which is not a Shared Customer but in respect of which the Sellers and the Buyer agree in writing (making express reference to this definition in this schedule 10) that the Company and CT will be deemed to be collaborating from and including a date agreed by the Sellers and the Buyer for the purposes of this agreement;

Additional Shared Customers CT Sales

Sales made by CT in the relevant reference periods agreed by the Sellers and the Buyer in respect of Additional Shared Customers (it being acknowledged the relevant reference periods may vary for each Additional Shared Customer (if any));

Additional Shared Customers CT Product Margin

the amount of Additional Shared Customers CT Sales less (subject to paragraph 17 of this schedule 10) the amount of Standard Costs allocated to the stock the subject of such Additional Shared Customers CT Sales;

Brazil /Canada Sales

Sales made by the Company to distributors in Brazil and Canada**;**

CT

Creative Tops Limited (a member of the Buyer's Group);

CT Costs Basis Change Date

the date upon which CT changes (if it does so change) the basis upon which CT allocates costs from Standard Costs (using SAP) to Landed Costs (using Chorus);

Earn Out Payment Date

the date determined pursuant to paragraph 13 of this schedule 10;

Earn Out Period

the period commencing on 1 January 2015 and ending on 31 December 2016 (both dates inclusive);

Product Margin Growth

{A plus B} minus {(C minus D plus E) plus (F plus G)}

Where:

A is TP Product Margin for the two years ended 31 December 2016;

B is the Relevant CT Product Margin for the two years ended 31 December 2016;

C is TP Product Margin for the year ended 31 December 2014;

D is the Excluded Product Margin for the year ended 31 December 2014;

E is the Relevant CT Product Margin for the year ended 31 December 2014;

F is TP Product Margin for the year ended 31 December 2015; and

G is the Relevant CT Product Margin for the year ended 31 December 2015;

Excluded Product Margin

the amount of Brazil/Canada Sales made in the Relevant Period less the amount of Landed Costs incurred in respect of the stock the subject of such Brazil/Canada Sales;

Landed Costs

"Landed costs" allocated in the ordinary course from time to time by the Company to an item of stock the subject of Sales made by the Company for the purposes of determining product margin in respect of any such Sale and comprising the purchase invoice value charged by the supplier, any duty paid on importation of the stock, the freight cost of transporting the stock to the Company, bank fees and transactions charges associated with paying suppliers for stock, the cost of marine cargo insurance, specific packaging costs and any specific product testing or quality control fees in relation to a specific item of stock but excluding those product testing and quality control fees general in scope and application and which are of a type which have been customarily charged by the Company to overheads and therefore not taken into account in arriving at product margin (provided that the references in this definition to “the Company” shall (subject to paragraph 17 of this schedule 10) be deemed to refer to CT in the case only of Relevant CT Sales and Additional Shared Customers CT Sales after the CT Costs Basis Change Date;

Relevant CT Sales

Sales made by CT in the Relevant Period in respect of Shared Customers;

Relevant CT Product Margin

the amount of Relevant CT Sales less (subject to paragraph 17 of this schedule 10) the amount of Standard Costs allocated to the stock the subject of such Relevant CT Sales;

Relevant Period

each of the periods 1 January 2014 to 31 December 2014 (inclusive), 1 January 2015 to 31 December 2015 (inclusive) and 1 January 2016 to 31 December 2016 (inclusive);

Sales

shall have the meaning as given in schedule 9 Appendix C (“Company Accounting Policies”) provided that for the purposes of this schedule 10 references therein to “the Company” shall be deemed to refer to CT in the case only of Relevant CT Sales and, if and to the extent relevant, Additional Shared Customers CT Sales;

Shared Customers

the customers whose names are set out in the list contained in Part 4 of this schedule 10;

Standard Costs

“Standard costs” allocated in the ordinary course from time to time by CT to an item of stock the subject of Sales made by CT for the purposes of determining product margin in respect of any such Sale and comprising an amount allocated in respect of the price paid to a supplier for the item in question plus an estimate of freight charges incurred in transporting the item to the UK and import duties incurred in respect of the item and any other associated direct importation costs relating thereto and the relevant China/Hong Kong sourcing costs/charges;

TP Product Margin

in respect of the Relevant Period the amount of Sales made by the Company less the amount of Landed Costs allocated to the stock the subject of such Sales.

Part 2 – Calculation and payment

2 Subject to paragraph 3 below, the Earn Out Consideration shall be 0.9 multiplied by Product Margin Growth and worked examples of the application of the foregoing are set out in the Appendix to this deed.

It is acknowledged that the definition of Product Margin Growth in paragraph 1 of this schedule 10 does not cater for Additional Shared Customers and therefore, if the parties wish to agree to an Additional Shared Customer, that agreement will (making express reference in writing to this schedule 10) include (a) the identity of the Additional Shared Customer, (b) the date from which the Company and CT will be deemed to be collaborating in respect of such Additional Shared Customer for the purposes of this agreement, (c) the appropriate reference periods in respect of which the Additional Shared Customers CT Product Margin will be measured including the appropriate base reference period and thereby (d) the appropriate adjustment to the calculation of Product Margin Growth. The illustrative worked examples in scenarios 2, 3 and 4 set out in the Appendix to this deed cater for two Additional Shared Customers, both in respect of which the Company and CT are deemed to be collaborating with effect from and including 1 January 2016 and comparing the Additional Shared Customers CT Product Margin in respect of those two Additional Shared Customers for the calendar year ending 31 December 2016 against the calendar year ending 31 December 2015.

3 The Earn Out Consideration (if any and prior to any reduction(s) under clauses 3.7 and/or 3.8 of this agreement and/or pursuant to paragraphs 6.1 or 8 of schedule 11) is capped at £2,800,000 (two million eight hundred thousand pounds).

4 For the purposes of calculating the Earn Out Consideration only, the Buyer shall procure that accounts for each Relevant Period (**Earn Out Accounts**) of the Company and, in respect of the Relevant CT Sales and, if and to the extent relevant, Additional Shared Customers CT Sales, CT shall be prepared and delivered to the Sellers within 15 Business Days of the earlier to occur of (a) the date it receives the audited accounts of the Company for the Relevant Period in question and (b) 30 September in the following year (being hereinafter referred to in this schedule 10 as the **Due Date**):

4.1 (save in respect of the China/Hong Kong sourcing costs/charges referred to in paragraph 17 of this schedule 10) having been adjusted so as to exclude the effect of any and all intra group costs and charges incurred and/or levied on the Company and/or CT arising out of or in connection with the way in which the Buyer and its subsidiaries organise and effect the procurement and purchase of goods for resale;

4.2 having regard to the provisions of paragraphs 16 and 17 of this schedule 10;

4.3 subject to that, to the extent the Earn Out Accounts relate to TP Product Margin and Excluded Product Margin, in accordance with the same accounting policies and procedures applied for the purposes of the audited accounts of the Company for the year ended 31 December 2014 (and, to the extent the Earn Out Accounts relate to Relevant CT Product Margin and Additional Shared Customers CT Product Margin, in accordance with the same accounting policies and procedures applied for the purposes of the audited accounts of CT for the year ended 31 December 2014);

4.4 taking into account any other adjustments as may be agreed in writing between the Buyer and the Sellers;

such policies and procedures to be applied on a consistent basis in respect of each Relevant Period.

5 Within 15 Business Days of the Due Date the Buyer shall deliver to the Sellers:

a. the relevant Earn Out Accounts; and

b. a notification (**Buyer's Notification**) issued by either the Buyer or (at the Buyer's discretion) the Buyer's Accountants stating:

i. the TP Product Margin in respect of the Relevant Period;

ii. the Relevant CT Product Margin and (if and to the extent relevant) Additional Shared Customers CT Product Margin in respect of the Relevant Period;

iii. (if relevant) the Excluded Product Margin in respect of the Relevant Period; and

iv. in the case of the notification accompanying delivery of the Earn Out Accounts for the Relevant Period ending 31 December 2016, the amount of the Earn Out Consideration (if any) payable (and subject to any deduction(s) made in accordance with clauses 3.7 and/or 3.8 of this agreement and/or pursuant to paragraphs 6.1 or 8 of schedule 11).

6 Within 20 Business Days of the date of service of the Buyer's Notification on the Sellers, the Sellers shall either give notice to the Buyer that they accept the Buyer's Notification or give written notice (**Objection Notice**) to the Buyer stating that they do not agree with the Buyer's Notification and setting out any adjustments which they consider are required to the Buyer's Notification so that it complies with this schedule 10. The Sellers shall be given access to the Buyer's working papers for the purposes of verifying that the Buyer's Notification complies with this schedule and preparing an Objection Notice. Any adjustments proposed in an Objection Notice shall be quantified and documented to the extent reasonably practicable.

7 If the Sellers do not serve an Objection Notice within the period set out in paragraph 6 above, or to the extent that the Sellers do not propose adjustments to the Buyer's Notification in the Objection Notice, the Sellers shall be deemed to have accepted the Buyer's Notification which (subject only to paragraph 18 of this schedule 10) shall become final and binding on the parties on the expiry of that period.

8 Following service of an Objection Notice, the parties shall use their reasonable endeavours to agree the matters in dispute as soon as possible. If the Buyer and the Sellers are unable to agree on the adjustments proposed in the Objection Notice within 20 Business Days of the date of service of the Objection Notice, the matters in dispute shall be referred, at the request of either the Sellers or the Buyer, to an independent chartered accountant (**Accountant**) for final determination.

9 The Buyer and the Sellers shall agree the identity of the Accountant and the terms of his engagement in writing. If the Buyer and the Sellers fail to agree on the identity of the Accountant or the terms of his engagement within 10 Business Days of either the Sellers or the Buyer serving details of a suggested Accountant on the other, the Accountant shall be nominated by and engaged on such terms as may be specified by the President for the time being of the Institute of Chartered Accountants in England and Wales on the application at any time of either the Sellers or the Buyer.

10 The Accountant shall be instructed to:

a. prepare a written decision and give notice of that decision to the parties within a maximum of 3 months of the matter being referred to him;

b. in the context of the Relevant Period in question certify the amount of the TP Product Margin, (if relevant) Excluded Product Margin, Relevant CT Product Margin and (if and to the extent relevant) Additional Shared Customers CT Product Margin; and

c. (if relevant) certify the amount (if any) of the Earn Out Consideration.

11 The Buyer and the Sellers shall supply the Accountant with any information which he may reasonably request in connection with his determination. The Buyer and the Sellers shall be entitled to make written submissions to the Accountant provided that a copy of any such written submissions is also simultaneously delivered to the other party. The Accountant shall give due weight to any such written submission which is received by the Accountant within such time limit as he may determine and have notified to the parties.

12 The decision of the Accountant (who shall be deemed to act as an expert and not as an arbitrator) shall (subject only to paragraph 18 of this schedule 10) be final and binding on the parties, save in the event of fraud or manifest error. The costs of the Accountant in connection with his determination shall be borne as he directs (taking into account the conduct of the parties and the merits of their respective arguments in relation to the reference made to him) or, in the absence of any such direction, by the Buyer and the Sellers in equal shares.

13 Subject to clauses 3.7 and 3.8 of this agreement, paragraphs 6.1 and 8 of schedule 11 and paragraph 15 of this schedule 10 below, the Buyer shall pay the Earn Out Consideration (if any) due to the Sellers in cash in the manner specified in clause 3.2 within 10 Business Days of the later of the date on which:

13.1 the Sellers accept, or are deemed to have accepted, the Buyer's Notification in respect of the Relevant Period ending 31 December 2016 (the Buyer's Notification (as adjusted or otherwise) having been (subject to paragraph 18 of this schedule10) agreed in respect of all previous Relevant Periods or the matters in dispute having been subsequently agreed or determined by the Accountant or accepted in accordance with paragraphs 6 and 7); or

13.2 the parties agree in writing that they have resolved all disagreements in relation to the Buyer's Notification in respect of the Relevant Period ending 31 December 2016 (the Buyer's Notification (as adjusted or otherwise) having been (subject to paragraph 18 of this schedule10) agreed in respect of all previous Relevant Periods or the matters in dispute having been subsequently agreed or determined by the Accountant or accepted in accordance with paragraphs 6 and 7); or

13.3 the parties receive notice from the Accountant of his decision in relation to the Buyer's Notification in respect of the Relevant Period ending 31 December 2016 (the Buyer's Notification (as adjusted or otherwise) having been (subject to paragraph 18 of this schedule10) agreed in respect of all previous Relevant Periods or the matters in dispute having been subsequently agreed or determined by the Accountant or accepted in accordance with paragraphs 6 and 7).

Part 3 – Conduct of business during the Earn Out Period

14 The Buyer undertakes to the Sellers that at all times during the Earn Out Period:

14.1 it shall not take any action, or cause or knowingly permit anything to be done which is deliberately intended to reduce the TP Product Margin and/or Relevant CT Product Margin and Additional Shared Customers CT Product Margin with the purpose of avoiding or reducing the amount of any Earn Out Consideration;

14.2 it shall not cause or permit the passing of any resolution for the wind-up of the Company (or the cessation of the Company's business) unless the Company is unable to pay its debts as they fall due and a licensed insolvency practitioner has advised in writing that the Company should be wound up;

14.3 it shall not without the consent of the Sellers divert away from the Company to another member of the Buyer's Group (a) any of the existing business of the Company (as carried on at the date of this agreement) nor (b) any business opportunities generated by the Company from its own resources operating as an independent business (as opposed to business opportunities generated by reason of being part of the Buyer's Group);

14.4 it shall ensure that all intra-group transactions between the Company and another member of the Buyer's Group (excluding the Subsidiaries) are undertaken on an arms length basis and upon reasonable commercial terms consistent with intra-group transactions in other divisions of the Buyer's Group;

14.5 it shall ensure that all intra-group transactions between CT and another member of the Buyer's Group which will have a material impact on the Relevant CT Product Margin and/or Additional Shared Customers CT Product Margin are undertaken on an arms length basis and upon reasonable commercial terms consistent with intra-group transactions in other divisions of the Buyer's Group;

Provided That nothing in this paragraph 14 shall prevent the Buyer taking, causing or permitting anything to be done which is in the best interests of the Buyer's Group as a whole (given the Buyer's responsibility to its shareholders)

15 Disposal

15.1 If at any time during the Earn Out Period:

15.1.1 a controlling interest in the share capital of the Company or CT is transferred or sold to a person outside the Buyer's Group; or

15.1.2 all or a substantial part of the business of the Company or CT is transferred or sold (other than on the advice of a licensed insolvency practitioner) to a person outside the Buyer's Group;

then the Buyer on the one hand and the Sellers on the other shall agree in good faith a fair and reasonable calculation of the Earn Out Consideration based on TP Product Margin, Relevant CT Product Margin and Additional Shared Customers CT Product Margin (if and to the extent relevant) actually achieved from the commencement of the Earn Out Period up to the date of such transfer or sale and projected TP Product Margin, Relevant CT Product Margin and Additional Shared Customers CT Product Margin (if and to the extent relevant) for the remainder of the Earn Out Period (on the assumption such transfer or sale had not taken place but otherwise based on the then known facts, matters and circumstances (including external factors) affecting the business of the Company and/or CT).

15.2 If the Buyer and the Sellers are unable to agree upon the Earn Out Consideration pursuant to paragraph 15.1 within 40 Business Days of the date of the transfer or sale, the matters in dispute pursuant to paragraph 15.1 shall be referred, at the request of either party, to an independent chartered accountant (the "**Accountant**") for final determination.

15.3 The Buyer and the Sellers shall agree upon the identity of the Accountant and the terms of his engagement in writing. If the Buyer and the Sellers fail to agree on the identity of the Accountant or the terms of his engagement within 10 Business Days of either the Sellers or the Buyer serving details of a suggested Accountant on the other, the Accountant shall be nominated by and engaged on such terms as may be specified by the President for the time being of the Institute of Chartered Accountants in England and Wales on the application at any time of either party.

15.4 The Accountant shall be instructed to:

15.4.1 prepare a written decision and give notice of that decision to the parties within a maximum of 3 months of the matter being referred to him; and

15.4.2 certify the amount of the Earn Out Consideration pursuant to paragraph 15.1.

15.5 The Buyer and the Sellers shall supply the Accountant with any information which he may reasonably request in connection with his determination. The Buyer and the Sellers shall be entitled to make written submissions to the Accountant provided that a copy of any such written submissions is also simultaneously delivered to the other party. The Accountant shall give due weight to any such written submission which is received by the Accountant within such time limit as he may determine and have notified to the parties.

15.6 The decision of the Accountant (who shall be deemed to act as an expert and not as an arbitrator) shall be final and binding on the parties, save in the event of fraud or manifest error. The costs of the Accountant in connection with his determination shall be borne by the Sellers.

15.7 If the parties agree the Earn Out Consideration pursuant to this paragraph 15 (or the Earn Out Consideration is determined by the Accountant pursuant to this paragraph 15), the Earn Out Consideration shall (subject to clauses 3.7 and 3.8 of this agreement and paragraphs 6.1 and 8 of schedule 11) be paid by the Buyer to the Sellers within 10 Business Days of the same being agreed or determined (which payment shall, for the avoidance of any doubt, be in full and final satisfaction of the Sellers earn out entitlement, whether pursuant to clause 3.1.3, schedule 10 of this agreement or otherwise).

Further Provisions relating to calculation

16 The principles, methods and practices used in determining and allocating Landed Costs for the purposes of determining the TP Product Margin and Excluded Product Margin shall be the same as those used by the Company at the date of this deed.

17 The principles, methods and practices used in determining and allocating Standard Costs for the purposes of determining the Relevant CT Product Margin and the Additional Shared Customers CT Product Margin shall be the same as those used by CT at the date of this deed, save that if CT changes at any time during the Earn Out Period the basis upon which it allocates costs from Standard Costs (using SAP) to Landed Costs (using Chorus), the following shall apply:

17.1 for the period from and including the CT Costs Basis Change Date, Landed Costs (instead of Standard Costs) shall be deducted from Relevant CT Sales (and, if and to the extent relevant, Additional Shared Customers CT Sales) to calculate Relevant CT Product Margin (and, if and to the extent relevant, Additional Shared Customers CT Product Margin);

17.2 the principles, methods and practices used in determining and allocating Landed Costs for the purposes of paragraph 17.1 above shall (subject to paragraph 17.3.1 below) be the same as those used by CT at the date of this deed;

17.3 in order to ensure, as far as it is reasonably practicable, that the CT Product Margin calculations are done on a comparable basis:

17.3.1 the Landed Costs referred to in paragraph 17.1 above shall be increased (for the purposes of this schedule 10 only) by an amount or amounts equivalent to the China/Hong Kong sourcing costs/charges which would have been included in the calculation of Standard Costs had the change in CT costs basis referred to in this paragraph 17 above not occurred; and

17.3.2 the Standard Costs used to determine the Relevant CT Product Margin and, if and to the extent relevant, the Additional Shared Customers CT Product Margin in respect of each Relevant Period (or part thereof, as the case may be) up to and including the day immediately prior to the CT Costs Basis Change Date, shall be adjusted or recalculated, as the case may be (for the purposes of this schedule 10 only) to take account of variances which arise using the Standard Costs method which are not attributed to individual customers (being purchase price variances, exchange rate variances, overhead recovery variances and other variances, in each case to the extent relevant and consistent with CT practice for the calendar year ending 31 December 2014), such variances to be (a) applied pro-rata to the proportion the relevant Sales made by CT to each Shared Customer/Additional Shared Customer represents of the total sales made by CT in the Relevant Period (or other reference period, as the case may be) and (b) determined and applied using practices and policies consistent with those used by CT in the accounting period ending 31 December 2014.

18 It is acknowledged that, if either (a) the Sellers and the Buyer agree to an Additional Shared Customer which requires the measurement of the Additional Shared Customers CT Product Margin in respect of that Additional Shared Customer for the whole or part of a Relevant Period in respect of which the Earn Out Accounts have already been agreed or determined or (b) the provisions of paragraph 17.3.2 above apply such that adjustments are required to the calculation of Relevant CT Product Margin or Additional Shared Customers CT Product Margin for the whole or part of a Relevant Period in respect of which the Earn Out Accounts have already been agreed or determined, those Earn Out Accounts will be reopened for the purposes only of agreeing or determining the appropriate adjustments referred to in this paragraph 18.

Part 4 –Customers

c) Amendments to 'Contents' section — For the avoidance of doubt, the headings of the parts of schedule 10 and the appendices thereto in the 'contents' section of the SPA are deemed amended to reflect the headings in the replacement schedule 10.

d) Amendments to schedule 11	
Amendment to paragraph 3	The words "If Aviva is able to refund direct to the Company part of the £1,500,000 payment made by the Company to Aviva on or around 31 October 2014, then the Buyer and the Sellers shall use their reasonable endeavours to procure that such refund is made and paid (net of any applicable tax) to the Company." shall be added as a second sentence in paragraph 3 of schedule 11 of the SPA.
New paragraph 6.1	Paragraph 6.1 of schedule 11 of the SPA is hereby deleted and replaced with the following replacement paragraph 6.1: "6.1 the Buyer may deduct any or all of the Net Repayment from and set-off the same against the Earn Out Consideration (and/or against the amount (if any) payable pursuant to clause 3.1.6 and/or against any payment to be made pursuant to clause 3.1.4(c) and/or against the Pension Tax Benefit Repayment); and/or"
New paragraph 8	Paragraph 8 of schedule 11 of the SPA is hereby deleted and replaced with the following replacement paragraph 8: "8. If the Wind-up Date has not occurred by the Earn Out Payment Date (or any date for payment to be made pursuant to clauses 3.1.6 or 3.1.4(c) or the date for payment of the Pension Tax Benefit Repayment, as the case may be) the Buyer shall be entitled to withhold the Earn Out Consideration (and/or the relevant payment(s) pursuant to clauses 3.1.6 or 3.1.4(c) and/or the Pension Tax Benefit Repayment, as the case may be) until such time as the Additional Pension Liability has been calculated as at the Wind-up Date."
New paragraph 11	There is hereby inserted into schedule 11 of the SPA the following new paragraph 11: "11. The Sellers shall pay to the Buyer £1,500,000 in respect of Additional Pension Liability immediately upon the execution of the Deed of Variation, such amount to be treated as a reduction in the Consideration and be apportioned between the Sellers in the Relevant Proportions. For the avoidance of doubt, the amount of £1,500,000 in respect of which a payment is due and payable by the Sellers to the Buyer pursuant to this paragraph 11 and the Pension Tax Benefit in respect of it shall be ignored for the purposes of paragraphs 4 and 6 of this schedule 11."

3. SETTLEMENT OF ACCEPTED PENSION LIABILITY AND PENSION TAX BENEFIT REPAYMENT

3.1 The parties acknowledge and agree that:

3.1.1 the Sellers are obliged to pay to the Buyer a sum equivalent to the Accepted Pension Liability pursuant to the terms of the SPA; and

3.1.2 the amount referred to in clause 3.1.1 above is due to be paid by the Sellers (apportioned between them in the Relevant Proportions) on the date of this deed.

3.2 The parties also agree as follows:

3.2.1 the Buyer shall pay in cash to the Sellers (to be apportioned as between the Sellers in the Relevant Proportions) an amount ("the CT Reduction Payment") equivalent to the amount (if any) by which the Company's liability to pay corporation tax is reduced or eliminated as a result of the £1,500,000 payment by the Company to the Defined Benefit Pension Scheme referred to in paragraph (c) of the Background section in this deed ("the Pension Payment"). The CT Reduction Payment shall be paid by the Buyer in the manner specified in clause 3.2 of the SPA (subject to clauses 3.7 and 3.8 of the SPA and paragraphs 6.1 and 8 of schedule 11 of the SPA) on the later to occur of (a) 15 January 2017 and (b) the date which is 10 Business Days after the relevant corporation tax liability reduction or elimination has been obtained (or (subject to the below) would have been so obtained but for the Buyer directing the Company not to utilise the relevant and available Relief (as such expression is defined in schedule 6 of the SPA)). For this purpose, it is acknowledged that (a) (subject to the below) a corporation tax reduction or elimination is deemed to have been obtained on the first occasion upon which such reduction or elimination could have been obtained by using the relevant Relief regardless of whether the Buyer or the Company decide instead to use other Reliefs then available (b) in the event and to the extent that a loss for corporation tax purposes arises in the period in which the Pension Payment is made it shall be assumed, for the purposes of this clause 3.2 only, that the loss arises from the Pension Payment after any other expense or deductible item and that, for the purposes of this clause 3.2 only, such loss shall be deemed to be used at the earliest opportunity either by way of carry back to a prior period or carry forward to a subsequent period after first taking into account the actual use by either carry back or carry forward of any other corporation tax losses available for use by the Company (c) the Company will not obtain such a reduction until the last date upon which it would have been obliged to make an actual payment of corporation tax which has been (or, for the purposes of this clause 3.2, deemed to have been) so reduced or eliminated in order to avoid interest or in the event that there is (or is deemed to be) a carry back of losses to a prior period on the date on which the Company shall obtain (or, for the purposes of this clause 3.2, deemed to have obtained) repayment of any corporation tax and (d) the reduction or elimination, resulting from the Pension Payment, in the Company's liability to pay corporation tax may occur in one or more instalments;

3.2.2 if the Buyer has made a payment to the Sellers pursuant to this clause 3.2 and a Tax Authority successfully challenges the use of the relevant Relief such that corporation tax becomes due in respect of profits, income or gains which the use of that Relief intended to eliminate, the Sellers will (apportioned between them in the Relevant Proportions), to the extent of the successful challenge, refund to the Buyer on demand the amount so paid to the Sellers pursuant to this clause 3.2;

3.2.3 if the Buyer (or the Sellers) is/are aware that the Company's liability to pay corporation tax has been, or is capable of being, reduced as a result of the Pension Payment, the Buyer (or the Sellers, as the case may be) shall as soon as reasonably practicable notify the Sellers (or the Buyer, as appropriate);

3.2.4 if the Sellers are aware that Aviva may repay to the Company part of the Pension Payment, the Sellers shall as soon as is reasonably practicable notify the Buyer;

3.2.5 for the avoidance of doubt, if part of the £1,500,000 pension payment is repaid by Aviva to the Company, the "Pension Payment" shall be deemed reduced by the amount so refunded for the purposes of this clause 3.2.

3.3 The parties have therefore agreed as follows:

3.3.1 given the sum payable on the date of this deed by the Buyer to the Sellers pursuant to clause 3.1.4(a) of the SPA (as amended by this deed) is equivalent to the sum payable on the date of this deed by the Sellers to the Buyer described in clause 3.1 of this deed (ie in each case, £1,500,000 and allocated as between the Sellers in the same proportions) those amounts are hereby deemed set-off against each other and paid in full on the date of this deed (ie there is no requirement for monetary transfers between the parties or their respective solicitors in relation to such payment obligations);

3.3.2 the amount payable (subject to the rights of set-off in the SPA (as amended by this deed)) by the Buyer to the Sellers pursuant to clause 3.2 of this deed represents the Pension Tax Benefit resulting from the Accepted Pension Liability;

3.3.3 the Buyer agrees to accept the payment from the Sellers referred to in clause 3.1 of this deed (and the Sellers agree to accept the Buyer's payment obligation (subject to the rights of set-off in the SPA (as amended by this deed)) pursuant to clause 3.2 of this deed) in full and final settlement of the Accepted Pension Liability (and the deduction of the Pension Tax Benefit resulting from it) to the intent and effect that (i) no account of the Accepted Pension Liability (nor the Pension Tax Benefit in respect of it) will be taken in determining the Service Agreement Additional Payment; (ii) the Buyer shall hereafter have no claim or rights of action arising out of the Accepted Pension Liability against the Sellers under paragraphs 6.1 and 6.2 of Schedule 11 of the SPA; and (iii) the Sellers shall hereafter have no claim or rights of action arising out of the Pension Tax Benefit in respect of the Accepted Pension Liability.

3.4 The provisions of this deed operate only to settle any liability of the parties under the SPA in respect of the Accepted Pension Liability (and the deduction therefrom of the Pension Tax Benefit resulting from it) to the intent and effect that, save only in respect of the Accepted Pension Liability and the deduction therefrom of the Pension Tax Benefit resulting from it, the provisions of the SPA shall continue in full force and effect so that all claims and rights of action set out therein in respect of any amount of Additional Pension Liability (whether incurred before, on or after the date of this deed) are expressly preserved.

4. ANNOUNCEMENTS

4.1 Subject to clause 4.2, the Sellers shall not make or authorise any press or public announcement or other communication or circular concerning the terms of any matter contemplated by or ancillary to this deed without the prior written consent of the Buyer.

4.2 The Sellers may:

4.2.1 make or authorise an announcement required by law or by any regulatory or governmental body (whether or not such requirement has the force of law) provided that:

(a) the Sellers have consulted with and taken into account the requirements of the Buyer; and

(b) the Sellers have used reasonable endeavours to obtain confidentiality undertakings from any relevant securities exchange or regulatory or governmental body; and

4.2.2 make a communication to their professional advisers in connection with advice relating to the interpretation of this agreement or proceedings relating to the enforcement of the terms of this deed.

4.3 The Buyer shall not make any UK specific press release in respect of the subject matter of this deed unless (a) required by law or by any regulatory or governmental body or (b) otherwise with the prior approval of the Sellers' Representative (such approval not to be unreasonably withheld or delayed). It is acknowledged that this deed may (at the Buyer's option) be in the public domain (and accessible on the Buyer's website) following the filing of Form 8-K and/or any other regulatory filings of the Buyer.

5. ASSIGNMENT AND SUCCESSORS IN TITLE

5.1 No party shall assign, transfer, charge, make the subject of a trust or deal in any other manner with this deed or any of its rights under this deed or purport to do any of the same without the prior written consent of the other parties except that the Buyer may assign or transfer the benefit of any provision to which it is entitled from time to time, in whole or in part and without restriction:

5.1.1 to a member of the Buyer's Group, save that if such assignee ceases to be a member of the Buyer's Group, immediately prior to such cessation it shall assign the benefit to another member of the Buyers' Group; or

5.1.2 to any person providing funding to the Buyer and/or any member of the Buyer's Group, by way of security for facilities and/or funding made available to the Buyer and/or any member of the Buyer's Group.

5.2 This deed shall be binding upon and shall survive for the benefit of the personal representatives and successors-in-title of each party.

6. THIRD PARTY RIGHTS

6.1 Subject to clause 6.2 a person who is not a party to this deed shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce or rely upon a provision of this deed. No party to this deed may hold itself out as trustee of any rights under this deed for the benefit of any third party unless specifically provided for in this deed.

6.2 The Company, any person to whom the benefit of any provision of this deed is assigned in accordance with clause 5.1, each member of the Buyer's Group and each person falling within the category of persons described in clause 5.2 is entitled under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this deed which confers (expressly or impliedly) any benefit on any such person.

7. WARRANTIES

7.1 The Buyer warrants to the Sellers that:

7.1.1 the Buyer has full power to enter into and perform this deed and this deed will, when executed, constitute a binding obligation on the Buyer in accordance with its terms;

7.1.2 the execution and delivery of and the performance by the Buyer of its obligations under this deed will not:

(a) result in breach of any provision of its memorandum and articles of association or equivalent constitutional documents;

(b) result in a breach of, or constitute a default under, any:

(i) agreement, licence or instrument to which the Buyer is party; or

(ii) order, judgment or decree of any court, governmental agency or regulatory body to which it is a party or by which it is bound; and

7.1.3 save as provided in this deed, all consents, permissions, approvals and agreements of the shareholders of the Buyer or any third parties which are necessary for the Buyer to obtain in order to enter into and perform this deed in accordance with its respective terms have been obtained.

7.2 Each Seller warrants to the Buyer that he has full power and authority, and has taken all action necessary (including obtaining all necessary consents or approvals) to enter into and perform this deed and this deed will, when executed, constitute obligations binding on the Sellers in accordance with its terms.

8. NOTICES

8.1 Any notice given pursuant to this deed shall be in writing signed by, or on behalf of, the person issuing the notice. Notices shall be served by personal delivery, or prepaid recorded delivery first class post (or registered airmail in the case of an address for service outside the United Kingdom) or fax to:

8.1.1 in the case of each Seller, his address (or fax number, if there is one) set out in the schedule;

8.1.2 in the case of the Buyer, its registered office address for the time being or fax number (001) 516 566 2203 marked for the attention of Jeffrey Siegel, Chairman of the Board, President and Chief Executive Officer (and copied to Andrew Madden of the Buyer's Solicitors (fax number 0121 234 0003)).

or, in relation to any party, such other address for service in the United Kingdom (or, in the case of Lifetime, the United States of America) as that party may from time to time notify to the others.

8.2 In the absence of evidence of earlier receipt and subject to clause 8.3, notices served in accordance with clause 8.1 shall be deemed to have been received:

8.2.1 if delivered personally, at the time of actual delivery to the address referred to in clause 8.1; and

8.2.2 if delivered by prepaid recorded delivery first class post, two Business Days from the date of posting; and

8.2.3 if delivered by registered airmail, five Business Days from the date of posting; and

8.2.4 if delivered by fax, upon receipt of confirmation that the notice has been correctly transmitted.

8.3 If deemed receipt under clause 8.2 occurs on a day which is not a Business Day or after 5.00 p.m. on a Business Day, the relevant notice shall be deemed to have been received at 9.00 a.m. on the next Business Day.

8.4 For the avoidance of doubt, notice given under this deed shall not be validly served if sent by e-mail.

9. GENERAL

9.1 Except where this deed provides otherwise, each party shall pay its own costs (including in relation to financial, accounting and legal advice) incurred in relation to the negotiation, preparation, execution and performance of this deed and the matters referred to in this deed.

9.2 No variation to this deed shall be effective unless made in writing and signed by or on behalf of all the parties to this deed. Neither the Buyer nor the Sellers shall be required to obtain the consent of the Company or any other third party on whom a benefit is conferred under this deed to the termination or variation of this deed or to the waiver or settlement of any right or claim arising under it.

9.3 Each provision of this deed is severable and distinct from the others. If at any time any provision of this deed is or becomes unlawful, invalid or unenforceable to any extent or in any circumstances for any reason, it shall to that extent or in those circumstances be deemed not to form part of this deed but (except to that extent or in those circumstances in the case of that provision) the legality, validity and enforceability of that and all other provisions of this deed shall not be affected in any way.

9.4 If any provision of this deed is found to be unlawful, invalid or unenforceable in accordance with clause 9.3 but would be lawful, valid or enforceable if some part of the provision were deleted, the provision in question shall apply with such modification(s) as may be necessary to make it lawful, valid or enforceable.

9.5 The failure or delay in exercising a right or remedy provided by this deed or by law does not constitute a waiver of that (or any other) right or remedy. No single or partial exercise, or non-exercise or non-enforcement of any right or remedy provided by this deed or by law prevents or restricts any further or other exercise or enforcement of that (or any other) right or remedy.

9.6 This deed may be executed in any number of counterparts, each of which when executed and delivered shall be an original. All the counterparts shall together constitute one and the same deed, which shall be deemed executed when counterparts executed by all of the parties to this deed are delivered.

10. GOVERNING LAW

10.1 This deed shall be governed by and interpreted in accordance with English law. Non-contractual obligations (if any) arising out of or in connection with this deed (including its formation) shall be governed by English law.

10.2 Subject to the dispute resolution procedures referred to in clause 3 (as amended by this deed) and in schedules 9, 10 and 13 of the SPA, the parties agree to submit to the non-exclusive jurisdiction of the English Courts in relation to any claim or matter (whether contractual or non-contractual) arising under this deed or any of the documents in the Agreed Form.

10.3 Each party irrevocably waives any objection which it might at any time have to the courts of England being nominated as the forum to decide any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this agreement (including non-contractual disputes and claims) and agrees not to claim that the courts of England are not a convenient or appropriate forum.

THE PARTIES have executed this agreement as a deed and delivered it on the date first set out above

SCHEDULE

Sellers

(1) Name and address	(2) Earn Out Proportions
Andrew John Plant	34.2578%
Richard Thomas Hugo Plant	34.2578%
Peter Wyvern Patrick Bushell	24.9276%
Sally Joan Wright	6.5568%

APPENDIX

See attached – all figures used for illustrative purposes only.

EXECUTED and **DELIVERED** as a **DEED** by **ANDREW JOHN PLANT** in the presence of:	))	/s/ Andrew J. Plant

Witness Signature /s/ David John Stevenson

Witness Name David John Stevenson

Address

Occupation Solicitor

EXECUTED and **DELIVERED** as a **DEED** by **RICHARD THOMAS HUGO PLANT** in the presence of:	))	/s/ Richard Thomas Hugo Plant

Witness Signature /s/ David John Stevenson

Witness Name David John Stevenson

Address

Occupation Solicitor

EXECUTED and **DELIVERED** as a **DEED** by **PETER WYVERN PATRICK BUSHELL** in the presence of:	))	/s/ Andrew J. Plant As Attorney for Peter Wyvern Patrick Bushell

Witness Signature /s/ David John Stevenson

Witness Name David John Stevenson

Address

Occupation Solicitor

EXECUTED and **DELIVERED** as a **DEED** by **SALLY JOAN WRIGHT** in the presence of:	))	/s/ Sally J. Wright

Witness Signature /s/ David John Stevenson

Witness Name David John Stevenson

Address

Occupation Solicitor

EXECUTED and **DELIVERED** as a **DEED** by **LIFETIME BRANDS, INC.** a company incorporated in the United States of America, acting by a director who, in accordance with the laws of that territory, is acting under the authority of the company in the presence of:	))))))	/s/ Ronald Shiftan Director

Witness Signature /s/ Sara A. Shindel

Witness Name Sara A. Shindel

Address

Occupation General Counsel

Example Earnout

Scenario 1																											
TP Product Margin 2015	10,500			**Formula**																							
TP Product Margin 2016	11,500																										
TP Product Margin 2014	9,500																										
Product Margin Brazil and Canada 2014	350						A		B				C		D		E				F		G				
				0.9	X	{	22,000	+	1,275	}	–	{(	9,500	–	350	+	420	)	+	(	10,500	+	575	)	}	=	2,367
	2014	**2015**	**2016**																								
CT Product margin to shared customers																											
	250	250	250																								
	100	150	200																								
	20	100	150																								
	50	75	100																								
	420	575	700																								
No new shared customers																											
No new shared customers																											
Scenario 2																											
TP Product Margin 2015	10,500			**Formula**																							
TP Product Margin 2016	11,500																										
TP Product Margin 2014	9,500																										
Product Margin Brazil and Canada 2014	350						A		B				C		D		E				F		G				
				0.9	X	{	22,000	+	1,275	}	–	{(	9,500	–	350	+	420	)	+	(	10,500	+	575	)	}	=	2,367
	2014	**2015**	**2016**	0.9	X	{			900	}	–	{(		–				)	+	(		+	700	)	}	=	180
CT Product margin to shared customers																											2,547
	250	250	250																								
	100	150	200																								
	20	100	150																								
	50	75	100																								
	420	575	700																								
New shared customer (Shared from 1 Jan 2016)		350	450																								
New shared customer (Shared from 1 Jan 2016)		350	450																								
Scenario 3																											
TP Product Margin 2015	9,500			**Formula**																							
TP Product Margin 2016	10,500																										
TP Product Margin 2014	9,500																										
Product Margin Brazil and Canada 2014	350						A		B				C		D		E				F		G				
				0.9	X	{	20,000	+	1,050	}	–	{(	9,500	–	350	+	420	)	+	(	9,500	+	500	)	}	=	1,332
	2014	**2015**	**2016**	0.9	X	{			700	}	–	{(						)	+	(		+	700	)	}	=	—

CT Product margin to shared customers																											1,332
	250	250	250																								
	100	100	100																								
	20	100	150																								
	50	50	50																								
	420	500	550																								
New shared customer (Shared from 1 Jan 2016)		350	350																								
New shared customer (Shared from 1 Jan 2016)		350	350																								
Scenario 4																											
				Formula																							
TP Product Margin 2015	9,500																										
TP Product Margin 2016	9,250																										
TP Product Margin 2014	9,500																										
Product Margin Brazil and Canada 2014	350						A		B				C		D		E				F		G				
				0.9	X	{	18,750	+	1,000	}	–	{(	9,500	–	350	+	420	)	+	(	9,500	+	500	)	}	=	162
	2014	**2015**	**2016**	0.9	X	{			700	}	–	{(						)	+	(		+	700	)	}	=	—
CT Product margin to shared customers																											162
	250	250	250																								
	100	100	100																								
	20	100	100																								
	50	50	50																								
	420	500	500																								
New shared customer (Shared from 1 Jan 2016)		350	350																								
New shared customer (Shared from 1 Jan 2016)		350	350																								

The new shared customers ie Additional Shared Customers in Scenarios 2,3,4 are, for illustrative purposes only, deemed to be added from and including 1 January 2016 (see also the explantory text at paragraph 2 of the replacement schedule 10)

Exhibit 31.1

CERTIFICATION

I, Jeffrey Siegel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lifetime Brands, Inc. (“the registrant”);

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)4) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Jeffrey Siegel

Jeffrey Siegel
Chief Executive Officer and Director
Date: May 8, 2015

Exhibit 31.2

CERTIFICATION

I, Laurence Winoker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lifetime Brands, Inc. ("the registrant");

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)4) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Laurence Winoker

Laurence Winoker
Senior Vice President – Finance,
Treasurer and Chief Financial Officer

Date: May 8, 2015

Exhibit 32.1

Certification by Jeffrey Siegel, Chief Executive Officer and Chairman of the Board of Directors, and Laurence Winoker, Senior Vice President – Finance, Treasurer and Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

I, Jeffrey Siegel, Chief Executive Officer and Chairman of the Board of Directors, and I, Laurence Winoker, Senior Vice President – Finance, Treasurer and Chief Financial Officer, of Lifetime Brands, Inc., a Delaware corporation (the "Company"), each hereby certifies that:

(1) The Company's periodic report on Form 10-Q for the period ended March 31, 2015 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey Siegel
Jeffrey Siegel
Chief Executive Officer and Director

Date: May 8, 2015

/s/ Laurence Winoker
Laurence Winoker
Senior Vice President- Finance, Treasurer and Chief Financial Officer

Date: May 8, 2015

A signed original of this written statement required by Section 1350 has been provided to Lifetime Brands, Inc. and will be retained by Lifetime Brands, Inc. and furnished to the Securities and Exchange Commission or its staff, upon request.