

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

FORM 10-K

☒ Annual Report Pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934

[No Fee Required]

For the fiscal year ended December 31, 2001

or

☐ Transition Report Pursuant to Section 13 or 15 (d) of
the Securities Exchange Act of 1934

[No Fee Required]

For the transition period from _____ to _____

Commission file number 1-19254

Lifetime Hoan Corporation
(Exact name of registrant as specified in its charter)

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

One Merrick Avenue, Westbury, New York 11590
(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the
Act: None

Securities registered pursuant to Section 12(g) of the
Act:

Common Stock, par value \$.01 per share
(Title of Class)

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
periods 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 if disclosure of delinquent
filers pursuant to Item 405 of Regulation S-K is not
contained herein, and will not be contained, to the
best of registrant's knowledge, in definitive proxy
or information statements incorporated by reference
in Part III of this Form 10-K or any amendment to
this Form 10-K ☒.

The aggregate market value of 4,337,000 shares of the
voting stock held by non-affiliates of the registrant
as of February 28, 2002 was approximately
\$28,138,000. Directors, executive officers, and
trusts controlled by said individuals are considered
affiliates for the purpose of this calculation, and
should not necessarily be considered affiliates for
any other purpose.

The number of shares of Common Stock, par value \$.01
per share, outstanding as of February 28, 2002 was
10,491,101.

DOCUMENTS INCORPORATED BY REFERENCE

See Part III hereof with respect to incorporation by
reference from the registrant's definitive proxy
statement to be filed pursuant to Regulation 14A
under the Securities Exchange Act of 1934 and the
Exhibit Index hereto.

LIFETIME HOAN CORPORATION

FORM 10-K

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PART I

ITEM 1. BUSINESS

General

Forward Looking Statements: This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including statements concerning the Company's future

products, results of operations and prospects. These forward-looking statements involve risks and uncertainties, including risks relating to general economic and business conditions, including changes which could affect customer payment practices or consumer spending; industry trends; the loss of major customers; changes in demand for the Company's products; the timing of orders received from customers; cost and availability of raw materials; increases in costs relating to manufacturing and transportation of products; dependence on foreign sources of supply and foreign manufacturing; and the seasonal nature of the business as detailed elsewhere in this Annual Report on Form 10-K and from time to time in the Company's filings with the Securities and Exchange Commission. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties which could cause actual results to differ materially from those described in the forward-looking statements.

Lifetime Hoan Corporation designs, markets and distributes a broad range of household cutlery, kitchenware, cutting boards, pantryware and bakeware products. The Company has developed a strong consumer franchise by promoting and marketing innovative products under both owned and licensed trade names. Owned trade names include Hoffritzr, Roshcor, Baker's Advantager, Kamensteinr, Hoanr, Prestiger, Tristarr and Old Homesteadr,. Licensed trade names include Farberwarer, KitchenAidr and various names under license from The Pillsbury Company. The Farberwarer trade name is used pursuant to a 200 year royalty-free license. As used herein, unless the context requires otherwise, the terms "Company" and "Lifetime" mean Lifetime Hoan Corporation and its subsidiaries.

Sales growth is stimulated by expanding product offerings and penetrating various channels of distribution, both domestically and internationally. In addition, the following acquisitions and agreements have been made which have had a favorable impact on the Company's business:

Hoffritzr

In September 1995, the Company acquired the Hoffritzr trademarks and brand name. The Company uses the name on various products including cutlery, scissors, personal care implements, kitchen tools, bakeware, barware and barbecue accessories. The Company believes that Hoffritzr is a well-known, respected name with a history of quality. The acquisition of the brand name has enabled the Company to sell products at higher price points than the rest of the Company's products. Since acquiring the brand name, the Company has continuously designed and developed new items each year and currently sells approximately 300 types of items under the Hoffritz brand name. The Company markets these products primarily through major department stores and high end specialty stores nationwide.

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Farberwarer

In April 1996, the Company entered into an agreement to acquire certain assets of Farberware, Inc. ("Farberware"). Under the terms of the acquisition agreement, and a joint venture agreed to by the Company and Syratech Corporation in connection therewith, the Company acquired a 200 year, royalty-free, exclusive right to use the Farberwarer name in connection with the product lines covered by its then existing license agreement, which included kitchen cutlery products (excluding flatware) and kitchen tools such as spatulas, barbecue forks and "gadgets" (but excluding appliances), plus certain limited additional products. This agreement enables the Company to market products under the Farberwarer name without paying additional royalties.

The Company also acquired 50 Farberware outlet stores. In addition, rights to license the Farberware name for use by third parties in certain product categories are held by a joint venture, owned equally by the Company and a wholly-owned subsidiary of Syratech Corporation.

Microban

In April 1997, the Company entered into an agreement with the Microban Products Company whereby the Company secured exclusive rights to incorporate Microban antibacterial protection into plastic components of cutting boards, kitchen tools, kitchen gadgets, and cutlery.

Meyer Agreement

In 1997, the Company entered into an agreement with Meyer Corporation, regarding the operation of the Company's Farberware retail outlet stores. Pursuant to the agreement, the Company continues to own and operate the Farberware retail outlet stores, which the Company acquired in 1996, and Meyer Corporation, the licensed manufacturer of Farberware branded cookware products, assumes responsibility for merchandising and stocking cookware products in the stores. Meyer Corporation receives all revenue from sales of Farberware cookware, currently occupies 40% of the space in each store and reimburses the Company for 40% of the operating expenses of the stores. Effective January 1, 2002, in addition to the 40% of the space that Meyer occupies, an additional 20% of the space in each store will be co-managed by the Company and Meyer, with the revenues and expenses from this space to be shared equally by the Company and Meyer.

Salton Agreement

Effective January 1, 2000, the Company entered into an agreement with Salton Inc., regarding the operation of the Company's Farberware retail outlet stores. Pursuant to the agreement, the Company continues to own and operate the Farberware retail outlet stores, which the Company acquired in 1996 and Salton Inc., the licensed manufacturer of Farberware branded electric products, assumes responsibility for merchandising and stocking electric products in the stores. Salton Inc. receives all revenue from sales of Farberware electric, occupies 20% of the space in each store and reimburses the Company for 20% of the operating expenses attributable to the stores.

Roshco Acquisition

In August 1998, the Company acquired all of the outstanding common stock of Roshco, Inc. ("Roshco"), a privately-held bakeware and baking-related products distributor, located in Chicago, Illinois. Roshco markets its bakeware and baking-related products under the Roshco and Baker's Advantage trade names. The purchase price consisted of an initial cash payment of \$5.0 million and notes payable of \$1.5 million. The Company paid off these notes with \$500,000 payments in each of 2001, 2000 and 1999. The Company was also obligated to make additional payments based on the annual sales volume for bakeware and baking-related products for a period of two years. In 1999 and 2000, the Company paid approximately \$416,000 and \$543,000, respectively, to fulfill its obligation to make any such additional payments. The Company also assumed bank debt of \$2.6 million that was paid on the acquisition date.

Prestige Acquisition

In September 1999, the Company acquired 51% of the capital stock of Prestige Italiana, Spa. ("Prestige Italy") and Prestige Haushaltswaren GmbH ("Prestige Germany") and together with Prestige Italy, the "Prestige Companies") for approximately \$1.3 million in cash.

Meyer Corporation will continue to own 49% of the

Prestige Companies.

The Prestige Companies market and distribute kitchen tools, gadgets, cutlery and bakeware under the Prestiger trade name in Italy and Germany.

Salton Agreement

In January 2000, the Company entered into an agreement with Salton Inc. regarding the operation of the Company's Farberware retail outlet stores. Pursuant to the agreement, the Company continued to own and operate the Farberware retail outlet stores, which the Company acquired in 1996, and Salton Inc., the licensed manufacturer of Farberware branded electric products, assumed responsibility for merchandising and stocking electric products in the stores. Salton Inc. received all revenue from sales of Farberware electric products, occupied 20% of the space in each store and reimbursed the Company for 20% of the operating expenses attributable to the stores. Salton, Inc. terminated the agreement effective December 31, 2001. Effective January 1, 2002, a new agreement was entered into in which the additional 20% of space in each store will be co-managed by the Company and Meyer.

Kamenstein Acquisition

Effective September 1, 2000, the Company acquired the assets and certain liabilities of M. Kamenstein, Inc. ("Kamenstein"), a privately-held 107-year old housewares company, whose products include pantryware, teakettles, and home organization accessories. Kamenstein's revenues were approximately \$21.0 million for the twelve month period ended August 31, 2000. In acquiring Kamenstein, the Company assumed bank debt and other indebtedness of approximately \$10.0 million. The Company is obligated to make contingent payments based on the annual gross profit earned on the sales of the business for a period of 3 years. Kamenstein contributed \$7.6 million in sales to the Company's total net sales for the four-month period ended December 31, 2000 and \$21.6 million in net sales during 2001.

KitchenAid Agreement

On October 16, 2000, the Company entered into a licensing agreement with KitchenAid, a division of the Whirlpool Corporation. This agreement allows the Company to design, manufacture and market an extensive range of kitchen utensils, barbecue items, and pantryware products under the KitchenAid brand name. On January 1, 2002, the licensing agreement between the Company and KitchenAid, was amended, expanding the covered products to include bakeware and baking related products. Shipments of products under the KitchenAid name began in the second quarter of 2001.

Products

The Company designs, markets and distributes a broad range of household cutlery, kitchenware, cutting boards, pantryware and bakeware, marketing its products under various trade names including Farberware, KitchenAid, Hoffritz, Prestiger, Kamenstein, Hoan and Bakers Advantage.

Cutlery

The Company markets and distributes household cutlery under a variety of trade names including Farberware, Hoffritz, and Tristar. Cutlery is sold individually, in blister packages, boxed sets and in sets fitted into wooden counter blocks, resin carousels and stainless carousels.

Cutlery is generally shipped as individual pieces from overseas manufacturers to the Company's warehouse

facilities in central New Jersey. This permits the Company to configure the quantity, style and contents of cutlery sets to meet customer requirements as to product mix and pricing. The sets are then assembled and packaged for shipment to customers.

Kitchenware

The Company sells over 4,000 kitchenware items under various trade names including Farberwarer, Hoffritizr, KitchenAidr, Hoanr, Prestiger and Smart Choice. The kitchenware items are manufactured to the Company's specifications outside the United States and are generally shipped fully assembled. These items are typically packaged on a card, which can be mounted for sale on racks at the retailers' premises for maximum display visibility. Products include the following:

Kitchen Tools and Gadgets

Food preparation and serving tools such as metal, plastic and wooden spoons, spatulas, serving forks, graters, strainers, ladles, shears, vegetable and fruit knives, juicers, pizza cutters, pie servers, and slicers;

Barbecue accessories, in sets and individual pieces, featuring such items as spatulas, tongs, forks, skewers, hamburger and fish grills, brushes, corn holders, food umbrellas, and nut and lobster crackers.

Impulse Purchase Products

J-Hook and Clip Strip merchandising systems which enable the Company to create additional selling space in the stores. The line consists of a variety of quality, novelty items designed to trigger impulse buying. This line is targeted towards supermarkets and mass merchants.

Cutting Boards

The Company designs and markets a full range of cutting boards made of polyethylene, wood, glass and acrylic. These products are distributed under several trade names including Farberwarer, KitchenAidr and Hoffritizr. All cutting boards are imported. Boards are also packaged with cutlery items and kitchen gadgets.

Bakeware

The Company designs, markets and distributes a variety of bakeware and baking related products. Trade names that these products are sold under include Hoffritizr, Bakers Advantager, Roshcor and under a license from Pillsbury, one of America's best known brands of baking accessories, featuring the Poppin-FreshT logo on such items as pastry brushes, spatulas, whisks, spoon and cup sets, cookie cutters, mixing spoons and magnets.

This product line includes baking, measuring, and rangetop products such as cookie sheets, muffin, cake and pie pans, drip pans, bake, roast and loaf pans, scraper sets, whisks, cutters, rolling pins, baking shells, baking cups, measuring devices, thermometers, timers, pizza stones, fondues, woks, ceramics and coasters. These items are manufactured to the Company's specifications outside the United States and are generally shipped fully assembled.

Pantryware

In September 2000 with the acquisition of Kamenstein, the Company began to design, market and distribute pantryware, teakettles, spice racks and home organization accessories. Products are distributed under the trade names Kamensteinr, MKIr, Farberwarer, Norman Rockwellr, Gracie Knightr, Warren Kimbler, Claire Murrayr and Debbie Mummur.

These product lines include bread boxes, mug holders, paper towel dispensers, spice carousels, mail caddy's, enamel teakettles, stainless steel teakettles, storage and organization products and hardwood message centers. These items are manufactured to the Company's specifications outside the United States and are generally shipped fully assembled. The spices in the spice carousels are filled domestically in Kamenstein's Massachusetts warehouse.

New Products

The Company has a design and development department consisting of 18 employees who create new products, packaging and merchandising concepts. In excess of 600 items were developed or remodeled in 2001, including the following:

Kitchen Aid: Introduction of a new, premium line of culinary tools, gadgets, and cutting boards using stainless steel, silicone, Santoprene, high-impact plastics, fiberglass-reinforced DuPont Nylon 6/6, and chromed zinc alloy castings, offered in a range of 8 colors in 1999.

Cutlery: Broad extension of forged cutlery to include Farberware Pro Forged, Farberware Pro Stainless, and Farberware Millennium Forged, all offered in open stock and block sets. Introduction of polyresin knife blocks and the redesign of cutlery carousels.

Gadgets: Introduction of 25 items to further extend the Farberware product lines. The Company began a redesign of all Farberware tools and gadgets to be completed and introduced in the Spring of 2002.

Bakeware: Expansion of the Roshcor roaster program, as well as Roshcor, Farberware, and Hoffritz fondues, fondue accessories and fondue books. Addition of Baker's Delight and Baker's Advantage bakeware sets.

Kamenstein: Reintroduced Farberware hardwood pantryware. Expansion of hardwood pantryware accessory items including trivet baskets and hardwood with marble items, enamel-on-steel and Novelty kettles, and Warren Kimbler, Debbie Mumford and Cheri Blum assortments. Introduction of stainless steel serveware.

Sources of Supply

The Company sources its products from approximately 44 manufacturers located primarily in the Far East, including the People's Republic of China, and to a smaller extent in the United States, Thailand, Malaysia, Indonesia, Taiwan, and Italy. A majority of its cutlery was purchased from five suppliers in 2001 who accounted for 28%, 21%, 14%, 11% and 10% of the total purchases, respectively, and from four suppliers in 2000 who accounted for 32%, 25%, 22% and 11% of the total purchases, respectively. A majority of its pantryware was purchased from two suppliers in 2001 who accounted for 45% and 32% of the total purchases, respectively, and from two suppliers in 2000 who accounted for 59% and 11% of the total purchases, respectively. An interruption of supply from any of these manufacturers could have an adverse impact on the Company's ability to fill orders on a timely basis. However, the Company believes other manufacturers with whom the Company does business would be able to increase production to fulfill the Company's requirements.

The Company's policy is to maintain a large inventory base and, accordingly, it orders products substantially in advance of anticipated time of sale to its customers. While the Company does not have any long-term formal arrangements with any of its suppliers, in certain instances, particularly in the manufacture of cutlery,

the Company places firm commitments for products up to twelve months in advance of receipt of firm orders from customers. Lifetime's arrangements with most manufacturers allow for flexibility in modifying the quantity, composition and delivery dates of each order. Excluding the Prestige Companies, all purchase orders are in United States dollars. The Prestige Companies purchase orders are in their local currency.

Marketing

The Company markets its product lines directly through its own sales force and through a network of independent sales representatives. The Company's products are sold primarily in the United States to approximately 900 customers including national retailers, department store chains, mass merchant retail and discount stores, supermarket chains, warehouse clubs, direct marketing companies and specialty chains and through other channels of distribution. During the years ended December 31, 2001, 2000 and 1999, Walmart accounted for approximately 14%, 11% and 14% of net sales, respectively. No other customer accounted for 10% or more of the Company's net sales during 2001, 2000 and 1999.

Competition

The markets for household cutlery, kitchenware, cutting boards, pantryware and bakeware are highly competitive and include numerous domestic and foreign competitors, some of which are larger than the Company. The primary competitive factors in selling such products to retailers are consumer brand name recognition, quality, packaging, breadth of product line, distribution capability, prompt delivery and price to the consumer.

Patents and Trademarks

The Company uses a number of owned trademarks, primarily Hoffritzr, Bakers Advantager, Roshcor, Kamensteinr, Tristarr and Hoanr, as well as Farberwarer which is licensed under a 200 year royalty-free agreement, which the Company considers significant to its competitive position. Some of these trademarks are registered in the United States and others have become distinctive marks as to which the Company has acquired common law rights. The Company also has licensed trademarks from The Pillsbury Company and KitchenAid, a division of the Whirlpool Corporation, which the Company uses in its business. The Company also owns several design and utility patents expiring from 2002 to 2017 on the overall design of some of its products. The Company also acquired patents, trademarks and copyrights as part of the Hoffritzr, Roshco and Kamenstein acquisitions that expire from 2002 to 2022. The Company believes that the expiration of any of its patents would not have a material adverse effect on its business.

Seasonality

Although the Company sells its products throughout the year, the Company has traditionally had higher net sales during its third and fourth quarters. During 1999, the Company experienced problems with the installation of a new warehouse management system that negatively impacted its ability to make shipments primarily in the first and third quarters, which impacted the normal seasonality of quarterly shipments. The following table sets forth the quarterly net sales for the years ended December 31, 2001, 2000 and 1999:

Net Sales (in thousands)

1st	2nd	3rd	4th
-----	-----	-----	-----

	Quarter	Quarter	Quarter	Quarter
2001	\$31,300	\$27,600	\$36,600	\$48,100
2000	27,600	25,500	33,500	42,800
1999	17,800	26,900	23,000	39,100

Backlog

The Company receives projections on a seasonal basis from its principal customers; however, firm purchase orders are most frequently placed on an as needed basis. The Company's experience has been that while there may be some modifications of customers' projections, the Company is able, with some degree of certainty, to predict its product needs.

The Company's backlog at December 31, 2001 and 2000 was \$8,368,000 and \$7,341,000, respectively. The Company expects to fill the 2001 backlog during 2002. The Company does not believe that backlog is indicative of its future results of operations or prospects. Although the Company seeks commitments from customers well in advance of shipment dates, actual confirmed orders are typically not received until close to the required shipment dates.

Employees

As of December 31, 2001, Lifetime had 685 675 full-time employees, of whom 4 were employed in an executive capacity, 75 in sales, marketing, design or product development, 66 in financial, administrative or clerical capacities, 242 in warehouse or distribution capacities and 236 were outlet store personnel. Prestige Italy had 17 employees and Prestige Germany had 35 employees. None of the Company's employees are represented by a labor union. The Company considers its employee relations to be good.

ITEM 2. PROPERTIES

The following table describes the facilities at which the Company operates its business:

Description/Use of Property	Location	Approximate Square Footage	Owned or Leased	Lease Expiration Date
Corporate headquarters and outlet store	Westbury, New York	47,000	Owned	N/A
Warehouse and distribution facility	Robbinsville, New Jersey	550,000	Leased	7/9/16
Warehouse and distribution facility	Dayton, New Jersey	305,000	Leased	4/30/02
Warehouse and distribution facility	Cranberry, New Jersey	152,000	Leased	6/30/04
Showroom	Bentonville, Arkansas	1,000	Leased	3/31/04
Sales office	Chicago, Illinois	1,000	Leased	12/31/03
Prestige Italy office, warehouse and distribution facility	Varesino, Italy	27,000	Owned	N/A

Prestige Germany office, warehouse and distribution facility	Solingen, Germany	49,500	Leased	6/30/05
Showroom	Tsim Sha Tsui, Hong Kong	1,700	Leased	12/31/03
Kamenstein corporate headquarters	Elmsford, New York	7,000	Leased	1/31/04
Kamenstein warehouse and distribution facility	Winchendon, Massachusetts	169,000	Owned	N/A

Aside from the properties listed above, the Company's Outlet Store subsidiary leases approximately 50 stores in retail outlet centers located in 22 states throughout the United States. The square footage of the stores range from approximately 2,000 square feet to 5,500 square feet. The terms of these leases range from three to five years with expiration dates beginning in January 2002 and extending through July 2004.

Effective March 1, 2002, the Company's approximate square footage in the Dayton, New Jersey warehouse facility decreased from 305,000 square feet to 77,000 square feet.

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ITEM 3. LEGAL PROCEEDINGS

The Company is, from time to time, a party to litigation arising in the normal course of its business. The Company believes that there are currently no material legal proceedings the outcome of which would have a material adverse effect on the Company's consolidated financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded under the symbol "LCUT" on The Nasdaq National Market ("Nasdaq") and has been since its initial public offering in June 1991. The Board of Directors of the Company has authorized a repurchase of up to 3,000,000 of its outstanding common shares in the open market. Through December 31, 2001, a total of 2,128,000 common shares had been repurchased and retired at a cost of approximately \$15,235,000.

The following table sets forth the high and low sales prices for the Common Stock of the Company for the fiscal periods indicated as reported by Nasdaq.

2001		2000	
High	Low	High	Low

First Quarter	\$7.50	\$4.50	\$7.75	\$5.31
Second Quarter	\$7.35	\$4.03	\$8.70	\$6.75
Third Quarter	\$7.70	\$5.76	\$8.13	\$6.19
Fourth Quarter	\$6.41	\$5.01	\$7.94	\$6.50

At December 31, 2001, the Company estimates that there were approximately 700 beneficial holders of the Common Stock of the Company.

The Company paid quarterly cash dividends of \$0.0625 per share, or a total annual cash dividend of \$0.25 per share, on its Common Stock in each of 2001 and 2000. The Board of Directors currently intends to continue to pay quarterly cash dividends of \$0.0625 per share of Common Stock for the foreseeable future, although the Board may in its discretion determine to modify or eliminate such dividends at any time.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated income statement data for the years ended December 31, 2001, 2000 and 1999, and the consolidated balance sheet data as of December 31, 2001 and 2000, have been derived from the Company's audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated income statement data for the years ended December 31, 1998 and 1997, and the selected consolidated balance sheet data as of December, 1999, 1998 and 1997, are derived from the Company's audited consolidated financial statements which are not included in this Annual Report on Form 10-K.

(in thousands except per share data)

	Year Ended December 31,				
	2001	2000	1999	1998	1997
INCOME STATEMENT DATA:					
Net sales	\$143,538	\$129,375	\$106,761	\$116,746	\$100,021
Cost of sales	80,783	75,001	57,979	60,507	51,419
Gross profit	62,755	54,374	48,782	56,239	48,602
Selling, general and administrative expense	56,895	47,903	42,250	35,306	33,114
Income from operation	5,860	6,471	6,532	20,933	15,488
Interest expense	1,289	913	281	203	76
Other income, net	(824)	(693)	(532)	(200)	(149)
Income before income tax	5,395	6,251	6,783	20,930	15,561
Income taxes	2,477	2,817	2,822	8,372	6,000
Net income	\$2,918	\$3,434	\$3,961	\$12,558	\$9,561
Basic earnings per common share	\$0.28	\$0.31	\$0.32	\$1.00	\$0.77
Weighted average shares basic	10,492	10,995	12,572	12,570	12,459
Diluted earnings per common share	\$0.28	\$0.31	\$0.31	\$0.98	\$0.75
Weighted average shares - diluted	10,537	11,079	12,671	12,843	12,720
Cash dividends paid per common share	\$0.25	\$0.25	\$0.25	\$0.25	\$0.06

	December 31,				
	2001	2000	1999	1998	1997
BALANCE SHEET DATA:					
Current assets	\$74,000	\$72,092	\$82,304	\$72,265	\$69,709
Current liabilities	44,925	34,074	27,688	13,925	12,051
Working capital	29,075	38,018	54,616	58,340	57,658
Total assets	123,370	112,119	116,384	105,072	92,957
Borrowings	22,847	10,746	8,073	-	-
Stockholders' equity	78,061	77,517	87,808	91,147	80,906

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

General

The following discussion should be read in conjunction with the consolidated financial statements for the Company and notes thereto set forth in item 8.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgements, including those related to bad debts and inventories. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The following table sets forth income statement data of the Company as a percentage of net sales for the periods indicated below.

	Year Ended December 31,					
	2001		2000		1999	
Net sales	100.0	%	100.0	%	100.0	%
Cost of sales	56.3		58.0		54.3	
Gross profit	43.7		42.0		45.7	
Selling, general and adm. expenses	39.6		37.0		39.6	
Income from operations	4.1		5.0		6.1	
Interest expense	1.0		0.7		0.3	
Other income, net	(0.6)		(0.5)		(0.5)	
Income before income taxes	3.7		4.8		6.3	
Income taxes	1.7		2.2		2.6	
Net income	2.0	%	2.6	%	3.7	%

2001 COMPARED TO 2000

Net Sales

Net sales in 2001 were \$143.5 million, an increase of approximately \$14.2 million, or 10.9% higher than 2000. The sales increase was primarily attributable to the M. Kamenstein, Inc. business, acquired in September 2000, which contributed \$21.6 million to net sales during the full year in 2001 as compared to \$7.6 million for the last four months in 2000.

Gross Profit

Gross profit for 2001 was \$62.8 million, an increase of approximately \$8.4 million, or 15.4%. Gross profit as a percentage of net sales increased to 43.7% from 42.0%. The increase in gross profit was primarily the result of adding a full year of sales in 2001 for the M. Kamenstein, Inc. business acquired in September 2000 as compared to the last four months of 2000, and higher

gross profit margins in its regular business. Gross profit margins in 2000 were also negatively impacted by a \$4.0 million charge to cost of goods sold due to an inventory shortfall revealed during the 2000 year-end physical inventory.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for 2001 were \$56.9 million, an increase of \$9.0 million, or 18.8%, over 2000. The increase in selling, general and administrative expenses was primarily attributable to the added operating expenses of the M. Kamenstein, Inc. business for an entire year in 2001 as compared to only four months in 2000, relocation charges and duplicate rent and other expenses associated with the Company's move into its new New Jersey warehouse in 2001, and higher fourth quarter warehouse operating expenses.

Interest Expense

Interest expense for 2001 was \$1.3 million, an increase of \$376,000 from 2000. This increase was due attributable to a higher level of borrowings throughout 2001 under the Company's lines of credit, offset in part by lower rates of interest in 2001.

2000 COMPARED TO 1999

Net Sales

Net sales in 2000 were \$129.4 million, an increase of approximately \$22.6 million, or 21.2% higher than 1999. Approximately \$13.8 million of the sales increase was attributable to acquisitions; the Prestige Companies acquired in September 1999 and the Kamenstein business acquired in September 2000. The remaining increase in net sales reflects the positive impact of the Company's return to normalized shipping rates and turnaround times for customer orders during 2000. In 1999, net sales were severely impacted as problems arose from the installation of a new warehouse management system, which hampered the Company's ability to ship merchandise to its customers.

Gross Profit

Gross profit for 2000 was \$54.4 million, an increase of approximately \$5.6 million, or 11.5%. Gross profit as a percentage of net sales decreased to 42.0% from 45.7%. The decline in gross profit margin was primarily the result of an inventory shortfall revealed during the 2000 year-end physical inventory. Consequently, the Company recorded a charge of approximately \$4.0 million (which reduced earnings by \$0.23 and \$0.22 basic and diluted per common share for the fourth quarter and year ended December 31, 2000, respectively), which is included in cost of goods sold for 2000. The Company investigated the shortfall; however, the ultimate cause could not be finally determined. Accordingly, the associated charge was reported in the fourth quarter of 2000. The Company reviewed its procedures and operating and financial controls and, based upon such review, where appropriate, implemented enhanced procedures and controls.

Gross profit margin also decreased as a result of certain efforts to clean up and reduce inventory in preparation for the move to the new warehouse in 2001.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for 2000 were \$47.9 million, an increase of \$5.7 million, or 13.4%, over 1999. The increase in selling, general and administrative expenses was primarily attributable to the expenses related to the Kamenstein business that was

acquired in September 2000 and to the Prestige Companies which were acquired in September 1999. Excluding the expenses relating to the Kamenstein business and the Prestige Companies, selling general and administrative expenses increased by approximately \$200,000.

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As a percentage of net sales, selling, general and administrative expenses decreased to 37.0% from 39.6%.

Interest Expense

Interest expense for 2000 was \$913,000, an increase of \$632,000 from 1999. This increase was due attributable to a higher level of borrowings throughout 2000 under the Company's lines of credit.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2001, the Company had cash and cash equivalents of \$5.0 million, an increase of \$3.7 million from the prior year, working capital was \$29.1 million, a decrease of \$8.9 million from 2000, and the current ratio was 1.65 to 1. The decrease in working capital resulted from a \$12.1 million increase in short term borrowings under the Company's new revolving credit agreement. The increase in borrowing was used to finance the purchase of approximately \$13.3 million of equipment and leasehold improvements.

Cash provided by operating activities was approximately \$7.8 million, primarily the result of decreased merchandise inventories and net income, partially offset by an increase in accounts receivable. Cash used in investing activities was approximately \$13.4 million, which was primarily the purchase of fixed assets. Cash provided by financing activities was approximately \$9.4 million, primarily the result of an increase in the net proceeds from short term borrowings offset by cash dividends paid.

Capital expenditures were \$13.3 million in 2001 and \$2.0 million in 2000. Approximately \$11.4 million of the 2001 capital expenditures were for equipment and leasehold improvements in the Company's new warehouse facility in New Jersey. Total planned capital expenditures for 2002 are estimated at \$2.5 million. These expenditures are expected to be funded from current operations, cash and cash equivalents and, if necessary, borrowings under the revolving credit agreement.

On November 9, 2001, the Company entered into a \$45 million three-year, secured, reducing revolving credit agreement (the "Agreement") with a group of banks and, in conjunction therewith, canceled its \$40 million short-term lines of credit. The Agreement is secured by all of the assets of the Company and reduces to \$40 million at December 31, 2002 and further to \$35 million at December 31, 2003 and through the maturity date. Under the terms of the Agreement, the Company is required to satisfy certain financial covenants, including limitations on indebtedness and sale of assets; a minimum fixed charge ratio; and net worth maintenance. Borrowings under the Agreement have different interest rate options that are based on either an alternate base rate, LIBO rate, or the lender's cost of funds rate. As of December 31, 2001, the Company had \$2,502,000 of letters of credit and trade acceptances outstanding and \$6,700,000,000 of borrowings under the Agreement and, as a result, the availability under the Agreement was \$22,498,000. Interest rates on borrowings at December 31, 2001 ranged from 3.875% to 3.9375%.

In addition to the Agreement, the Prestige Companies have three lines of credit with three separate banks providing a total available credit facility of approximately \$3.4 million. As of December 31, 2001, the Prestige Companies

had borrowings of approximately \$2.8 million against these lines. Interest rates on these lines of credit ranged from 5.85% to 8.25%.

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Products are sold to retailers primarily on 30-day credit terms, and to distributors primarily on 60-day credit terms. As of December 31, 2001, the Company had an aggregate of \$1.8 million of accounts receivable outstanding in excess of 60 days or approximately 6.2% of gross receivables, and had inventory of \$42.3 million.

The Company believes that its cash and cash equivalents plus internally generated funds and its credit arrangements will be sufficient to finance its operations for the next twelve months.

The results of operations of the Company for the periods discussed have not been significantly affected by inflation or foreign currency fluctuations. The Company negotiates predominantly all of its purchase orders with its foreign manufacturers in United States dollars. Thus, notwithstanding any fluctuations in foreign currencies, the Company's cost for a purchase order is generally not subject to change after the time the order is placed. However, the weakening of the United States dollar against local currencies could lead certain manufacturers to increase their United States dollar prices for products. The Company believes it would be able to compensate for any such price increase.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact the consolidated financial position, results of operations or cash flows of the Company. The Company is exposed to market risk associated with changes in interest rates. The Company's lines of credits bear interest at variable rates. The Company is subject to increases and decreases in interest expense on its variable rate debt resulting from fluctuations in the interest rates of such debt. There have been no changes in interest rates that would have a material impact on the consolidated financial position, results of operations or cash flows of the Company for the year ended December 31, 2001.

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The Company believes that its cash and cash equivalents plus internally generated funds and its credit arrangements will be sufficient to finance its operations for the next twelve months.

The results of operations of the Company for the periods discussed have not been significantly affected by inflation or foreign currency fluctuation. The Company negotiates predominantly all of its purchase orders with its foreign manufacturers in United States dollars. Thus, notwithstanding any fluctuation in foreign currencies, the Company's cost for any purchase order is not subject to change after the time the order is placed. However, the weakening of the United States dollar against local currencies could lead certain manufacturers to increase their United States dollar prices for products. The Company believes it would be able to compensate for any such price increase.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements are included herein commencing on page F-1.

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2001 and 2000.

Three Months Ended

3/31 6/30 9/30 12/31
(in thousands, except per share data)

2001

Net sales	\$31,307	\$27,571	\$36,600	\$48,060
Cost of sales	17,367	15,213	20,407	27,796
Net income	639	204	1,026	1,049
Basic earnings per common share	\$0.06	\$0.02	\$0.10	\$0.10
Diluted earnings per common share	\$0.06	\$0.02	\$0.10	\$0.10

2000

Net sales	\$27,609	\$25,547	\$33,505	\$42,714
Cost of sales	14,517	13,252	17,585	29,647
Net income (loss)	1,373	1,163	2,279	(1,381)
Basic earnings (loss) per common share	\$0.12	\$0.10	\$0.22	(\$0.13)
Diluted earnings (loss) per common share	\$0.12	\$0.10	\$0.21	(\$0.13)

During the three month period ended December 31, 2000, the Company recorded a charge relating to an inventory shortfall of approximately \$4.0 million (which reduced earnings by \$0.23 and \$0.22 per basic and diluted common share for fourth quarter and year ended December 31, 2000, respectively) which is included in cost of goods sold.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information concerning the Executive Officers and Directors of the Company:

Name	Age	Position	Director or Executive Officer of Company or Its Predecessor Since
Jeffrey Siegel	59	Chairman of the Board of Directors, Chief Executive Officer and President	1967
Bruce Cohen	43	Executive Vice President and a Director	1998
Craig Phillips	52	Vice-President - Distribution, Secretary and a Director	1973
Robert McNally	55	Vice-President - Finance, and Treasurer	1997

Milton L. Cohen	73	Director	1958
Ronald Shiftan	57	Director	1991
Howard Bernstein	81	Director	1992
Leonard Florence	70	Director	2000

Mr. Siegel has been continuously employed by the Company as its President since 1999. In 2000, Mr. Siegel became the Chief Executive Officer of the Company. In 2001, Mr. Siegel became the Chairman of the Board of Directors. Prior thereto Mr. Siegel was Executive Vice President of the Company since 1967.

Mr. Bruce Cohen was first elected a Director in 1998 and has been continuously employed by the Company in his present capacity since 1999. Prior thereto Mr. Bruce Cohen was a Vice President - National Sales Manager for the Company since 1991.

Mr. Phillips has been continuously employed by the Company in his present capacity since 1981.

Mr. McNally has been continuously employed by the Company in his present capacity since October 1997. Mr. McNally, was formerly Senior Vice President - Finance for Cybex International, Inc., (formerly Lumex, Inc.), a manufacturer and distributor of healthcare products and fitness equipment. Mr. McNally held that position for 15 years prior to joining the Company.

Mr. Milton L. Cohen has served continuously on the Board of Directors since 1958. Mr. Milton L. Cohen was the Chairman of the Board of Directors from 1958 to 2000. Prior to 2000, Mr. Milton L. Cohen was also Chief Executive Officer of the Company since 1958.

Mr. Shiftan had served as Deputy Executive Director of The Port Authority of New York & New Jersey from 1998 to 2001. Prior to becoming Deputy Executive Director of the Port Authority of New York & New Jersey, he had, since 1996, been Chairman of Patriot Group, LLC, a financial advisory firm. Prior thereto, Mr. Shiftan held executive management positions in venture capital, investment banking and financial advisory firms.

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Mr. Bernstein has been a member of the Certified Public Accounting firm, Cole, Samsel & Bernstein LLC (and its predecessors), for approximately forty-nine years.

Mr. Florence has been Chairman of the Board, Chief Executive Officer and President of Syratech, Inc., a consumer products company, since 1986.

Milton L. Cohen is the father of Bruce Cohen.

Jeffrey Siegel and Craig Phillips are cousins.

The Board of Directors has an audit committee, whose three members (Messrs. Shiftan, Bernstein and Florence) are independent directors.

The directors and officers of the Company are elected annually by the stockholders and Board of Directors of the Company, respectively. Directors serve until the next annual meeting of the stockholders or until their successors have been elected and qualified or until their earlier resignation or removal. Officers are elected at the first Board of Directors meeting following the annual stockholders meeting and serve at the pleasure of the Board of Directors.

Directors who are not employees of the Company receive a retainer of \$5,000 per year, and an additional fee of \$1,000 for each Board meeting attended, plus reimbursement of reasonable out-of-pocket expenses. Directors who are employees of the Company do not receive compensation for serving as directors or attending meetings. The Company has entered into indemnification agreements with the directors and officers of the Company.

ITEM 11. EXECUTIVE COMPENSATION

There is hereby incorporated by reference the information to appear under the caption "Executive Compensation" in the Company's definitive Proxy Statement for its 2002 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

There is hereby incorporated by reference the information to appear under the caption "Principal Stockholders" in the Company's definitive Proxy Statement for its 2002 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There is hereby incorporated by reference the information to appear under the caption "Certain Transactions" in the Company's definitive Proxy Statement for its 2002 Annual Meeting of Stockholders.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) and (2) - see list of Financial Statements and Financial Statement Schedule on F-1.

(b) Reports on Form 8-K in the fourth quarter of 2001.

None.

(c) Exhibits*:

10.32 Credit Facility Agreement between Lifetime Hoan Corporation and The Bank of New York, HSBC Bank USA, Citibank, N.A., Wells Fargo Bank, N.A., and Bank Leumi USA, dated November 9, 2001.

Exhibit

No.	Description
-----	-------------

- | | |
|------|--|
| 3.1 | Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3[a] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation). |
| 3.2 | Amendment dated June 9, 1994 to the Restated Certificate of Incorporation of the Company (incorporated herein by reference to the December 31, 1994 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation). |
| 3.3 | By-Laws of the Company (incorporated herein by reference to Exhibit 3[b] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation). |
| 10.1 | Loan Agreement dated as of May 11, 1988 with Bank of New York, as amended (incorporated by reference to Exhibit 10[d] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation). |

- 10.2 Amendment No. 6 dated as of March 5, 1992 between Lifetime Hoan Corporation and The Bank of New York (incorporated by reference to the December 31, 1991 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation).
- 10.3 Stock Option Plan for key employees of Lifetime Hoan Corporation, as amended June 9, 1994 (incorporated by reference to the December 31, 1994 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation).
- 10.4 Promissory notes dated December 17, 1985 of Milton L. Cohen, Jeffrey Siegel, Craig Phillips and Robert Phillips, as amended (incorporated by reference to Exhibit 10[f] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation).
- 10.5 Lease to Dayton, New Jersey premises dated August 20, 1987 and amendment between the Company and Isaac Heller (incorporated by reference to Exhibit 10[h] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation).
- 10.6 License Agreement dated December 14, 1989 between the Company and Farberware, Inc. (incorporated by reference to Exhibit 10[j] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation).
- 10.7 License Agreement dated as of April 19, 1991 between the Company and The Pillsbury Company (incorporated by reference to Exhibit 10[m] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation).

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- 10.8 Real Estate Sales Agreement dated October 28, 1993 between the Company and The Olsten Corporation (incorporated by reference to the December 31, 1993 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation).
- 10.9 Amendment to the Real Estate Sales Agreement dated September 26, 1994 between the Company and The Olsten Corporation. (incorporated by reference to the December 31, 1995 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation).
- 10.10 Lease to additional Dayton, New Jersey premises dated December 7, 1994. (incorporated by reference to the December 31, 1995 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation).
- 10.11 License Agreement dated December 21, 1995 between the Company and The Walt Disney Company.
- 10.12 Memorandum of purchase dated September 18, 1995 between the Company and Alco Capital Group, Inc. (incorporated by reference to the September 30, 1995 Form 10-Q [No. 1-19254] of Lifetime Hoan Corporation).
- 10.13 Registration Rights Agreement dated September 18, 1995 between the Company and Alco Capital Group, Inc. (incorporated by reference to the September 30, 1995 Form 10-Q [No. 1-19254] of Lifetime Hoan Corporation).
- 10.14 Amendment No. 1 dated September 26, 1995 to the Lease for the additional Dayton, New Jersey premises. (incorporated by reference to the September 30, 1995 Form 10-Q [No. 1-19254] of Lifetime Hoan Corporation).
- 10.15 Form of Extension Agreement dated as of December 15, 1995 between Milton L. Cohen and Lifetime Hoan Corporation (incorporated by reference to the January 8, 1996 Form 8-K [No. 1-19254] of Lifetime Hoan Corporation).
- 10.16 Form of Extension Agreement dated as of December 15, 1995 between Jeffrey Siegel and

Lifetime Hoan Corporation (incorporated by reference to the January 8, 1996 Form 8-K [No. 1-19254] of Lifetime Hoan Corporation).

10.17 Form of Extension Agreement dated as of December 15, 1995 between Craig Phillips and Lifetime Hoan Corporation (incorporated by reference to the January 8, 1996 Form 8-K [No. 1-19254] of Lifetime Hoan Corporation).

10.18 Asset Purchase Agreement by and between Farberware, Inc., Far-b Acquisition Corp., Syratech Corporation and Lifetime Hoan Corporation, dated February 2, 1996.

10.19 Joint Venture Agreement by and among Syratech Corporation, Lifetime Hoan Corporation and Far-b Acquisition Corp., dated February 2, 1996.

10.20 Employment Agreement dated April 7, 1996 with Milton L. Cohen (incorporated by reference to the March 31, 1996 10-Q).

10.21 Employment Agreement dated April 7, 1996 with Jeffrey Siegel (incorporated by reference to the March 31, 1996 10-Q).

10.22 Employment Agreement dated April 7, 1996 with Craig Phillips (incorporated by reference to the March 31, 1996 10-Q).

10.23 Lifetime Hoan 1996 Incentive Stock Option Plan (incorporated by reference to the March 31, 1996 10-Q).

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10.24 Lifetime Hoan 1996 Incentive Bonus Compensation Plan (incorporated by reference to the March 31, 1996 10-Q).

10.25 Meyer Operating Agreement dated July 1, 1997 between Lifetime Hoan Corporation and Meyer Corporation and Amendment to Agreement dated July 1, 1998.

10.26 Jeffrey Siegel Employment Agreement Amendment No. 1, dated June 6, 1997

10.27 Milton L. Cohen Employment Agreement Amendment No. 1, dated June 6, 1997

10.28 Stock Purchase Agreement between Lifetime Hoan Corporation and Roshco, Inc. dated August 10, 1998.

10.29 Stock Purchase Agreement between Lifetime Hoan Corporation and Meyer International Holdings Limited and Prestige Italiana, SPA dated September 2, 1999.

10.30 Stock Purchase Agreement between Lifetime Hoan Corporation and Meyer International Holdings Limited and Prestige Haushaltswaren GmbH, dated September 2, 1999.

10.31 Asset Purchase Agreement between MK Acquisition Corp., a wholly owned subsidiary of Lifetime Hoan Corporation, and M. Kamenstein, Inc., dated September 28, 2000.

10.32 Employment Agreement dated April 6, 2001 between Jeffrey Siegel and Lifetime Hoan Corporation.

10.33 Consulting Agreement dated April 7, 2001 between Milton L. Cohen and Lifetime Hoan Corporation.

10.34 Credit Facility Agreement between Lifetime Hoan Corporation and The Bank of New York, HSBC Bank USA, Citibank, N.A., Wells Fargo Bank, N.A., and Bank Leumi USA, dated November 9, 2001.

21 Subsidiaries of the registrant

*The Company will furnish a copy of any of the exhibits listed above upon payment of \$5.00 per exhibit to cover the cost of the Company furnishing the exhibits.

- (d) Financial Statement Schedules - the response to this portion of Item 14 is submitted as a separate section of this report.

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FORM 10-K -- ITEM 14(a)(1) and (2)
LIFETIME HOAN CORPORATION

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT
SCHEDULE

The following Financial Statements and Schedule of Lifetime Hoan Corporation are included in Item 8.

Report of Independent Auditors	F-2
Consolidated Balance Sheets as of December 31, 2001 and 2000	F-3
Consolidated Statements of Income for the	
Years ended December 31, 2001, 2000 and 1999	F-4
Consolidated Statements of Stockholders' Equity for the	
Years ended December 31, 2001, 2000 and 1999	F-5
Consolidated Statements of Cash Flows for the	
Years ended December 31, 2001, 2000 and 1999	F-6
Notes to Consolidated Financial Statements	F-7

The following financial statement schedule of Lifetime Hoan Corporation is included in Item 14 (d);

Schedule II - Valuation and qualifying accounts	S-1
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All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

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REPORT OF INDEPENDENT AUDITORS

Stockholders and Board of Directors
Lifetime Hoan Corporation

We have audited the accompanying consolidated balance sheets of Lifetime Hoan Corporation as of December 31, 2001 and 2000 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit

includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lifetime Hoan Corporation at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Melville, New York
February 14, 2002 18

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LIFETIME HOAN CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	December 31,	
	2001	2000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$5,021	\$1,325
Accounts receivable, less allowances of \$3,649 in 2001 and \$3,582 in 2000	20,742	18,158
Merchandise inventories	42,303	45,595
Prepaid expenses	2,084	3,477
Deferred income taxes	148	870
Other current assets	3,702	2,667
TOTAL CURRENT ASSETS	74,000	72,092
PROPERTY AND EQUIPMENT, net	22,376	13,085
EXCESS OF COST OVER NET ASSETS ACQUIRED, net	15,498	15,906
OTHER INTANGIBLES, net	9,390	9,780
OTHER ASSETS	2,106	1,256
TOTAL ASSETS	\$123,370	\$112,119
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	\$22,847	\$10,746
Accounts payable and trade acceptances	4,955	6,709
Accrued expenses	17,123	16,619
TOTAL CURRENT LIABILITIES	44,925	34,074
MINORITY INTEREST	384	528
STOCKHOLDERS' EQUITY		
Common stock, \$.01 par value, shares authorized: 25,000,000; shares issued and outstanding: 10,491,101 in 2001 and 10,501,630 in 2000	105	105

Paid-in capital	61,087	61,155
Retained earnings	17,660	17,359
Notes receivable for shares issued to	(486)	(908)
stockholders		
Deferred compensation	-	(14)
Accumulated other comprehensive loss	(305)	(180)
TOTAL STOCKHOLDERS' EQUITY	78,061	77,517
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$123,370	\$112,119

See notes to consolidated financial statements.

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LIFETIME HOAN CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(in thousands - except per share data)

	Year Ended December 31,		
	2001	2000	1999
Net Sales	\$143,538	\$129,375	\$106,761
Cost of Sales	80,783	75,001	57,979
Gross Profit	62,755	54,374	48,782
Selling, General and Administrative Expenses	56,895	47,903	42,250
Income from Operations	5,860	6,471	6,532
Interest Expense.....	1,289	913	281
Other Income, net.....	(824)	(693)	(532)
Income Before Income Taxes	5,395	6,251	6,783
Income Taxes.....	2,477	2,817	2,822
NET INCOME	\$2,918	\$3,434	\$3,961
BASIC EARNINGS PER COMMON SHARE	\$0.28	\$0.31	\$0.32
DILUTED EARNINGS PER COMMON SHARE	\$0.28	\$0.31	\$0.31

See notes to consolidated financial statements.

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LIFETIME HOAN CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Paid-in Capital	Retained Earnings	Notes Receivable from Stock- holders	Deferred Compensation	Accumulated other Comprehensive		Comprehensive Income
	Shares	Amount					Loss	Total	
Balance at December 31, 1998	12,588	\$126	\$76,115	\$15,859	(\$908)	(\$45)		\$91,147	
Net income for 1999				3,961				3,961	\$3,961
Exercise of stock options	12		92					92	
Repurchase and retirement of common stock	(782)	(8)	(4,250)					(4,258)	
Amortization of deferred compensation						15		15	
Comprehensive income									\$3,961
Cash dividends				(3,149)				(3,149)	
Balance at December 31, 1999	11,818	118	71,957	16,671	(908)	(30)		87,808	
Net income for 2000				3,434				3,434	\$3,434
Exercise of stock options	15		74					74	
Repurchase and retirement of common stock	(1,331)	(13)	(10,876)					(10,889)	
Amortization of deferred compensation						16		16	
Foreign currency translation adjustment							(\$180)	(180)	(180)
Comprehensive income									\$3,254
Cash dividends				(2,746)				(2,746)	
Balance at December 31, 2000	10,502	105	61,155	17,359	(908)	(14)	(180)	77,517	
Net income for 2001				2,918				2,918	\$2,918
Exercise of stock options	4		20					20	
Repurchase and retirement of common stock	(15)		(88)					(88)	
Amortization of deferred compensation						14		14	
Reclass of notes receivable					422			422	
Foreign currency translation adjustment							(125)	(125)	(125)
Comprehensive income									\$2,793
Cash dividends				(2,617)				(2,617)	
Balance at December 31, 2001	10,491	\$105	\$61,087	\$17,660	(\$486)	-	(\$305)	\$78,061	

See notes to consolidated financial statements.

F-5LIFETIME HOAN CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31,		
	2001	2000	1999
OPERATING ACTIVITIES			
Net income	\$2,918	\$3,434	\$3,961
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,709	3,461	2,815
Deferred income taxes	722	387	(860)
Provision for losses on accounts receivable	1,396	1,077	640
Reserve for sales returns and allowances	6,513	5,859	5,838

Minority interest	(144)	(360)	162
Loss on sale of property and equipment	1,243	-	-
Changes in operating assets and liabilities, excluding the effects of the Kamenstein and Prestige acquisitions:			
Accounts receivable	(10,493)	500	(11,742)
Merchandise inventories	3,292	11,753	(7,203)
Prepaid expenses, other current assets and other assets	(70)	(2,797)	1,142
Accounts payable, trade acceptances and accrued expenses	(1,250)	(483)	3,633
Income taxes	-	(392)	(518)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	7,836	22,439	(2,132)
INVESTING ACTIVITIES			
Purchases of property and equipment, net	(13,267)	(2,025)	(2,552)
Proceeds (purchases) of marketable securities	-	15	(25)
Acquisition of Roshco, Inc.	-	(1,043)	(916)
Acquisition of Prestige Companies	-	-	(1,338)
Acquisition of M. Kamenstein, Inc.	(164)	(125)	-
NET CASH USED IN INVESTING ACTIVITIES	(13,431)	(3,178)	(4,831)
FINANCING ACTIVITIES			
Repurchase of common stock	(88)	(10,889)	(4,258)
Proceeds (payments) of short term borrowings, net	12,101	(5,758)	6,403
Proceeds from the exercise of stock options	20	74	92
Cash dividends paid	(2,617)	(2,746)	(3,149)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	9,416	(19,319)	(912)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(125)	(180)	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,696	(238)	(7,875)
Cash and cash equivalents at beginning of year	1,325	1,563	9,438
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$5,021	\$1,325	\$1,563

See notes to consolidated financial statements.

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2001

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Organization and Business: The accompanying consolidated financial statements include the accounts of Lifetime Hoan Corporation ("Lifetime"), its wholly-owned subsidiaries, Outlet Retail Stores, Inc. ("Outlets"), Roshco, Inc. ("Roshco") and M. Kamenstein Corp. ("Kamenstein") and its 51% owned and controlled subsidiaries, Prestige Italiana, Spa. ("Prestige Italy") and Prestige Haushaltswaren GmbH ("Prestige Germany" and together with Prestige Italy, the "Prestige Companies"), collectively, the "Company". Significant intercompany accounts and transactions have been eliminated in consolidation.

The Company is engaged in the design, marketing and distribution of household cutlery, kitchenware, cutting boards, pantryware and bakeware, marketing its products under a number of trade names, some of which are licensed. The Company sells its products primarily to retailers throughout the United States.

The significant accounting policies used in the preparation of the consolidated financial statements of the Company are as follows:

Revenue Recognition: Revenue is recognized upon the shipment of merchandise.

Inventories: Merchandise inventories, principally finished goods, are priced by the lower of cost (first-in, first-out basis) or

market method. Reserves for excess or obsolete inventory reflected in the Company's consolidated balance sheet at December 31, 2001 and 2000 are considered adequate by the Company's management, however, there can be no assurance that these reserves will prove to be adequate over time to provide for ultimate losses in connection with the Company's inventory.

Accounts Receivable: The Company is required to estimate the collectibility of its accounts receivable. A considerable amount of judgment is required in assessing the ultimate realization of these receivables including the current credit-worthiness of each customer. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial conditions of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Property and Equipment: Property and equipment is stated at cost. Property and equipment other than leasehold improvements is being depreciated by the straight-line method over the estimated useful lives of the assets. Building and improvements are being depreciated over 30 years and machinery, furniture, and equipment over 5 to 10 years. Leasehold improvements are amortized over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

Cash Equivalents: The Company considers highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Excess of Cost Over Net Assets Acquired and Other Intangibles: Excess of cost over net assets acquired pursuant to acquisitions is being amortized by the straight-line method over periods ranging from 30 to 40 years. Accumulated amortization at December 31, 2001 and 2000 was \$2,366,000 and \$1,795,000, respectively.

Other intangibles consist of a royalty-free license, trademarks and brand names acquired pursuant to two acquisitions and are being amortized by the straight-line method over 30 years. Accumulated amortization at December 31, 2001 and 2000 was \$2,286,000 and \$1,896,000, respectively.

Amortization expense for the years ended December 31, 2001, December 31, 2000 and December 31, 1999 was \$961,000, \$868,000 and \$735,000, respectively.

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Lived Assets: The Company reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Income Taxes: Income taxes have been provided using the liability method.

Earnings Per Share: Basic earnings per share has been computed by dividing net income by the weighted average number of common shares outstanding of 10,492,000 in 2001, 10,995,000 in 2000, and 12,572,000 in 1999. Diluted earnings per share has been computed by dividing net income by the weighted average number of common shares outstanding, including the dilutive effects of stock options, of 10,537,000 in 2001, 11,079,000 in 2000, and 12,671,000 in 1999.

Recent Accounting Pronouncements: In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 142, Goodwill and Other Intangible Assets. Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed at least annually for impairment. The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company is required to adopt SFAS 142 effective January 1, 2002. Application of the non-amortization provisions of SFAS 142 for goodwill is expected to result in an increase in income from operations of approximately \$570,000 in 2002. Changes in the estimated useful lives of intangible assets are not expected to result in a material effect on net income in 2002. At December 31, 2001, the Company had goodwill of approximately \$15.5 million. Pursuant to SFAS 142, the Company will test its goodwill for impairment upon adoption and, if impairment is indicated, record such impairment as a cumulative effect of an accounting change. The Company is currently evaluating the effect that the adoption may have on its consolidated results of operations and financial position.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS No. 144"), which supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of." The primary objectives of SFAS No. 144 is to develop one accounting model based on the framework established in SFAS No. 121 for long-lived assets to be disposed of by sale, and to address significant implementation issues. The provisions of this statement are effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The Company is evaluating the impact of SFAS No. 144 on its financial position and results of operations.

NOTE B - ACQUISITIONS AND LICENSES

Kamenstein Acquisition: In September 2000, the Company acquired the assets and certain liabilities of M. Kamenstein, Inc. ("Kamenstein"), a privately-held 107-year old housewares company whose products include pantryware, teakettles, and home organization accessories. Kamenstein's revenues were approximately \$21.0 million for the twelve month period ended August 31, 2000. In acquiring Kamenstein, the Company assumed bank debt and other indebtedness of approximately \$10.0 million. The Company is obligated to make contingent payments in the future based on the annual gross profit achieved by the Kamenstein business for a 3 -year period. Kamenstein contributed \$7.6 million in sales to the Company's total net sales for the four-month period ended December 31, 2000 and \$21.6 million for 2001. This acquisition was accounted for using the purchase method and the Company recorded excess of the cost over the net assets acquired of \$6,063,000.

The table below reflects unaudited pro forma combined results of the Company as if the acquisition had taken place at the beginning of fiscal 2000 and 1999. The pro forma financial information is not necessarily indicative of the operating results that may occur in the future or that would have occurred had the acquisition of Kamenstein been affected on the dates indicated.

	2000	1999
Net sales (in thousands)	\$142,296	\$126,232
Net earnings (in thousands)	1,130	1,687
Basic earnings per common share	\$0.10	\$0.13
Diluted earnings per common share	\$0.10	\$0.13

of the capital stock and controlling interest in each of Prestige Italy and Prestige Germany. The Company paid approximately \$1.3 million for its majority interests in the Prestige Companies. This acquisition was accounted for using the purchase method and the Company recorded the excess of the cost over the net assets acquired of \$586,000.

Pro forma results are not presented for the Prestige acquisition due to immateriality.

Operations of the acquired entities have been included since their respective dates of acquisition.

KitchenAid License Agreement: In October 2000, the Company entered into a licensing agreement with KitchenAid, a division of the Whirlpool Corporation. This agreement allows the Company to design, manufacture and market an extensive range of kitchen utensils, barbecue items and pantryware products under the KitchenAid brand name. On January 1, 2002, the licensing agreement between the Company and KitchenAid, was amended, expanding the covered products to include bakeware and baking related products. Shipments of products under the agreement began in the second quarter of 2001.

NOTE C -CREDIT FACILITIES

On November 9, 2001, the Company entered into a \$45 million three-year, secured, reducing revolving credit agreement (the "Agreement") with a group of banks and, in conjunction therewith, canceled its \$40 million short-term lines of credit. The Credit Facility is secured by all of the assets of the Company and reduces to \$40 million at December 31, 2002 and further to \$35 million at December 31, 2003, and through the maturity date. Under the terms of the Agreement, the Company is required to satisfy certain financial covenants, including limitations on indebtedness and sale of assets; a minimum fixed charge ratio; and net worth maintenance. Borrowings under the Agreement have different interest rate options that are based on either an alternate base rate, LIBOR, or the lender's cost of funds rate. As of December 31, 2001, the Company had \$2,502,000 of letters of credit and trade acceptances outstanding and \$6,700,000 of borrowings under the Agreement and, as a result, the availability under the Agreement was \$22,498,000. Interest rates on borrowings at December 31, 2001 ranged from 3.875% to 3.9375%.

In addition to the Agreement, the Prestige Companies have three lines of credit with three separate banks for a total available credit facility of approximately \$3.4 million. As of December 31, 2001, the Prestige Companies had borrowings of approximately \$2.8 million against these lines. Interest rates on these lines of credits range from 5.85% to 8.25%.

The Company paid interest of approximately \$1,289,000, \$913,000 and \$281,000 during the years ended December 31, 2001, 2000 and 1999, respectively.

NOTE D - CAPITAL STOCK

Cash Dividends: The Company paid regular quarterly cash dividends of \$0.0625 per share on its Common Stock, or a total annual cash dividend of \$0.25, in 2001, 2000 and 1999. The Board of Directors currently intends to maintain a quarterly cash dividend of \$0.0625 per share of Common Stock for the foreseeable future, although the Board may in its discretion determine to modify or eliminate such dividend at any time.

Common Stock Repurchase and Retirement: In December 1999, the Board of Directors of the Company authorized a repurchase of up to 1,000,000 of its outstanding shares of Common Stock in the open market. In 2000, the Board of Directors increased the authorized amount of Common Stock that could be bought back from 1,000,000 shares to 3,000,000 shares. Through December 31, 2001, 2,128,000 shares were repurchased for approximately \$15,235,000.

Stock Option Plans: In June 2000, the stockholders of the Company approved the adoption of a Stock Option Plan (the "Plan"), which replaced all other Company stock option plans, whereby options to purchase up to 1,750,000 shares of common stock may be granted to key employees of the Company, including directors and officers. The Plan authorizes the Board of Directors of the Company to issue incentive stock options as defined in Section 422A (b) of the Internal Revenue Code and stock options that do not conform to the requirements of that Section of the Code. All options expire on the tenth anniversary of the date of grant and vest over a range of up to five years, from the date of grant.

As of December 31, 2001, approximately 707,000 shares were available for grant under the Company's stock option plans.

The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant. The Company accounts for stock option grants in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations because the Company believes the alternative fair value accounting provided for under FASB Statement No. 123, "Accounting for Stock-Based Compensation" requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income and earnings per share is required by FASB Statement No. 123, and has been determined as if the Company has accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rates of 4.55%, 6.01% and 5.88% for 2001, 2000 and 1999, respectively; 4.25% dividend yield in 2001, 3.67% dividend yield in 2000 and 4.68% dividend yield in 1999; volatility factor of the expected market price of the Company's common stock of 0.07 in 2001, 0.45 in 2000 and 0.07 in 1999; and a weighted-average expected life of the options of 4.7, 5.0 and 5.1 years in 2001, 2000 and 1999, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting periods. The Company's pro forma information is as follows:

	Year Ended December 31,		
	2001	2000	1999
Pro forma net income (in thousands)	\$2,730	\$3,224	\$3,720
Pro forma basic earnings per common share	\$0.26	\$0.29	\$0.30
Pro forma diluted earnings per common share	\$0.26	\$0.29	\$0.29

LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE D - CAPITAL STOCK (continued)

A summary of the Company's stock option activity and related information for the years ended December 31 follows:

	2001		2000		1999	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Balance - Jan 1,	1,245,335	\$7.39	1,209,165	\$7.49	1,041,545	\$7.81
Grants	140,000	\$5.68	109,500	\$7.17	188,500	\$5.71
Exercised	(3,971)	\$5.00	(14,984)	\$4.91	(11,882)	\$6.70
Canceled	(349,534)	\$8.16	(58,346)	\$9.16	(8,998)	\$8.07
Balance - Dec 31,	1,031,830	\$6.94	1,245,335	\$7.39	1,209,165	\$7.49

The weighted average fair values of options granted during the years ended December 31, 2001, 2000 and 1999 were \$0.27, \$0.64 and \$0.44, respectively.

The following table summarizes information about employees' stock options outstanding at December 31, 2001:

Exercise Price	Options Outstanding	Options Exercisable	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price- Outstanding	Weighted-Average Exercise Price- Exercisable
\$4.14 - \$5.51	379,252	196,502	6.2 years	\$5.35	\$5.18
\$6.00 - \$8.41	466,362	329,390	4.1 years	\$6.82	\$6.85
\$8.64 - \$10.87	186,216	154,966	2.9 years	\$10.47	\$10.52
	1,031,830	680,858	4.7 years	\$6.94	\$7.20

In connection with the grant of certain options, the Company recorded, and is amortizing, deferred compensation.

In connection with the exercise of options under a stock option plan which has since expired, the Company received cash of \$255,968 and notes in the amount of \$908,000. The notes bear interest at 9% and are due no later than December 31, 2005. During 2001, a note from Milton L. Cohen, a director of the Company in the amount of \$422,000 was canceled. During 2001, a new note was issued to Milton L. Cohen in the amount of \$855,000 which consolidated all amounts due to the Company.

LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE E - INCOME TAXES

Pre-tax income for the years ended December 31, 2001, 2000 and 1999 were comprised of domestic income of \$6,060,000, \$6,850,000 and \$6,794,000, respectively, and foreign losses of \$665,000, \$599,000 and \$11,000, respectively.

The provision for income taxes consists of (in thousands):

	Year Ended December 31,		
	2001	2000	1999
Current:			
Federal	\$1,431	\$1,918	\$2,941
State and local	295	481	662
Foreign - Prestige			
Companies	29	31	79
Deferred	722	387	(860)
Income tax provision	\$2,477	\$2,817	\$2,822

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred tax assets are as follows (in thousands):

	December 31,	
	2001	2000
Merchandise inventories	\$1,138	\$1,257
Accounts receivable allowances	496	801
Depreciation and amortization	(1,486)	(1,188)
Foreign affiliates net operating losses	226	204
Total deferred tax assets	374	1,074
Valuation allowance	(226)	(204)
Net deferred tax assets	\$148	\$870

While management believes that the Company's deferred tax asset will be realized based on its generation of taxable income in recent years and its future projected taxable income, the substantial restrictions on and time periods required to realize certain of the Company's NOL's make it appropriate to record a valuation allowance against a portion of those NOL's. A valuation allowance has been provided against all of the Company's foreign net operating loss carryforwards. Accordingly, the Company has provided a total valuation allowance of \$226,000 and \$204,000 as of December 31, 2001 and 2000, respectively. There can be no assurance that the Company will generate sufficient taxable earnings in future years to fully realize recorded tax benefits.

The provision for income taxes differs from the amounts computed by applying the applicable federal statutory rates as follows (in thousands):

	2001	2000	1999
Provision for Federal income taxes at the statutory rate	\$1,834	\$2,125	\$2,306
Increases (decreases):			
State and local income taxes, net of Federal income tax benefit	459	318	437
Change in valuation allowance	22	204	-
Other	133	139	-
Foreign taxes - Prestige Companies	29	31	79
Provision for income taxes	\$2,477	\$2,817	\$2,822

In 2001 the Company received income tax refunds (net of payments) of approximately \$218,000. The Company paid income taxes (net of refunds) of approximately \$4,970,000 and \$4,178,000 during the years ended December 2000 and 1999, respectively.

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE F - COMMITMENTS

Operating Leases: The Company has lease agreements for its warehouses, showroom facilities, sales offices and outlet stores which expire through 2016. These leases provide for, among other matters, annual base rent escalations and additional rent for real estate taxes and other costs.

Future minimum payments under non cancelable operating leases are as follows (in thousands):

Year ended December 31:

2002	\$6,447
2003	4,336
2004	3,035
2005	2,456
2006	2,282
Thereafter	28,809
	\$47,365

Under agreements with Meyer Corporation and Salton, Inc., the Company is reimbursed for use of floor space in its outlet stores. Meyer Corporation reimbursed the Company 40.0% (as amended from 52.0% in January 2000) of the operating lease expenses of the outlet stores in 2000, which is not a sublease commitment. In 2001, 2000 and 1999, Meyer Corporation reimbursed approximately \$1,337,000, \$1,463,000 and \$1,856,000, respectively, for operating lease expense to the Company. Salton Inc. reimbursed the Company 20.0% of the operating lease expense of the outlet stores in 2000, which is also not a sublease commitment. In 2001 and 2000, Salton Inc. reimbursed approximately \$668,000 and \$731,000, respectively, for operating lease expense to the Company.

Rental and related expenses under the operating leases were approximately \$7,567,000, \$5,916,000 and \$5,554,000 for the years ended December 31, 2001, 2000 and 1999, respectively. Amounts for 2001, 2000 and 1999 are prior to the Meyer Corporation and Salton Inc. reimbursements described above.

Royalties: The Company has royalty licensing agreements which expire through December 31, 2007. Future minimum royalties payable are as follows (in thousands):

Year ended December 31:

2002	\$1,578
2003	927
2004	1,125
2005	1,333
2006	336
Thereafter	339
	\$5,638

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE F - COMMITMENTS (continued)

Legal Proceedings: The Company is, from time to time, a party to litigation arising in the normal course of its business. The Company believes that there are currently no material legal proceedings the outcome of which would have a material adverse effect on the Company's consolidated financial position or results of operations.

Employment Agreements: Effective as of April 6, 2001, Mr. Jeffrey Siegel entered into a new employment agreement with the Company that provides that the Company will employ him as its President and Chief Executive Officer for a term commencing on April 6, 2001, and as its Chairman of the Board commencing immediately following the 2001 Annual Meeting of stockholders, and continuing until April 6, 2006 and thereafter for additional consecutive one year periods unless terminated by either the Company or Mr. Siegel as provided in the agreement. The agreement provides for an annual salary of \$700,000 and for the payment to him of bonuses pursuant to the Company's Incentive Bonus Compensation Plan. The agreement also provides for, among other things, certain standard fringe benefit arrangements, such as disability benefits, insurance and an accountable expense allowance. The agreement further provides that if the Company is merged or otherwise consolidated with any other organization or substantially all of the assets of the Company are sold or control of the Company has changed (the transfer of 50% or more of the outstanding stock of the Company) which is followed by: (i) the termination of his employment agreement, other than for cause; (ii) the diminution of his duties or change in executive position; (iii) the diminution of his compensation (other than a general reduction to all employees); or (iv) the relocation of his principal place of employment to other than the New York Metropolitan Area, the Company would be obligated to pay to Mr. Siegel or his estate the base salary required pursuant to the employment agreement for the balance of the term. The employment agreement also contains restrictive covenants preventing Mr. Siegel from competing with the Company for a period of five years from the earlier of the termination of Mr. Siegel's employment (other than a termination by the Company without cause) or the expiration of his employment agreement.

Incentive Bonus Compensation Plan: In April 1996, the Board of Directors adopted and in June 1996, the stockholders approved an incentive bonus compensation plan ("1996 Bonus Plan"). The 1996 Bonus Plan provided for the award of a bonus, with respect to each of the ten fiscal years of the Company beginning with the 1996 fiscal year, to each of the then President and the Executive Vice President of the Company. The bonus payable to each executive was an amount equal to 3.5% of pretax income, before any provision for executive compensation, stock options exercised during the year under the Company's stock option plans and extraordinary items. In June 2000, the stockholders of the Company approved the adoption of an incentive bonus compensation plan ("2000 Bonus Plan"), which replaced the 1996 Bonus Plan. The 2000 Bonus Plan provides for the award of a bonus, to designated Senior Executive Officers based on a predetermined financial performance measurement. For 2001, the Chief Executive Officer was the only designated officer and for 2000, the then Chief

Executive Officer and then President were both designated officers. In each year the amount of the bonus payment was equal to 3.5% of pretax income, before any provision for executive compensation, stock options exercised during the year under the Company's stock option plans, extraordinary items and non recurring charges. During the years ended December 31, 2001, 2000 and 1999, the Company recorded annual compensation expense of approximately \$346,000, \$600,000, and \$600,000, respectively, pursuant to the bonus plans.

In February 2001, the Board of Directors declared special bonuses for the then Chief Executive Officer and the President aggregating approximately \$850,000 charged to operations for the year ended December 31, 2000.

In April 2001, the Company paid Mr. Milton L. Cohen a bonus of \$178,500 for the period January 1, 2001 through April 6, 2001.

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE G - RELATED PARTY TRANSACTIONS

Effective April 6, 2001, Milton L. Cohen, a director of the Company, and the Company entered into a 5-year consulting agreement with an annual fee of \$440,800.

As of December 31, 2001 and December 31, 2000, Milton L. Cohen owed the Company approximately \$739,000 and \$855,000, respectively.

As of December 31, 2001 and December 31, 2000, Jeffrey Siegel owed the Company approximately \$659,000 and \$474,000, respectively, which, for each year, included \$344,000 of an outstanding loan related to the exercise of stock options under a stock option plan which has since expired.

NOTE H - RETIREMENT PLAN

The Company maintains a defined contribution retirement plan ("the Plan") for eligible employees under Section 401(k) of the Internal Revenue Code. Participants can make voluntary contributions up to a maximum of 15% of their respective salaries. The Company made matching contributions to the Plan of approximately \$178,000 and \$50,000 in 2001 and 2000, respectively, and made no contributions to the Plan in 1999.

NOTE I - CONCENTRATION OF CREDIT RISK

The Company maintains cash and cash equivalents with various financial institutions.

Concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of entities comprising the Company's customer base and their dispersion across the United States. The Company's accounts receivable are not collateralized. The Company periodically reviews the status of its accounts receivable and, where considered necessary, establishes an allowance for doubtful accounts.

During the years ended December 31, 2001, 2000 and 1999, Walmart accounted for approximately 14%, 11% and 14% of net sales, respectively. No other customer accounted for 10% or more of the Company's net sales during 2001, 2000 and 1999.

NOTE J - OTHER

Property and Equipment:

Property and equipment consist of (in thousands):

December 31,

	2001	2000
Land	\$942	\$942
Building and improvements	7,377	7,119
Machinery, furniture and equipment	23,064	14,123
Leasehold improvements	1,687	71
	33,070	22,255
Less: accumulated depreciation and amortization	10,694	9,170
	\$22,376	\$13,085

Depreciation expense for the years ended December 31, 2001, December 31, 2000 and December 31, 1999 was \$2,733,000, \$2,593,000 and \$2,080,000 respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

LIFETIME HOAN CORPORATION

NOTE J - OTHER (Continued)

Accrued Expenses:

Accrued expenses consist of (in thousands):

	December 31,	
	2001	2000
Commissions	\$715	\$708
Accrued customer allowances and rebates	4,029	3,214
Obligation to Meyer Corporation	2,681	2,171
Due to Roshco	-	500
Due to M. Kamenstein, Inc.	333	666
Officer and employee bonuses	1,340	1,444
Accrued health insurance	443	718
Accrued salaries, vacation and temporary labor	1,745	1,295
Other	5,837	5,903
	\$17,123	\$16,619

Sources of Supply: The Company sources its products from approximately 44 manufacturers located primarily in the Far East, including the People's Republic of China, and to a smaller extent in the United States, Thailand, Malaysia, Indonesia, Taiwan, and Italy. A majority of its cutlery was purchased from five suppliers in 2001 who accounted for 28%, 21%, 14%, 11% and 10% of the total purchases, respectively, and from four suppliers in 2000 who accounted for 32%, 25%, 22% and 11% of the total purchases, respectively. A majority of its pantryware was purchased from two suppliers in 2001 who accounted for 45% and 32%, respectively, of the total purchases and from two suppliers in 2000 who accounted for 59% and 11%, respectively. An interruption of supply from any of these manufacturers could have an adverse impact on the Company's ability to fill orders on a timely basis. However, the Company believes other manufacturers with whom the Company does business would be able to increase production to fulfill the Company's requirements.

Inventory: During the three-month period ended December 31, 2000, the Company recorded a charge relating to an inventory shortfall of approximately \$4.0 million (which reduced earnings by \$0.23 and \$0.22 per basic and diluted per common share for the fourth quarter and the year ended December 31, 2000, respectively) which is included in cost of goods sold.

Minority Interest: The Company has recorded approximately

\$667,000 and \$605,000 relating to minority interest in operations of its consolidated subsidiaries, the Prestige Companies, in the caption other income, net in the accompanying consolidated financial statements of income for the years ended December 31, 2001 and 2000, respectively.

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LIFETIME HOAN CORPORATION

Schedule II - Valuation and Qualifying Accounts

Lifetime Hoan Corporation

(in thousands)

COL. A	COL. B	COL. C	COL. D	COL. E
Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions (Describe)	Balance at end of period
Year ended December 31, 2001				
Deducted from asset accounts:				
Allowance for doubtful Accounts	\$385	\$1,396	\$1,466	(a) \$315
Reserve for sales returns and allowances	3,197	6,513	(c) 6,376	(b) 3,334
	\$3,582	\$7,909	\$7,842	\$3,649
Year ended December 31, 2000				
Deducted from asset accounts:				
Allowance for doubtful Accounts	\$85	\$1,077	\$777	(a) \$385
Reserve for sales returns and allowances	2,524	5,859	(c) 5,186	(b) 3,197
	\$2,609	\$6,936	\$5,963	\$3,582
Year ended December 31, 1999				
Deducted from asset accounts:				
Allowance for doubtful Accounts	\$420	\$640	\$975	(a) \$85
Reserve for sales returns and allowances	1,107	5,838	(c) 4,421	(b) 2,524
	\$1,527	\$6,478	\$5,396	\$2,609

- (a) Uncollectible accounts written off, net of recoveries.
(b) Allowances granted.
(c) Charged to net sales.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 Hoan Corporation

/s/ Jeffrey Siegel
Jeffrey Siegel

Chairman of the Board of
Directors,
Chief Executive Officer,
President and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Jeffrey Siegel Jeffrey Siegel	Chairman of the Board of Directors, Chief Executive Officer, President and Director	March 29, 2002
/s/ Craig Phillips Craig Phillips	Vice-President - Distribution, Secretary and Director	March 29, 2002
/s/ Robert McNally Robert McNally	Vice-President - Finance and Treasurer (Principal Financial and Accounting Officer)	March 29, 2002
/s/ Bruce Cohen Bruce Cohen	Executive Vice-President and Director	March 29, 2002
/s/ Milton L. Cohen Milton L. Cohen	Director	March 29, 2002
/s/ Ronald Shiftan Ronald Shiftan	Director	March 29, 2002
/s/ Howard Bernstein Howard Bernstein	Director	March 29, 2002
/s/ Leonard Florence Leonard Florence	Director	March 29, 2002

Exhibit 21. Subsidiaries of the Registrant

Outlet Retail Stores, Inc.
Incorporated in the state of Delaware

Roshco, Inc.
Incorporated in the state of Illinois

Prestige Italiana, Spa.
Incorporated in the country of Italy

Prestige Haushaltswaren GmbH
Incorporated in the country of Germany

M. Kamenstein Corp.
Incorporated in the state of Delaware

Exhibit 23. Consent of Ernst & Young LLP Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-51774) of Lifetime Hoan Corporation pertaining to the 1991 Stock Option Plan, of our report dated February 14, 2002, with respect to the consolidated financial statements and schedule of Lifetime Hoan Corporation included in the Annual Report (Form 10-K) for the year ended December 31, 2001.

Ernst & Young LLP

Melville, New York

March 29, 2002

EXHIBIT

Exhibit 10.32 Credit Facility Agreement between Lifetime Hoan Corporation and The Bank of New York, HSBC Bank USA, Citibank, N.A., Wells Fargo Bank, N.A., and Bank Leumi USA, dated November 9, 2001.

CREDIT AGREEMENT

dated as of November 8, 2001,

among

LIFETIME HOAN CORPORATION
as Borrower,

the Lenders party hereto

and

THE BANK OF NEW YORK,
as Administrative Agent

BNY CAPITAL MARKETS, INC.
as Lead Arranger and Book Manager
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EXHIBITS:

Exhibit A	Form of Assignment and Acceptance
Exhibit B	Form of Opinion of McMillan, Rather, Bennett & Rigano, P.C.
Exhibit C-1	Form of Revolving Note
Exhibit C-2	Form of Swing Line Note
Exhibit D	Form of Guaranty Agreement
Exhibit E	Form of Security Agreement
Exhibit F	Form of Borrowing Base Certificate

CREDIT AGREEMENT

CREDIT AGREEMENT, dated as of November 8, 2001 (this "Agreement"), among LIFETIME HOAN CORPORATION, a Delaware corporation (the "Borrower"), the Lenders party hereto (the "Lenders") and THE BANK OF NEW YORK, as Administrative Agent (in such capacity, the "Administrative Agent").

The Borrower has requested the Lenders to extend credit to it and the Lenders are willing to do so subject to the terms and conditions set forth herein.

Accordingly, for good and valuable consideration, the parties hereto agree as follows:

DEFINITIONS

Defined Terms

As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Account Receivable" means any right of the Borrower to payment for goods sold, whether now existing or hereafter arising.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means BNY, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Aggregate Revolving Exposure" means, at any time, the sum at such time of (i) the outstanding principal balance of the Revolving Loans of all Lenders, plus (ii) the outstanding principal balance of the Swing Line Loans, plus (iii) an amount equal to the Letter of Credit Exposure of all Lenders, plus (iv) an amount equal to the Bankers Acceptance Exposure of all Lenders.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Rate in effect on such day plus 1/2 of 1% per annum. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Rate, respectively.

"Applicable Margin" means, at all times during the applicable periods set forth below: (a) with respect to ABR Borrowings, the percentage set forth below under the heading "ABR Margin" and adjacent to such period, (b) with respect to Eurodollar Borrowings, the percentage set forth below under the heading "Eurodollar Margin" and adjacent to such period and (c) with respect to the commitment fees payable under Section 3.03(b), the percentage set forth below under the heading "Fee Margin" and adjacent to such period:

Period	Applicable Margin			
When the Fixed Charge Ratio is greater than	And less than or equal to	ABR Margin	Eurodollar Margin	Fee Margin
	1.45:1.00	0.750%	2.000%	0.500%
1.45:1.00	1.65:1.00	0.500%	1.750%	0.375%
1.65:1.00	1.85:1.00	0.250%	1.500%	0.375%
1.85:1.00		0.000%	1.250%	0.375%

Changes in the Applicable Margin resulting from a change in the Fixed Charge Ratio shall be based upon the certificate most recently delivered under Section 6.01(c) and shall become effective on the date such certificate is delivered to the Administrative Agent. Notwithstanding anything to the contrary in this definition, (i) if the Borrower shall fail to deliver to the Administrative Agent such a certificate on or prior to any date required hereby, the Fixed Charge Ratio shall be deemed to be less than 1.45:1.00 from and including such date to the date of delivery to the Administrative Agent of such certificate and (ii) during the period commencing on the Effective Date and ending on the date that is six months after the Effective Date, the Applicable Margin shall be the higher of (A) 0.500% for ABR Borrowings, 1.750% for Eurodollar Borrowings and 0.375% with respect to the commitment fee payable under Section 3.03(b) and (B) the applicable percentage set forth above based on the Fixed Charge Ratio set forth in the certificate most recently delivered under Section 6.01(c).

"Appraised Value" means the value of the Designated Real Property as determined pursuant to the appraisal of the Designated Real Property to be delivered to the Administrative Agent pursuant to Section 5.01(q).

"Approved Fund" means, with respect to any Lender that is a fund that invests in commercial loans, (a) any other fund that invests in commercial loans and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor, and (b) any bank or Affiliate thereof that manages or controls such Lender.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.04), and accepted by the Administrative Agent, substantially in the form of Exhibit A or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Revolving Maturity Date and the date of termination of the Revolving Commitments.

"Available Revolving Commitment Amount" means, at any time, an amount equal to the aggregate Revolving Commitments at such time minus the Revolving Exposure at such time.

"BA Issuer" means BNY.

"BA Obligations" means, collectively, the obligation of the Borrower to the BA Issuer with respect to each Bankers Acceptance and all documents, instruments and other agreements related thereto, including the obligation of the Borrower to reimburse the BA Issuer for amounts drawn under such Bankers Acceptance.

"Bankers Acceptance Commitment" means the commitment of the Issuer to create Bankers Acceptances in an aggregate principal amount of up to \$10,000,000.

"Bankers Acceptance Documents" has the meaning set forth in Section 2.11(a).

"Bankers Acceptance Exposure" means in respect of any Lender at any time, an amount equal to (i) the sum (without duplication) of (x) the aggregate face amount of the outstanding Bankers Acceptances, (y) the aggregate amount of unpaid drafts drawn on all Bankers Acceptances and (z) the aggregate unpaid BA Obligations, multiplied by (ii) such Lender's Revolving Percentage at such time.

"Bankers Acceptance Fee" has the meaning set forth in Section 3.03(c).

"Bankers Acceptances" means bankers acceptances created by the BA Issuer pursuant to Section 2.11 by the acceptance, for the account of the Borrower, of drafts drawn upon it by the Borrower having not more than 180 days' sight to run, exclusive of days of grace, which grow out of transactions involving the importation, exportation or the domestic shipment of goods. All such drafts shall be subject to the provisions of the Federal Reserve Act, as amended, and the rules and regulations thereunder, including, without limitation, provisions relating to maturity of the acceptance, relationship to the underlying c.i.f. value and date of the shipment upon which the acceptance is based and date of creation of the acceptance. All such drafts shall be eligible for purchase by, discount with and pledge to, the Federal Reserve Bank of New York and each request for the creation of a Bankers Acceptance shall be accompanied by any certification required by the BA Issuer as to the necessary elements supporting such eligibility.

"BNY" means The Bank of New York.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" has the meaning ascribed thereto in the preamble to this Agreement.

"Borrowing" means Revolving Loans or Swing Line Loans, as applicable, of the same Type made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect; provided, however, that Swing Line Loans may not be made or converted into Eurodollar Loans.

"Borrowing Base Amount" means, as of any date of determination, a sum equal to (a) the Borrowing Base Percentage of the book value of Eligible Receivables (less reserves with respect to such Eligible Receivables which the Required Lenders may deem necessary in their sole discretion from time to time) based upon the Borrowing Base Certificate most recently delivered to the Administrative Agent under Section 6.01(e) plus (b) the Borrowing Base Percentage of all Factored Credit Balances plus (c) the lesser of (i) \$20,000,000 and (ii) the sum of (x) the Borrowing Base Percentage of the value (determined at the lower of cost (on a first-in, first-out basis in accordance with GAAP) or market value) of Eligible Inventory (other than Eligible Outlet Inventory) based upon the Borrowing Base Certificate most recently delivered to the Administrative Agent under Section 6.01(e) plus (y) the Borrowing Base Percentage of the value (determined at the lower of cost (on a first-in, first-out basis in accordance with GAAP) or market value) of Eligible Outlet Inventory based upon the Borrowing Base Certificate most recently delivered to the Administrative Agent under Section 6.01(e) plus (d) the Borrowing Base Percentage of the Appraised Value of the Designated Real Property. Notwithstanding anything to the contrary in this definition, if the Borrower shall fail to deliver to the Administrative Agent a Borrowing Base Certificate on or prior to any date required hereby, the Borrowing Base Amount shall be deemed to be zero (\$0.00) from and including such date to the date of delivery to the Administrative Agent of such Borrowing Base Certificate.

"Borrowing Base Certificate" means a certificate, duly executed by a Financial Officer of the Borrower and in the form of Exhibit F.

"Borrowing Base Percentage" means (a) with respect to Eligible Receivables, initially 80%, (b) with respect to Factored Credit Balances, initially 80%, (c) with respect to Eligible Inventory (other than Eligible Outlet Inventory), initially 50%, (d) with respect to Eligible Outlet Inventory, initially 25%, and (e) with respect to the Designated Real Property, initially 60%, or, in each case, such percentage as the Required Lenders shall reasonably determine.

"Borrowing Date" means the date of (a) the making, conversion or continuation of any Loan, (b) the issuance of any Letter of Credit or (c) the creation of any Bankers Acceptance.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed, provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the

London interbank market.

"Capital Expenditures" of any Person means expenditures (whether paid in cash or other consideration or accrued as a liability) for fixed or capital assets (excluding any capitalized interest and any such asset acquired in connection with normal replacement and maintenance programs properly charged to current operations and excluding any replacement assets acquired with the proceeds of insurance) made by such Person.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Cash Collateral" has the meaning set forth in Section 2.12.

"Cash Collateral Account" has the meaning set forth in Section 2.12.

"Change in Control" means on or after the Effective Date, any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended) becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended), directly or indirectly, of 25% or more of the total voting power of the then outstanding capital stock of the Borrower entitled to vote generally in the election of the directors of the Borrower, other than any Person who is a stockholder of the Borrower on the Effective Date.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Credit Party (or, for purposes of Section 3.05(b), by any lending office of such Credit Party or by such Credit Party's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" means any and all "Collateral", as defined in any applicable Security Document.

"Commitment Fee" has the meaning set forth in Section 3.03(a).

"Commitment Percentage" means, with respect to any Lender, a fraction (expressed as a percentage), the numerator of which is such Lender's Revolving Commitment and the denominator of which is the aggregate Revolving Commitments of all Lenders.

"Consolidated": means the Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP.

"Consolidated EBITDA" means, for any period, net income of the Borrower and its Subsidiaries for such period, determined on a Consolidated basis plus the sum of, without duplication, (a) Consolidated Interest Expense for such period, (b) provision for income taxes accrued for such period, (c) depreciation, amortization and other non-cash charges of the Borrower and its Subsidiaries and (d) if such period includes the fourth fiscal quarter of the Borrower's fiscal year 2000, \$4,000,000 (representing a one-time charge taken in such fiscal quarter relating to an inventory shortfall in such amount), each to the extent deducted in determining such net income for such period, minus the sum of (i) extraordinary gains from sales, exchanges and other dispositions of Property not in the ordinary course of business, and (ii) if such period includes the Borrower's fiscal year 2001 or the Borrower's first fiscal quarter of 2002, up to \$2,500,000 (representing a one-time charge taken in such fiscal year relating to shut down, lease termination, equipment write-off, moving and other costs and expenses of the Borrower associated with the Borrower's transferring its warehouse and related operations to, and commencing operations at, the Borrower's new warehouse facility located at 12 Applegate Drive, Robbinsville, New Jersey), in each case solely to the extent such items would be classified as an operating expense in accordance with GAAP.

"Consolidated Fixed Charges" means, for any period, the sum of, without duplication, (i) Capital Expenditures made during such period by the Borrower and its Subsidiaries

(excluding Capital Expenditures for leasehold improvements and equipment for the warehouse of the Borrower located at 12 Applegate Drive, Robbinsville, New Jersey 08691 in an aggregate amount not to exceed \$13,000,000), (ii) income taxes accrued during such period by the Borrower and the Subsidiaries, (iii) Consolidated Interest Expense for such period and (iv) the aggregate amount of cash dividends paid by the Borrower in respect of, and purchases by the Borrower of, its capital stock permitted to be made pursuant to Section 7.08 during such period.

"Consolidated Interest Expense" means, for any period, interest and fees accrued or paid by the Borrower and its Subsidiaries during such period in respect of the Indebtedness of the Borrower and its Subsidiaries, determined on a Consolidated basis, including (a) the amortization of debt discounts to the extent included in interest expense in accordance with GAAP, (b) the amortization of all fees (including fees with respect to interest rate cap agreements or other agreements or arrangements entered into by the Borrower or any Subsidiary thereof designed to protect the Borrower or such Subsidiary, as applicable, against fluctuations in interest rates) payable in connection with the incurrence of Indebtedness to the extent included in interest expense in accordance with GAAP, (c) the portion of any rents payable under capital leases allocable to interest expense in accordance with GAAP, and (d) capitalized interest.

"Consolidated Net Income" means, for any period, net income (or loss) of the Borrower and its Subsidiaries on a Consolidated basis for such period taken as a single accounting period determined in accordance with GAAP.

"Consolidated Net Worth" means, at any date of determination, the sum of all amounts which would be included under "Shareholders' Equity" or analogous entry on a Consolidated balance sheet of the Borrower determined in accordance with GAAP as at such date.

"Consolidated Total Debt" means, as of any date, the aggregate principal amount of all Indebtedness of the Borrower and its Subsidiaries that would be reflected as liabilities on a Consolidated balance sheet of the Borrower as of such date prepared in accordance with GAAP; provided, however, that for purposes of this definition, (i) the term "Indebtedness" shall not include obligations as an account party in respect of commercial Letters of Credit and (ii) the principal amount of Indebtedness of the Prestige Subsidiaries included in the calculation of Consolidated Total Debt shall be limited to an amount equal to (x) the aggregate principal amount of all Indebtedness of the Prestige Subsidiaries that would be reflected as liabilities on a balance sheet of each Prestige Subsidiary (other than Indebtedness of such Prestige Subsidiary due to the Borrower or any Domestic Subsidiary) multiplied by (y) the ownership interest (expressed as a percentage) of the Borrower and its Subsidiaries in such Prestige Subsidiary as of the date of determination of Consolidated Total Debt.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms "Controlling" and "Controlled" have meanings correlative thereto.

"Credit Parties" means the Administrative Agent, the Issuer, the BA Issuer and the Lenders.

"Credit Request" means a request for Revolving Loans, Bankers Acceptances, Swing Line Loans or Letters of Credit.

"Default" means any event or condition which constitutes an Event of Default or that upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Designated Real Property" means the Real Property of the Borrower located at One Merrick Avenue, Westbury, New York.

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in Schedule 4.06.

"dollars" or "\$" refers to lawful money of the United States of America.

"Domestic Subsidiary" means any wholly-owned Subsidiary of the Borrower organized under the laws of the United States of America or any State thereof.

"Effective Date" means the date on which the conditions specified in Section 5.01 are satisfied (or waived in accordance with Section 10.02).

"Eligible Inventory" means Inventory subject to a fully perfected first priority security interest in favor of the Administrative Agent, for the ratable benefit of the Secured

Parties, pursuant to the Security Agreement which is not on consignment from any third party and which conforms to the representations and warranties contained in the Security Agreement, less (a) obsolete or damaged Inventory, (b) Inventory consisting of samples or otherwise not of a type held for sale in the ordinary course of the Borrower's or a Domestic Subsidiary's business, (c) Inventory not saleable within one year from the date of acquisition or creation thereof, (d) Inventory to be returned to suppliers, (e) Inventory held by, or in transit to, third parties (including to warehouses), (f) any reserves reasonably required by Required Lenders for special order goods, market value declines, bill and hold (deferred shipment) sales, and any other matters in the reasonable determination of the Required Lenders, and (g) Inventory which is not located on such Loan Party's owned or leased premises in the United States of America.

"Eligible Outlet Inventory" means Inventory of the Borrower's wholly-owned Subsidiary, Outlet Retail Stores, Inc., held for sale in the ordinary course of business that satisfies the criteria of the definition of Eligible Inventory except that such Inventory may be obsolete or discontinued merchandise.

"Eligible Receivable" means a Non-Purchased Account Receivable which conforms to the representations and warranties contained in the Security Agreement and as to which the following requirements have been fulfilled to the reasonable satisfaction of the Required Lenders: (a) the Borrower or any Domestic Subsidiary has lawful title to such Account Receivable, subject to the Lien granted to the Administrative Agent for the benefit of the Secured Parties pursuant to the Security Agreement; (b) such Account Receivable arose through the sale of finished goods or merchandise or the rendition of services by the Borrower or such Domestic Subsidiary and not on a barter basis; (c) the goods or merchandise, the sale of which gave rise to such Account Receivable, have been shipped, or the services, the rendition of which gave rise to such Account Receivable, have been performed; (d) such Account Receivable shall have had excluded therefrom (i) any portion that is subject to any dispute, offset, counterclaim or other claim or defense on the part of the account debtor or to any claim on the part of the account debtor denying liability with respect to such Account Receivable, which dispute, offset, counterclaim, claim or defense remains unresolved for a period of 60 days after the Borrower has received notice of such dispute, offset, counterclaim, claim or defense, and (ii) any returns, discounts, claims, credits and allowances; (e) no return, rejection or repossession of the merchandise in respect of such Account Receivable has occurred; (f) the Borrower or such Domestic Subsidiary has the full and unqualified right to assign and grant a security interest in such Account Receivable under and pursuant to the Security Agreement; (g) such Account Receivable is evidenced by an invoice rendered to the account debtor and no portion of such Account Receivable is evidenced by any chattel paper, promissory note or other instrument; (h) such Account Receivable is subject to a fully perfected first priority security interest in favor of the Administrative Agent for the benefit of the Secured Parties pursuant to the Security Agreement; (i) no portion of such Account Receivable is subject to any security interest or Lien in favor of any Person other than the Lien of the Secured Parties pursuant to the Security Agreement or a Permitted Lien; (j) such Account Receivable did not arise out of a transaction with a Subsidiary or any employee, officer, agent, director, shareholder or Affiliate of the Borrower or any Subsidiary; (k) the account debtor of such Account Receivable is not subject to any reorganization, bankruptcy, receivership, custodianship, insolvency or other like condition (unless such Account Receivable is subject to the Permitted Factoring Arrangement described in clause (ii) of the definition thereof); (l) such Account Receivable has not been outstanding more than the earlier of 60 days from the original due date thereof and 120 days (or in respect of Accounts Receivable having an aggregate book value of up to \$5,000,000, 150 days) from the date of the invoice therefor; (m) such Account Receivable is payable in dollars; (n) such Account Receivable does not arise from an account debtor in respect of which more than 25% of such account debtor's

Account Receivables have been outstanding longer than the maximum period allowable under clause (l) hereof; (o) such Account Receivable, when added to all other Accounts Receivable of the same account debtor, does not exceed (x) 25% with respect to Accounts Receivable the account debtor on which is WalMart Stores, Inc. and (y) in all other cases 15% of the total Accounts Receivable of the Borrower and the Domestic Subsidiaries; (p) the account debtor with respect to such Account Receivable is not any foreign government, the United States of America, any State, political subdivision, department, agency or instrumentality thereof, unless, if such account debtor is the United States of America, any State, political subdivision, department, agency or instrumentality thereof, upon the Required Lenders' request, the Federal Assignment of Claims Act of 1940, as amended, or any similar State or local law, if applicable, has been complied with in a manner satisfactory to the Administrative Agent; (q) the Required Lenders are, and continue to be, reasonably satisfied with the credit standing of the account debtor in relation to the amount of credit extended; (r) such Account Receivable is from an account debtor resident of the United States; (s) such Account Receivable was not purchased or otherwise acquired by the Borrower or any Domestic Subsidiary other than through the sale of finished goods and merchandise or through the rendition of services by the Borrower or such Domestic Subsidiary; (t) such Account Receivable is not subject to any repurchase obligation or return right, as with sales made on a bill-and-hold, guaranteed sale, sale-and-return or consignment or other recourse basis; (u) the account debtor of such Account Receivable is not a resident of any jurisdiction other than the United States of America; and (v) such Account Receivable does not arise from progress billings, invoices for deposits, rebills of amounts previously credited or other similar contra accounts.

"Environmental Laws" means all applicable laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of any Loan Party directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower or any Subsidiary, is treated as a single employer under Section 414(b) or 414(c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any ERISA Affiliate of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any ERISA Affiliate of any liability with

respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"Event of Default" has the meaning assigned to such term in Section 8.01.

"Excluded Taxes" means, with respect to any Credit Party or any other recipient of any payment to be made by or on account of any obligation of any Loan Party under any Loan Document, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Credit Party, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which such Loan Party is located, (c) any Taxes that would not have been imposed but for such Credit Party's or recipient's present or former connection (other than a connection solely resulting from the transaction contemplated by the Loan Documents) with the jurisdiction (or any political subdivision thereof or therein) imposing such taxes, provided that it is determinable that such Taxes were imposed solely as a result of such Credit Party's or recipient's present or former connection (other than a connection solely resulting from the transaction contemplated by the Loan Documents) with the jurisdiction (or any political subdivision thereof or therein) imposing such taxes, and (d) in the case of a Foreign Lender, any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 3.07(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from such Loan Party with respect to such withholding tax pursuant to Section 3.07(a).

"Existing Bankers Acceptances" means the Bankers Acceptances outstanding on the Effective Date and identified on Schedule 1.01.

"Existing Letters of Credit" means the Letters of Credit outstanding on the Effective Date and identified on Schedule 1.01.

"Extensions of Credit" means, collectively, the Loans, the Bankers Acceptances, the Letters of Credit and any participations in the Bankers Acceptances or Letters of Credit pursuant to Section 2.10(c) or 2.11(c).

"Factored Credit Balances" means the aggregate net amount then due to M. Kamenstein, Corp. from HSBC Business Credit (USA) Inc. (successor to Republic Business Credit) pursuant to the Permitted Factoring Arrangement described in clause (ii) of the definition of "Permitted Factoring Arrangements", after deduction for all chargebacks, commissions and other reasonable deductions made or entitled to be made by HSBC Business Credit (USA) Inc., as factor.

"Federal Funds Rate" means, for any day, the rate per annum (rounded, if necessary, to the next greater 1/100 of 1%) equal to the rate per annum at which the Administrative Agent is offered overnight Federal funds by a Federal funds broker selected by the Administrative Agent at or about 2:00 p.m. on such day, provided that if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate at which the Administrative Agent is offered overnight Federal funds by such Federal funds broker at or about 2:00 p.m. on the next preceding Business Day.

"Financial Officer" means, with respect to any Person, the president, chief financial officer, principal accounting officer, treasurer or controller of such Person.

"Fixed Charge Coverage Ratio" means, at any date of determination, the ratio of Consolidated EBITDA to

Consolidated Fixed Charges for the four fiscal quarter period ending on such date or, if such date is not the last day of a fiscal quarter, for the immediately preceding four fiscal quarter period.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the applicable Loan Party is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation, provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guaranteed" has a meaning correlative thereto.

"Guarantee Agreement" means the Guarantee Agreement, substantially in the form of Exhibit D, among the Borrower, the Guarantors and the Administrative Agent, for the benefit of the Credit Parties.

"Guarantor" means each of the entities set forth on Schedule 4.12 and any other Subsidiary of the Borrower organized under the laws of the United States of America or any state thereof that executes and delivers the Guarantee Agreement, in each case in accordance with Section 5.01(c), 6.11 or 6.15. The Prestige Subsidiaries are not and shall not be required to become Guarantors.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or in connection with deposits or advances of any kind paid to, received by or otherwise for the account of, such Person, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid (other than as a penalty for non-payment), (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person,

whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitee" has the meaning assigned to such term in Section 10.03(b).

"Interest Election Request" means a request by the Borrower to convert or continue a Borrowing in accordance with Section 3.02.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each January, April, July and October and (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"Interest Period" means, with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter or, if made available by all of the applicable Lenders, the period (x) commencing on the date of such Borrowing and ending on the corresponding day of the week that is two weeks thereafter or (y) commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is nine or twelve months thereafter, as the Borrower may elect, provided that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day, unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Inventory" means all finished goods and other merchandise of the Borrower and the Domestic Subsidiaries, whether now owned or hereafter acquired, held for sale, excluding, to the extent included therein, raw materials, intermediates, work-in-process, packaging materials, semi-finished inventory, scrap inventory, manufacturing supplies and spare parts.

"Issuer" means BNY.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance.

"Letter of Credit" has the meanings set forth in Section 2.10(a).

"Letter of Credit Commitment" means the commitment of the Issuer to issue Letters of Credit having an aggregate outstanding face amount up to \$10,000,000.

"Letter of Credit Documentation" has the meaning set forth in Section 2.10(a).

"Letter of Credit Exposure" means in respect of any Lender at any time, an amount equal to (i) the sum (without duplication) at such time of (x) the aggregate undrawn face amount of the outstanding Letters of Credit, (y) the aggregate amount of unpaid drafts drawn on all Letters of Credit, and (z) the aggregate unpaid Reimbursement

Obligations, multiplied by (ii) such Lender's Revolving Percentage at such time.

"Letter of Credit Fees" has the meaning set forth in Section 3.03(b).

"Leverage Ratio" means, as of any date of determination, the ratio of (i) Consolidated Total Debt as of such date to (ii) Consolidated EBITDA of the Borrower for the four consecutive fiscal quarter period ending on the last day of the most recent fiscal quarter for which the financial statements required by Sections 6.01(a) or 6.01(b), as the case may be, have been delivered.

"LIBO Rate" means, with respect to the Interest Period applicable to any Eurodollar Borrowing, a rate of interest per annum, as determined by the Administrative Agent, equal to the rate for deposits in dollars for a period comparable to such Interest Period which appears on Telerate Page 3750 as of 11:00 a.m., London time, on the day that is two Business Days prior to the first day of such Interest Period. If such rate does not appear on Telerate Page 3750, the LIBO Rate shall be the rate per annum (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point) at which deposits in dollars are offered by four major banks in the London interbank market at approximately 11:00 a.m., London time, on the day that is two Business Days prior to the first day of such Interest Period to prime banks in the London interbank market for a period of one month commencing on the first day of such Interest Period in an amount comparable to the principal amount of such Eurodollar Borrowing. The Administrative Agent will request the principal London office of each such bank to provide a quotation of its rate. If at least two such quotations are provided as requested, the rate for such Interest Period shall be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for such Interest Period shall be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Administrative Agent, at approximately 11:00 a.m., New York City time, on the date that is two Business Days prior to the first day of such Interest Period for loans in dollars to leading European banks for a period of one month commencing on the first day of such Interest Period in an amount comparable to such Eurodollar Borrowing.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" means this Agreement, the Notes, the Guarantee Agreement, the Security Documents and all other agreements, instruments and documents executed or delivered in connection herewith.

"Loan Parties" means the Borrower and the Guarantors.

"Loans" means the Revolving Loans or the Swing Line Loans, as the case may be.

"Margin Stock" has the meaning assigned to such term in Regulation U.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and the Subsidiaries, taken as a whole, (b) the ability of any Loan Party to perform any of its obligations under any Loan Document or (c) the rights of or benefits available to any Credit Party under any Loan Document.

"Material Indebtedness" means Indebtedness (other than Indebtedness under the Loan Documents) or obligations in respect of one or more Hedging Agreements, of any one or more of the Borrower and the Subsidiaries, whether arising pursuant to one or more instruments or agreements, in an aggregate principal amount exceeding \$1,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Subsidiary, as applicable, would be required to pay if such Hedging Agreement were terminated at such time.

"Monitoring" has the meaning assigned thereto in Section 6.14.

"Mortgage" has the meaning assigned thereto in Section 5.01(q).

"Mortgage Documents" has the meaning assigned thereto in Section 5.01(q).

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Proceeds" means, with respect to any Prepayment/Reduction Event, (a) the cash proceeds received in respect of such Prepayment/Reduction Event, including (i) any cash received in respect of any non-cash proceeds, but only as and when received, (ii) in the case of a casualty, insurance proceeds and (iii) in the case of a condemnation or similar event, condemnation awards and similar payments, minus (b) the sum of (i) all reasonable fees and out-of-pocket expenses paid by the Borrower or any of the Subsidiaries to third parties in connection with such Prepayment/Reduction Event, (ii) in the case of a sale, transfer, lease or other disposition of an asset (including pursuant to a sale and leaseback transaction), the amount of all payments required to be made by such Borrower and the Subsidiaries as a result thereof to repay Indebtedness (other than the Loans) secured by such asset or otherwise subject to mandatory payment as a result thereof and (iii) the amount of all taxes paid (or reasonably estimated to be payable) by such Borrower and the Subsidiaries, and the amount of any reserves established by such Borrower and the Subsidiaries to fund contingent liabilities reasonably estimated to be payable, in each case during the year that such event occurred or the next succeeding year and that are directly attributable to such event (as determined reasonably and in good faith by the chief financial officer of such Borrower).

"Non-Purchased Account Receivable" means all Accounts Receivable other than Accounts Receivable that have been purchased by a factor pursuant to a Permitted Factoring Agreement.

"Note" means a Revolving Note or the Swing Line Note, as the case may be.

"Obligations" means (a) the due and punctual payment of (i) principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, the Bankers Acceptance Exposure or the Letter of Credit Exposure, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, and (ii) all other monetary obligations, including fees, commissions, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Borrower or any other Loan Party to the Administrative Agent, the Lenders, the BA Issuer, the Issuer or the Swing Line Lender, or that are otherwise payable to the Administrative Agent, the Lenders, the BA Issuer, the Issuer or the Swing Line Lender, under this Agreement and the other Loan Documents, (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Borrower or any other Loan Party under or pursuant to this Agreement and the other Loan Documents and (c) unless otherwise agreed upon in writing by the Lenders, all obligations of the Borrower, monetary or otherwise, under each Hedging Agreement entered into with any Lender (or an Affiliate thereof) as a counterparty.

"Other Taxes" means any and all current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, the Loan Documents, other than Excluded Taxes.

"Participant" has the meaning assigned to such term in Section 10.04(e).

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Perfection Certificate" means a certificate in the form of Annex 1 to the Security Agreement or any other form approved by the Administrative Agent.

"Permitted Acquisition" means the purchase, holding or acquisition of (including pursuant to any merger) any capital stock, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of any other Person, or the purchase or acquisition of (in one transaction or a series of transactions (including pursuant to any merger)) any assets of any other Person constituting a business unit (each an "acquisition"), provided that, (i) at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, (ii) the aggregate amount of consideration paid, and Indebtedness assumed, by the Borrower and the Subsidiaries shall not exceed \$10,000,000 with respect to any single acquisition or \$20,000,000 in the aggregate for all acquisitions, (iii) such Person or business unit, as the case may be, is in substantially the same business as the Borrower and (iv) the Borrower shall have complied with the provisions of Section 6.11 with respect to such Person.

"Permitted Encumbrances" means:

- (a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 6.04;
- (b) landlords', carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 60 days or are being contested in compliance with Section 6.04;
- (c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;
- (d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;
- (e) attachment or judgment liens in respect of judgments, writs or warrants of attachment or similar process that do not constitute an Event of Default under clause (k) of Article 8;
- (f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower or any Subsidiary; and
- (g) Liens on patents, patent applications, trademarks, trademark applications, trade names, copyrights, technology and know-how to the extent such Liens arise from the granting (i) of exclusive licenses with respect to the foregoing if it relates to either (x) intellectual property which is immaterial and not necessary for the on-going conduct of the Borrower's or any Subsidiary's business or (y) uses that would not materially restrict the conduct of the Borrower's or any Subsidiary's on-going businesses and (ii) of non-exclusive licenses to use any of the foregoing to any Person, in either case in the ordinary course of business of the Borrower or any of its Subsidiaries.

"Permitted Factoring Arrangements" means, collectively, (i) the factoring, sale or assignment by the Borrower or any Subsidiary of its accounts receivable in the ordinary course of business on terms and conditions satisfactory to the Required Lenders; provided, that (x) the aggregate amount of accounts receivable of the Borrower and its Subsidiaries subject to all such arrangements shall not to exceed \$3,000,000 at any one time, (y) the factor, purchaser or assignee of such accounts receivable shall not, and shall agree not to, make or permit to exist any loan, anticipated payment or advance to, or otherwise extend credit to or for the benefit of, or guarantee to others any obligation of, the Borrower or any Subsidiary and (z) before and after entering into any such arrangement, no Default shall have occurred and be continuing or would result therefrom and (ii) the agreement dated May 1, 1996 between Republic Business Credit (formerly known as Republic Factors Corp.) and M. Kamenstein, Inc., as amended through the Effective Date.

"Permitted Investments" means:

- (a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent that such obligations are backed by the full faith and credit of the United States of America), in each case measuring within one year from the date of acquisition thereof;
- (b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, or any successor thereto, or from Moody's Investors Service, Inc. or any successor thereto;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof that has a combined capital and surplus and undivided profits of not less than \$500,000,000; and

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) of this definition and entered into with a financial institution satisfying the criteria described in clause (c) of this definition.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower, any Subsidiary or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Pledged Debt" has the meaning assigned thereto in the Security Agreement.

"Pledged Equity" has the meaning assigned thereto in the Security Agreement.

"Prepayment/Reduction Event" means:

(a) any non-ordinary course sale, transfer, lease or other disposition (including pursuant to a sale and leaseback transaction) of any property or asset of the Borrower or any of the Subsidiaries, other than (i) dispositions described in clause (a), (b), (c) or (d) of Section 7.05 and (ii) other dispositions resulting in aggregate Net Proceeds not exceeding \$1,000,000 during any fiscal year of the Borrower;

(b) any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any property or asset of the Borrower or any of the Subsidiaries, other than casualties, insured damage or takings resulting in aggregate Net Proceeds not exceeding \$1,000,000 during any fiscal year; and

(c) the incurrence by the Borrower or any of the Subsidiaries of any Indebtedness prohibited by any Loan Document.

"Prestige Subsidiaries" means, collectively, Prestige Italiana S.p.A., an Italian company, and Prestige Haushaltswaren GmbH, a German company, each a non-wholly owned Subsidiary of the Borrower.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by BNY as its prime commercial lending rate; each change in the Prime Rate being effective from and including the date such change is publicly announced as being effective. The Prime Rate is not intended to be lowest rate of interest charged by BNY in connection with extensions of credit to borrowers.

"Real Property" means all real property owned or leased by the Borrower or any Domestic Subsidiary.

"Register" has the meaning assigned to such term in Section 10.04(c).

"Regulation T" means Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation U" means Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" means Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Reimbursement Obligation" means, collectively, the obligation of the Borrower to the Issuer with respect to each Letter of Credit and all documents, instruments and other agreements related thereto, including the obligation of the Borrower to reimburse the Issuer for amounts drawn under such Letter of Credit.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Revolving Exposures and unused Revolving Commitments

representing 75% of the sum of the total Revolving Exposures and unused Revolving Commitments at such time.

"Restricted Payment" means, as to any Person, any dividend or other distribution by such Person (whether in cash, securities or other property) with respect to any shares of any class of equity securities of such Person, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares or any option, warrant or other right to acquire any such shares.

"Revolving Commitment" means, with respect to each Lender having a Revolving Commitment, the commitment of such Lender to make Revolving Loans and create Bankers Acceptances hereunder, as such commitment may be reduced or increased from time to time pursuant to Section 2.06 or pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each applicable Lender's Revolving Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Revolving Commitment, as applicable. The aggregate amount of the Revolving Commitments on the Effective Date is \$45,000,000.

"Revolving Exposure" means, with respect to any Lender at any time, the sum as of such time of (i) the outstanding principal balance of such Lender's Revolving Loans, plus (ii) such Lender's Swing Line Exposure, plus (iii) such Lender's Letter of Credit Exposure, plus (iv) such Lender's Bankers Acceptance Exposure.

"Revolving Loan" means a Loan referred to in Section 2.01 and made pursuant to Section 2.03.

"Revolving Maturity Date" means November 8, 2004.

"Revolving Note" means, with respect to each Lender, a promissory note evidencing such Lender's Revolving Loans payable to the order of such Lender (or, if required by such Lender, to such Lender and its registered assigns) substantially in the form of Exhibit C-1.

"Revolving Percentage" means, as of any date and with respect to each Lender, the percentage equal to a fraction (i) the numerator of which is the Revolving Commitment of such Lender on such date (or, if there are no Revolving Commitments on such date, on the last date upon which one or more Revolving Commitments were in effect), and (ii) the denominator of which is sum of the Revolving Commitments of all Lenders on such date (or, if there are no Revolving Commitments on such date, on the last date upon which one or more Revolving Commitments were in effect).

"Secured Parties" means the "Secured Parties" as defined in the Security Agreement.

"Security Agreement" means the Security Agreement, substantially in the form of Exhibit E, among the Borrower, the Guarantors and the Administrative Agent, for the benefit of the Secured Parties.

"Security Documents" means the Security Agreement, the Mortgage Documents and each other security agreement, instrument or other document executed or delivered pursuant to Section 6.11 or 6.15 to secure any of the Obligations.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with

GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held by the parent or one or more subsidiaries of the parent. Unless the context otherwise requires, "Subsidiary" means any Subsidiary of the Borrower.

"Swing Line Commitment" means the Swing Line Lender's undertaking pursuant hereto to make Swing Line Loans in an aggregate amount up to \$5,000,000.

"Swing Line Exposure" means in respect of any Lender at any time, an amount equal to the aggregate outstanding principal amount of the Swing Line Loans at such time multiplied by such Lender's Revolving Percentage at such time.

"Swing Line Lender" means BNY.

"Swing Line Loan" and "Swing Line Loans" have the meanings set forth in Section 2.05(a).

"Swing Line Note" means a promissory note evidencing the Swing Line Loans payable to the order of the Swing Line Lender substantially in the form of Exhibit C-2.

"Swing Line Participation Amount" has the meaning set forth in Section 2.05(d).

"Taxes" means any and all current or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Transactions" means (a) the execution, delivery and performance by each Loan Party of each Loan Document to which it is a party, (b) the incurrence of Extensions of Credit and (c) the use of the proceeds of the Loans.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Classification of Loans and Borrowings

For purposes of this Agreement, Loans may be classified and referred to by class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by class and Type (e.g., a "Eurodollar Revolving Borrowing").

Terms Generally

The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified, (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. Any reference to an "applicable Lender" shall mean (a) in the case of Revolving Borrowings, Lenders having a Revolving Commitment and (b) in the case of Swing Line Borrowings, the Swing Line Lender.

Accounting Terms; GAAP

Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time, provided that, if the Borrower notify the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. Unless the context otherwise requires, any reference to a fiscal period shall refer to the relevant fiscal period of the Borrower.

THE CREDITS

Commitments

Subject to the terms and conditions set forth herein, each Lender having a Revolving Commitment agrees to make Revolving Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount up to the lesser of (i) an amount that will not result in such Lender's Revolving Exposure exceeding such Lender's Revolving Commitment and (ii) such Lender's Commitment Percentage of the Borrowing Base Amount. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

Loans and Borrowings

Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the applicable Lenders ratably in accordance with their respective Revolving Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder, provided that the Revolving Commitments of the applicable Lenders are several, and no Lender shall be responsible for any other Lender's failure to make Loans as required.

Subject to Section 3.04, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans, as applicable, in each case as the Borrower may request in accordance herewith. Each applicable Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan, provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is equal to \$1,500,000 or an integral multiple of \$300,000 in excess thereof. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is equal to \$100,000 or an integral multiple thereof, provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Revolving Commitments. Borrowings of more than one Type may be outstanding at the same time, provided that there shall not at any time be more than a total of 8 Eurodollar Borrowings outstanding.

Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Revolving Maturity Date, in the case of Revolving Loans.

Requests for Borrowings

To request a Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Credit Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Credit Request in a form approved by the Administrative Agent signed by the Borrower. Each such telephonic and written Credit Request shall specify the following information in compliance with Section 2.02:

the aggregate amount of the requested Borrowing;

the date of such Borrowing, which shall be a Business Day;

whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.04.

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Credit Request in accordance with this Section, the Administrative Agent shall advise each applicable Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

Funding of Borrowings

Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 1:00 p.m., New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting or otherwise transferring the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent and designated by the Borrower in the applicable Credit Request.

Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.04(a) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate that would be otherwise applicable to such Borrowing. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

Swing Line Loans

Subject to the terms and conditions hereof, the Swing Line Lender agrees to make swing line loans (each a "Swing Line Loan" and, collectively, the "Swing Line Loans") to the Borrower from time to time on any Business Day during the period from the Effective Date to the sixth Business Day preceding the Revolving Maturity Date, provided that (i) immediately after making each Swing Line Loan, the aggregate outstanding principal balance of the Swing Line Loans will not exceed the Swing Line Commitment, and the Aggregate Revolving Exposure will not exceed the lesser of (A) the Aggregate Revolving Commitment and (B) the Borrowing Base Amount, (ii) prior thereto or simultaneously therewith the Borrower shall have borrowed Revolving Loans, (iii) no Lender shall be in default of its obligations under this Agreement and (iv) no Credit Party shall have notified the Swing Line Lender and the Borrower in writing at least one Business Day prior to the Borrowing Date with respect to such Swing Line Loan, that the conditions set forth in Section 5.02 have not been satisfied and such conditions remain unsatisfied as of the requested time of the making such Swing Line Loan.

To request a Swing Line Loan, the Borrower shall notify the Administrative Agent and the Swing Line Lender by the delivery of a Credit Request, which shall be sent by facsimile and shall be irrevocable (confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Credit Request in a form approved by the Administrative Agent signed by the Borrower), no later than: 11:00 a.m., on the requested Borrowing Date, specifying (i) the aggregate principal amount to be borrowed and (ii) the requested Borrowing Date. The Swing Line Lender will, subject to its determination that the terms and conditions of this Agreement have been satisfied, make the requested amount available promptly on that same day, to the Administrative Agent (for the account of the Borrower) who, thereupon, will promptly make such amount available to the Borrower by crediting the account of the Borrower pursuant to Section 2.04. Each Borrowing

of a Swing Line Loan shall be in an aggregate principal amount equal to \$100,000 or, if less, the unused portion of the Swing Line Commitment.

The Swing Line Lender shall not be obligated to make any Swing Line Loan at a time when any Lender shall be in default of its obligations under this Agreement unless arrangements to eliminate the Swing Line Lender's risk with respect to such defaulting Lender's participation in such Swing Line Loan shall have been made for the benefit of the Swing Line Lender and such arrangements are satisfactory to the Swing Line Lender. The Swing Line Lender will not make a Swing Line Loan if the Administrative Agent, or any Lender by notice to the Swing Line Lender and the Borrower no later than one Business Day prior to the Borrowing Date with respect to such Swing Line Loan, shall have determined that the conditions set forth in Section 5.02 have not been satisfied and such conditions remain unsatisfied as of the requested time of the making of such Swing Line Loan. Each Swing Line Loan shall be due and payable on the earliest to occur of the seventh day after the Borrowing Date thereof, the fifth Business Day prior to the Revolving Credit Commitment Termination Date, the date on which the Swing Line Commitment shall have been voluntarily terminated by the Borrower or the Swing Line Lender in accordance with Section 2.06, and the date on which the Swing Line Loans shall become due and payable pursuant to the provisions hereof, whether by acceleration or otherwise.

Upon each receipt by a Lender of notice of an Event of Default from the Administrative Agent pursuant to Article 9, such Lender shall purchase unconditionally, irrevocably, and severally from the Swing Line Lender a participation in the outstanding Swing Line Loans (including accrued interest thereon) in an amount equal to the product of its Commitment Percentage and the outstanding amount of the Swing Line Loans (the "Swing Line Participation Amount"). Each Lender shall also be liable for an amount equal to the product of its Commitment Percentage and any amounts paid by the Borrower pursuant to this subsection (d) that are subsequently rescinded or avoided, or must otherwise be restored or returned. Such liabilities shall be unconditional and without regard to the occurrence of any Default or the compliance by the Borrower with any of its obligations under the Loan Documents. In furtherance of this subsection, upon each receipt by a Lender of notice of an Event of Default from the Administrative Agent, such Lender shall promptly make available to the Administrative Agent for the account of the Swing Line Lender its Swing Line Participation Amount, in lawful money of the United States and in immediately available funds. The Administrative Agent shall deliver the payments made by each Lender pursuant to the immediately preceding sentence to the Swing Line Lender promptly upon receipt thereof in like funds as received. If a Lender does not make its Swing Line Participation Amount so available, such Lender shall be required to pay interest to the Administrative Agent for the account of the Swing Line Lender from the date such amount was due until paid in full, on the unpaid portion thereof, at the rate set forth in Section 2.04(b), payable upon demand by the Swing Line Lender. The Administrative Agent shall distribute such interest payments to the Swing Line Lender upon receipt thereof in like funds as received. Whenever the Administrative Agent is reimbursed by the Borrower, for the account of the Swing Line Lender, for any payment in connection with Swing Line Loans and such payment relates to an amount previously paid by a Lender pursuant to this Section, the Administrative Agent will promptly pay over such payment to such Lender.

Termination and Reduction of Commitments

Unless previously terminated, (i) the Revolving Commitments shall terminate on the Revolving Maturity Date and (ii) the Swing Line Commitment shall terminate on the sixth Business Day prior to the Revolving Maturity Date.

The aggregate Revolving Commitments of all Lenders shall be reduced to (i) \$40,000,000 on December 31, 2002 and (ii) \$35,000,000 on December 31, 2003, and, in the event that Aggregate Revolving Exposure shall exceed the aggregate Revolving Commitments after giving effect to each such reduction, the Borrower shall prepay the Revolving Loans in accordance with Section 2.08(d).

The Borrower may at any time terminate, or from time to time reduce, the Revolving Commitments, provided that (i) the Borrower shall not terminate or reduce the Revolving Commitments if, after giving effect to any concurrent prepayment of the Revolving Loans in accordance with Section 2.08, the sum of the Revolving Exposures would exceed the total Revolving Commitments and (ii) each such reduction shall be in an amount that is an integral multiple of \$500,000 and not less than \$1,000,000.

The Borrower may at any time terminate, or from time to time reduce, the Swing Line Commitment, provided that the Borrower shall not terminate or reduce the Swing Line Commitment if, after giving effect

to any concurrent prepayment of the Swing Line Loans in accordance with Section 2.05(c), the aggregate outstanding principal amount of all Swing Line Loans would exceed the Swing Line Commitments.

Each reduction of the Revolving Commitments hereunder shall be made ratably among the applicable Lenders in accordance with their respective Revolving Commitments. The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Revolving Commitments under Section 2.06(c) at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section 2.06 shall be irrevocable, provided that a notice of termination of the Revolving Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Revolving Commitments hereunder shall be permanent.

Repayment of Loans; Evidence of Debt

The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each applicable Lender the then unpaid principal amount of each Revolving Loan and each Swing Line Loan on the Revolving Maturity Date.

Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the debt of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

The entries made in the accounts maintained pursuant to paragraphs (c) or (d) of this Section 2.07 shall, to the extent not inconsistent with any entries made in any Note, be prima facie evidence of the existence and amounts of the obligations recorded therein, provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

The Revolving Loans of each Lender and interest thereon shall at all times (including after assignment pursuant to Section 10.04) be represented by one or more Revolving Notes payable to the order of such Lender (or, if such Revolving Note is a registered note, to such Lender and its registered assigns). The Swing Line Loans and interest thereon shall at all times be represented by a Swing Line Note payable to the order of the Swing Line Lender.

Prepayment of Loans

The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to the requirements of this Agreement, including, without limitation, Section 3.06.

In the event and on each occasion that any Net Proceeds are received by or on behalf of the Borrower or any Subsidiary in respect of any Prepayment/Reduction Event, then, immediately after such Net Proceeds are received, the Borrower shall prepay Revolving Borrowings in an amount equal to such Net Proceeds; provided, however, with respect to Net Proceeds received in respect of a Prepayment/Reduction Event described in clause (b) of the definition thereof, so long as no Default has occurred and is continuing, the Borrower shall not be required to use such Net Proceeds to prepay the Loans if (i) on or prior to receipt of such proceeds the Borrower shall have notified the Administrative Agent in writing that it intends to use such proceeds to replace or restore any property within 180 days of such Prepayment/Reduction Event and (ii) the Borrower shall have replaced or restored such property within such 180-day period (or, in the event that such property is incapable of being replaced or restored during such 180-day period, the Borrower shall have commenced the replacement or restoration of such property during such 180-day period).

If as of any date the Aggregate Revolving Exposure (excluding the aggregate undrawn face amount of the outstanding commercial Letters of Credit) as of such date exceeds the Borrowing Base Amount, then in such event the Borrower shall immediately prepay the Revolving Loans by an amount necessary to eliminate any such excess (and if the Revolving Loans have been paid in full and the Bankers Acceptance Exposure or the Letter of Credit Exposure of all Lenders is greater

than zero, deposit into the Cash Collateral Account an amount equal to such excess).

In the event of any partial reduction or termination of the Revolving Commitments, then (i) at or prior to the date of such reduction or termination, the Administrative Agent shall notify the Borrower and the applicable Lenders of the sum of the Revolving Exposures after giving effect thereto and (ii) if such sum would exceed the total Revolving Commitments after giving effect to such reduction or termination, then the Borrower shall, on the date of such reduction or termination, prepay Revolving Borrowings in an amount sufficient to eliminate such excess; provided, however, that if on the date of such a reduction of the Aggregate Revolving Commitment, the Aggregate Revolving Exposure exceeds the aggregate Revolving Commitments of all of the Lenders after giving effect to such reduction and, if the Revolving Loans have been paid in full and the Bankers Acceptance Exposure or the Letter of Credit Exposure of all Lenders is greater than zero, the Borrower shall deposit into the Cash Collateral Account an amount in cash which would cause the balance on deposit in the Cash Collateral Account to equal the sum of the Bankers Acceptance Exposure and the Letter of Credit Exposure of all Lenders.

The Borrower shall notify the Administrative Agent by telephone (confirmed by teletype) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment or (ii) in the case of prepayment of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid, provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Revolving Commitments as contemplated by Section 2.06(e), then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.06(e). Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing under Sections 2.06(c) and 2.08(a) shall be in an integral multiple of \$100,000 and not less than \$500,000. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 3.01.

Payments Generally; Pro Rata Treatment; Sharing of Setoffs

Each Loan Party shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal of Loans, interest or fees, or of amounts payable under Sections 3.05, 3.06, 3.07 or 10.03, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without setoff or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its office at One Wall Street, New York, New York, or such other office as to which the Administrative Agent may notify the other parties hereto, except that payments pursuant to Sections 3.05, 3.06, 3.07 and 10.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal of Loans, interest, fees and commissions then due hereunder, such funds shall be applied (i) first, towards payment of interest, fees and commissions then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest, fees and commissions then due to such parties and (ii) second, towards payment of principal of Loans then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal of Loans then due to such parties.

If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of, or interest on, any of its Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and accrued interest thereon than the proportion received by any other applicable Lender, then the applicable Lender receiving such greater proportion shall purchase (for cash at face value) participations in

the Loans of other applicable Lenders to the extent necessary so that the benefit of all such payments shall be shared by the applicable Lenders ratably in accordance with the aggregate amount of principal of, and accrued interest on, their respective Loans, provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Loan Party in the amount of such participation.

Unless the Administrative Agent shall have received notice from a Loan Party prior to the date on which any payment is due to the Administrative Agent for the account of the applicable Credit Parties hereunder that such Loan Party will not make such payment, the Administrative Agent may assume that such Loan Party has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to such Credit Parties the amount due. In such event, if such Loan Party has not in fact made such payment, then each such Credit Party severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Credit Party with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

If any Credit Party shall fail to make any payment required to be made by it pursuant to Section 2.04, then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Credit Party to satisfy such Credit Party's obligations under such Section until all such unsatisfied obligations are fully paid.

Letters of Credit

The Borrower may request the Issuer to issue letters of credit (the "Letters of Credit"; each, individually, a "Letter of Credit") during the period from the Effective Date to the thirtieth Business Day prior to the Revolving Maturity Date, provided that immediately after the issuance of each Letter of Credit (i) the Letter of Credit Exposure of all Lenders would not exceed the Letter of Credit Commitment, (ii) (A) if such Letter of Credit is a standby Letter of Credit, the Aggregate Revolving Exposure would not exceed the lesser of (1) the Aggregate Revolving Commitment and (2) the Borrowing Base Amount, and (B) if such Letter of Credit is a commercial Letter of Credit, the Aggregate Revolving Exposure would not exceed the Aggregate Revolving Commitment, and (iii) the sum of the Letter of Credit Exposure of all Lenders plus the Bankers Acceptance Exposure of all Lenders would not exceed \$10,000,000. To request the issuance of a Letter of Credit, the Borrower shall notify the Administrative Agent and the Issuer by the delivery of a Credit Request, which shall be sent by facsimile and shall be irrevocable (confirmed promptly, and in any event within five Business Days, by the delivery to the Administrative Agent of a Credit Request manually signed by the Borrower), at least three Business Days prior to the requested date of issuance, specifying (A) the beneficiary of such Letter of Credit, (B) the Borrower's proposal as to the conditions under which a drawing may be made under such Letter of Credit and the documentation to be required in respect thereof, (C) the maximum amount to be available under such Letter of Credit, and (D) the requested dates of issuance and expiration. Such Credit Request shall be accompanied by a duly completed application for such Letter of Credit on such forms as may be made available from time to time by the Issuer and such other certificates, documents (including a reimbursement agreement) and other information as may be required by the Issuer in accordance with its customary procedures (collectively, the "Letter of Credit Documentation"). Upon receipt of such Credit Request from the Borrower, the Administrative Agent shall promptly notify each Lender thereof. Subject to the satisfaction of the terms and conditions of this Agreement, the Issuer shall issue each requested Letter of Credit. In the event of any conflict between the provisions of this Agreement and any Letter of Credit Documentation,

the provisions of this Agreement shall control. Each of the Credit Parties hereby acknowledges and agrees that the Existing Letters of Credit are Letters of Credit hereunder and the Lenders hereby assume and are jointly and severally obligated with respect to all Reimbursement Obligations related thereto.

Each Letter of Credit shall (i) be denominated in dollars, (ii) be issued for the account of the Borrower and in support of obligations, contingent or otherwise, of the Borrower or any Subsidiary arising in the ordinary course of business, and (iii) have an expiration date which shall be not later than one year from the date of issuance thereof, but in any event, with respect to all Letters of Credit, five Business Days before the Revolving Loan Maturity Date, provided that the expiration date of such Letter of Credit may be extended or such Letter of Credit may be renewed, provided, further, that any renewal, or any extension of any expiry date, of a Letter of Credit shall constitute the issuance of such Letter of Credit for all purposes of this Agreement.

Immediately upon the issuance of a Letter of Credit, the Issuer shall be deemed to have sold and transferred to each Lender, and each Lender shall be deemed to have irrevocably and unconditionally purchased and received from the Issuer, without recourse or warranty, an undivided interest and participation, to the extent of such Lender's Revolving Percentage thereof, in such Letter of Credit and the obligations of the Borrower with respect thereto and any security therefor and any guaranty pertaining thereto at any time existing. Each Lender, with respect to each Existing Letter of Credit, hereby purchases, without recourse or warranty, an undivided interest and participation, to the extent of such Lender's Revolving Percentage thereof, in each Existing Letter of Credit and the obligations of the Borrower with respect thereto and any such security therefor and guaranty pertaining thereto at any time existing.

The Issuer shall promptly notify (i) each Lender of the Issuer's receipt of a drawing request under any Letter of Credit, stating the amount of such Lender's Revolving Percentage of such drawing request and the date on which such request will be honored and (ii) the Administrative Agent and the Borrower of the amount of such drawing request and the date on which such request will be honored. Any failure of the Issuer to give or any delay in the Issuer's giving any such notice shall not release or diminish the obligations of the Borrower or any Lender hereunder. In determining whether to pay under any Letter of Credit, the Issuer shall have no obligation to any Lender or the Borrower other than to confirm that any documents required to be delivered under such Letter of Credit have been delivered and that they appear to comply on their face with the requirements of such Letter of Credit. In the absence of gross negligence or willful misconduct on the part of the Issuer, the Issuer shall have no liability to any Lender or the Borrower for any action taken or omitted to be taken by it under or in connection with any Letter of Credit, including any such action negligently taken or negligently omitted to be taken by it.

The Borrower shall pay to the Administrative Agent for the account of the Issuer on demand therefor, in dollars in immediately available funds, the amount of all Reimbursement Obligations then owing to the Issuer under any Letter of Credit, together with interest thereon as provided in Section 3.01, irrespective of any claim, setoff, defense or other right which the Borrower may have at any time against the Issuer or any other Person. In the event that the Issuer makes any payment under any Letter of Credit and the Borrower shall not have repaid such amount to the Issuer when due, the Issuer shall promptly notify each Lender of such failure, and each Lender shall promptly and unconditionally pay to the Administrative Agent, for the account of the Issuer, the amount of such Lender's Revolving Percentage of such payment in dollars in immediately available funds on the Business Day the Issuer so notifies such Lender if such notice is given prior to 12:00 Noon or, if such notice is given after 12:00 Noon, such Lender shall make its Revolving Percentage of such payment available to the Issuer prior to 12:00 Noon on the next succeeding Business Day.

If and to the extent any Lender shall not make such Lender's Revolving Percentage of any Reimbursement Obligations available to the Issuer when due in accordance with Section 2.10(e), such Lender shall pay interest to the Issuer on such unpaid amount for each day from the date such payment is due until the date such amount is paid in full to the Issuer at the Federal Funds Rate until (and including) the third Business Day after the date due and thereafter at the Alternate Base Rate. The obligations of the Lenders under this Section 2.10(f) are several and not joint or joint and several, and the failure of any Lender to make available to the Issuer its Revolving Percentage of any Reimbursement Obligations when due in accordance with Section 2.10(e) shall not relieve any other Lender of its obligation hereunder to make its Revolving Percentage of such Reimbursement Obligations so

available when so due, but no Lender shall be responsible for the failure of any other Lender to make such other Lender's Revolving Percentage of such Reimbursement Obligations so available when so due. Whenever the Issuer receives a payment of a Reimbursement Obligation from or on behalf of the Borrower as to which the Issuer has received any payment from a Lender pursuant to Section 2.10(e), the Issuer shall promptly pay to such Lender an amount equal to such Lender's Revolving Percentage of such payment from or on behalf of the Borrower. If any payment by or on behalf of the Borrower and received by the Issuer with respect to any Letter of Credit is rescinded or must otherwise be returned by the Issuer for any reason and the Issuer has paid to any Lender any portion thereof, each such Lender shall forthwith pay over to the Issuer an amount equal to such Lender's Revolving Percentage of the amount which must be so returned by the Issuer.

Each Lender, upon the demand of the Issuer, shall reimburse the Issuer, to the extent the Issuer has not been reimbursed by the Borrower after demand therefor, for the reasonable costs and expenses (including reasonable attorneys' fees) incurred by the Issuer in connection with the collection of amounts due under, and the preservation and enforcement of any rights conferred by, any Letter of Credit or the performance of the Issuer's obligations as issuer of the Letters of Credit under this Agreement in respect thereof, to the extent of such Lender's Revolving Percentage of the amount of such costs and expenses provided, however, that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent the same result solely from the gross negligence or willful misconduct of the Issuer. The Issuer shall refund any costs and expenses reimbursed by such Lender that are subsequently recovered from the Borrower in an amount equal to such Lender's Revolving Percentage thereof.

The obligation of the Borrower to reimburse the Issuer pursuant to this Section 2.10, and the obligation of each Lender to make available to the Issuer the amounts set forth in this Section 2.10 shall be absolute, unconditional and irrevocable under any and all circumstances, shall be made without reduction for any set-off, counterclaim or other deduction of any nature whatsoever, may not be terminated, suspended or delayed for any reason whatsoever, shall not be subject to any qualification or exception and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including any of the following circumstances: (1) any lack of validity or enforceability of this Agreement or any of the other Loan Documents, (2) the existence of any claim, setoff, defense or other right which the Borrower may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Issuer, any Lender or any other Person, whether in connection with this Agreement, any other Loan Document, any Letter of Credit, the transactions contemplated in the Loan Documents or any unrelated transactions (including any underlying transaction between the Borrower and the beneficiary named in any such Letter of Credit), (3) any draft, certificate or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect, (4) the surrender or impairment of any collateral for the performance or observance of any of the terms of any of the Loan Documents, (5) the occurrence of any Default or Event of Default or (6) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's or such Lender's obligations hereunder. The Issuer shall not have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuer. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuer (as finally determined by a court of competent jurisdiction), the Issuer shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuer may, in its sole discretion,

either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

Bankers Acceptances

The Borrower may request the BA Issuer to create Bankers Acceptances during the period from the Effective Date to the thirtieth Business Day prior to the Revolving Maturity Date, provided that immediately after the creation of each Bankers Acceptance (i) the Bankers Acceptance Exposure of all Lenders would not exceed the Bankers Acceptance Commitment, (ii) the Aggregate Revolving Exposure would not exceed the lesser of (a) the Aggregate Revolving Commitment and (B) the Borrowing Base Amount, and (iii) the sum of the Letter of Credit Exposure of all Lenders plus the Bankers Acceptance Exposure of all Lenders would not exceed \$10,000,000. To request the creation of a Bankers Acceptance, the Borrower shall notify the Administrative Agent and the BA Issuer by the delivery of a Credit Request, which shall be sent by facsimile and shall be irrevocable (confirmed promptly, and in any event within five Business Days, by the delivery to the Administrative Agent of a Credit Request manually signed by the Borrower), at least three Business Days prior to the requested date of creation, specifying such information in connection with the creation of such Bankers Acceptance as the BA Issuer may request from time to time. Such Credit Request shall be accompanied by a duly completed application for such Bankers Acceptance on such forms as may be made available from time to time by the BA Issuer and such other certificates, documents and other information as may be required by the BA Issuer in accordance with its customary procedures (collectively, the "Bankers Acceptance Documentation"). Upon receipt of such Credit Request from the Borrower, the Administrative Agent shall promptly notify each Lender thereof. Subject to the satisfaction of the terms and conditions of this Agreement, the BA Issuer shall issue each requested Bankers Acceptance. In the event of any conflict between the provisions of this Agreement and any Bankers Acceptance Documentation, the provisions of this Agreement shall control. Each of the Credit Parties hereby acknowledges and agrees that the Existing Bankers Acceptances are Bankers Acceptances hereunder and the Lenders hereby assume and are jointly and severally obligated with respect to all BA Obligations related thereto. Each Bankers Acceptance shall (i) be denominated in dollars, (ii) be issued for the account of the Borrower and in support of obligations, contingent or otherwise, of the Borrower or any Subsidiary arising in the ordinary course of business (as specified in the definition of "Bankers Acceptance", (iii) have drafts drawn upon it having not more than 180 days sight to run, and (iv) otherwise conform to the requirements set forth in the definition of "Bankers Acceptance"). Immediately upon the creation of a Bankers Acceptance, the BA Issuer shall be deemed to have sold and transferred to each Lender, and each Lender shall be deemed to have irrevocably and unconditionally purchased and received from the BA Issuer, without recourse or warranty, an undivided interest and participation, to the extent of such Lender's Revolving Percentage thereof, in such Bankers Acceptance and the obligations of the Borrower with respect thereto and any security therefor and any guaranty pertaining thereto at any time existing. Each Lender, with respect to each Existing Bankers Acceptance, hereby purchases, without recourse or warranty, an undivided interest and participation, to the extent of such Lender's Revolving Percentage thereof, in each Existing Bankers Acceptance and the obligations of the Borrower with respect thereto and any security therefor and guaranty pertaining thereto at any time existing. The BA Issuer shall promptly notify (i) each Lender of the BA Issuer's receipt of a drawing request under any Bankers Acceptance, stating the amount of such Lender's Revolving Percentage of such drawing request and the date on which such request will be honored and (ii) the Administrative Agent and the Borrower of the amount of such drawing request and the date on which such request will be honored. Any failure of the BA Issuer to give or any delay in the BA Issuer's giving any such notice shall not release or diminish the obligations of the Borrower or any Lender hereunder. In determining whether to accept any drawing, the BA Issuer shall have no obligation to any Lender or the Borrower other than to confirm that any documents required to be delivered with respect to such Bankers Acceptance have been delivered and that they appear to comply on their face with the requirements of such Bankers Acceptance. In the absence of gross negligence or willful misconduct on the part of the BA Issuer, the BA Issuer shall have no liability to any Lender or the Borrower for any action taken or omitted to be taken by it under or in connection with any Bankers Acceptance, including any such action negligently taken or negligently omitted to be taken by it.

The Borrower shall pay to the Administrative Agent for the account of the BA Issuer on demand therefor, in dollars in immediately available funds, the amount of all BA Obligations then owing to the BA Issuer in respect of any Bankers Acceptance, together with interest thereon as provided in Section 3.01, irrespective of any claim, setoff, defense or other right which the Borrower may have at any time against the BA Issuer or any other Person. In the event that the BA Issuer makes any payment under any Bankers Acceptance and the Borrower shall not have repaid such amount to the BA Issuer when due, the BA Issuer shall promptly notify each Lender of such failure, and each Lender shall promptly and unconditionally pay to the Administrative Agent, for the account of the BA Issuer, the amount of such Lender's Revolving Percentage of such payment in dollars in immediately available funds on the Business Day the BA Issuer so notifies such Lender if such notice is given prior to 12:00 Noon or, if such notice is given after 12:00 Noon, such Lender shall make its Revolving Percentage of such payment available to the Issuer prior to 12:00 Noon on the next succeeding Business Day.

If and to the extent any Lender shall not make such Lender's Revolving Percentage of any BA Obligations available to the BA Issuer when due in accordance with Section 2.11(e), such Lender agrees to pay interest to the BA Issuer on such unpaid amount for each day from the date such payment is due until the date such amount is paid in full to the BA Issuer at the Federal Funds Rate until (and including) the third Business Day after the date due and thereafter at the Alternate Base Rate. The obligations of the Lenders under this Section 2.11(f) are several and not joint or joint and several, and the failure of any Lender to make available to the BA Issuer its Revolving Percentage of any BA Obligations when due in accordance with Section 2.11(e) shall not relieve any other Lender of its obligation hereunder to make its Revolving Percentage of such BA Obligations so available when so due, but no Lender shall be responsible for the failure of any other Lender to make such other Lender's Revolving Percentage of such BA Obligations so available when so due.

Whenever the BA Issuer receives a payment of a BA Obligation from or on behalf of the Borrower as to which the BA Issuer has received any payment from a Lender pursuant to Section 2.11(e), the BA Issuer shall promptly pay to such Lender an amount equal to such Lender's Revolving Percentage of such payment from or on behalf of the Borrower. If any payment by or on behalf of the Borrower and received by the BA Issuer with respect to any Bankers Acceptance is rescinded or must otherwise be returned by the BA Issuer for any reason and the BA Issuer has paid to any Lender any portion thereof, each such Lender shall forthwith pay over to the BA Issuer an amount equal to such Lender's Revolving Percentage of the amount which must be so returned by the BA Issuer. Each Lender, upon the demand of the BA Issuer, shall reimburse the BA Issuer, to the extent the BA Issuer has not been reimbursed by the Borrower after demand therefor, for the reasonable costs and expenses (including reasonable attorneys' fees) incurred by the BA Issuer in connection with the collection of amounts due under, and the preservation and enforcement of any rights conferred by, any Bankers Acceptance or the performance of the BA Issuer's obligations as the creator of the Bankers Acceptances under this Agreement in respect thereof, to the extent of such Lender's Revolving Percentage of the amount of such costs and expenses provided, however, that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent the same result solely from the gross negligence or willful misconduct of the BA Issuer. The BA Issuer shall refund any costs and expenses reimbursed by such Lender that are subsequently recovered from the Borrower in an amount equal to such Lender's Revolving Percentage thereof.

The obligation of the Borrower to reimburse the BA Issuer pursuant to this Section 2.11, and the obligation of each Lender to make available to the BA Issuer the amounts set forth in this Section 2.11 shall be absolute, unconditional and irrevocable under any and all circumstances, shall be made without reduction for any set-off, counterclaim or other deduction of any nature whatsoever, may not be terminated, suspended or delayed for any reason whatsoever, shall not be subject to any qualification or exception and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including any of the following circumstances: (1) any lack of validity or enforceability of this Agreement or any of the other Loan Documents, (2) the existence of any claim, setoff, defense or other right which the Borrower may have at any time against a beneficiary named in a Bankers Acceptance, any transferee of any Bankers Acceptance (or any Person for whom any such transferee may be acting), the BA Issuer, any Lender or any other Person, whether in connection with this Agreement, any other Loan Document, any Bankers Acceptance, the transactions contemplated in the Loan Documents or any

unrelated transactions (including any underlying transaction between the Borrower and the beneficiary named in any such Bankers Acceptance), (3) any draft, certificate or any other document issued or delivered in connection with any Bankers Acceptance proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect, (4) the surrender or impairment of any collateral for the performance or observance of any of the terms of any of the Loan Documents, (5) the occurrence of any Default or Event of Default or (6) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's or such Lender's obligations hereunder. The BA Issuer shall not have any liability or responsibility by reason of or in connection with the creation or transfer of any Bankers Acceptance or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Bankers Acceptance, any error in interpretation of technical terms or any consequence arising from causes beyond the control of the BA Issuer. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuer (as finally determined by a court of competent jurisdiction), the BA Issuer shall be deemed to have exercised care in each such determination.

Cash Collateral Account

At, or at any time before, the time the Borrower shall be required to make a deposit into the Cash Collateral Account, the Administrative Agent shall establish and maintain at its offices at One Wall Street, New York, New York in the name of the Borrower but under the sole dominion and control of the Administrative Agent, a cash collateral account (the "Cash Collateral Account"). The Borrower may from time to time make one or more deposits into the Cash Collateral Account and shall from time to time make such deposits as are required by this Agreement. The Borrower hereby pledges to the Administrative Agent for the benefit of the Credit Parties, a Lien on and security interest in the Cash Collateral Account and all sums at any time and from time to time on deposit therein (the Cash Collateral Account, together with all sums on deposit therein, being sometimes hereinafter collectively referred to as the "Cash Collateral"), as collateral security for the prompt payment in full when due, whether at stated maturity, by acceleration or otherwise, of the Obligations. The Borrower shall, at any time and from time to time at its expense, promptly execute and deliver to the Administrative Agent any further instruments and documents, and take any further actions, that may be necessary or that the Administrative Agent may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Administrative Agent to exercise and enforce its rights and remedies hereunder with respect to any Cash Collateral. The Borrower shall not (i) sell or otherwise dispose of any of the Cash Collateral, or (ii) create or permit to exist any Lien upon any of the Cash Collateral. The Borrower hereby authorizes the Administrative Agent, promptly after each drawing under any Letter of Credit or Bankers Acceptance shall become due and payable, to apply any and all cash on deposit in the Cash Collateral Account towards the reimbursement of the Issuer or the BA Issuer, as the case may be, for all sums paid in respect of such drawing, and all other Obligations which shall then be due and owing.

INTEREST, FEES, YIELD PROTECTION, ETC.

Interest

ABR Revolving Loans shall, in each case, bear interest at the Alternate Base Rate plus the Applicable Margin.

Eurodollar Revolving Borrowings shall, in each case, bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin.

Swing Line Loans shall, in each case, bear interest at a rate per annum equal to the Swing Line Lender's cost of funds in making such Swing Line Loan plus the Applicable Margin in respect of Eurodollar Borrowings.

Notwithstanding the foregoing, if an Event of Default has occurred and is continuing, then, so long as such Event of Default is continuing, all principal of each Loan and each fee and other amount then due and payable by the Borrower hereunder shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the Alternate Base Rate plus the Applicable Margin for ABR Loans.

Accrued interest on each Loan shall be payable in arrears on each

Interest Payment Date for such Loan, provided that (i) interest accrued pursuant to paragraph (d) of this Section 3.01 shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent clearly demonstrable error.

Interest Elections

Each Borrowing initially shall be of the Type specified in the applicable Credit Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Credit Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section 3.02. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the applicable Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. Notwithstanding the foregoing, Swing Line Loans shall be solely ABR Borrowings and shall not be made or converted to Eurodollar Borrowings.

To make an election pursuant to this Section 3.02, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Credit Request would be required under Section 2.03 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02 and this Section 3.02:

the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) of this paragraph shall be specified for each resulting Borrowing);
the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;
whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and
if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each applicable Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

If the Borrower fails to deliver a timely Interest Election Request prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period, such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing, (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

Fees

The Borrower agrees to pay to the Administrative Agent, for the account of the Lenders in accordance with each Lender's Commitment Percentage, a commitment fee (the "Commitment Fee"), during the period from the Effective Date through the Revolving Maturity Date at a rate per annum equal to the Fee Margin on the average daily Available Revolving Commitment Amount. The Commitment Fee shall be payable quarterly in arrears on the last day of each March, June, September and December during such period commencing on the first such day following the Effective Date, on the date of any reduction in the Revolving Commitments (to the extent of such reduction) and on the Revolving Maturity Date.

The Borrower shall pay to the Administrative Agent, for the account of the Lenders in accordance with each Lender's Revolving Percentage, commissions (the "Letter of Credit Fees") with respect to (i) commercial Letters of Credit for the period from and including the date of issuance of each thereof through the expiration date thereof, at a rate per annum equal to 1.00% and (ii) standby Letters of Credit for the period from and including the date of issuance of each thereof through the expiration date thereof, at a rate per annum equal to the Eurodollar Margin, in each case on the average daily maximum amount available under any contingency to be drawn under such Letter of Credit. The Letter of Credit Fees shall be payable quarterly in arrears on the last Business Day of each March, June, September and December of each year, commencing on the first such day following the Effective Date, and on the date that the Revolving Commitments shall expire. In addition to the Letter of Credit Fees, the Borrower shall pay to the Issuer, for its own account, its standard fees and charges customarily charged to customers similar to the Borrower with respect to any Letter of Credit.

The Borrower shall pay to the Administrative Agent, for the account of the Lenders in accordance with each Lender's Revolving Percentage, a fee (the "Bankers Acceptance Fee") with respect to Bankers Acceptances for the period from and including the date of creation of each thereof through the expiration date thereof, at a rate per annum equal to the Eurodollar Margin, in each case on the average daily maximum amount available under any contingency to be drawn under such Bankers Acceptance. The Bankers Acceptance Fee shall be payable quarterly in arrears on the last Business Day of each March, June, September and December of each year, commencing on the first such day following the Effective Date, and on the date that the Revolving Commitments shall expire. In addition to the Bankers Acceptance Fee, the Borrower shall pay to the BA Issuer, for its own account, its standard fees and charges customarily charged to customers similar to the Borrower with respect to any Bankers Acceptance.

The Borrower shall pay to each Credit Party, for its own account, fees and other amounts payable in the amounts and at the times separately agreed upon between the Borrower and such Credit Party.

Fees and other amounts paid shall not be refundable under any circumstances. All commitment fees shall be computed on the basis of a 360-day year for the actual number of days elapsed (including the first day but excluding the last day).

Alternate Rate of Interest

If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or
the Administrative Agent is advised by any applicable Lender that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lender of making or maintaining its Loan included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the applicable Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the applicable Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Credit Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

Increased Costs; Illegality

If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Credit Party (except any such reserve requirement reflected in the Adjusted LIBO Rate); or

(ii) impose on any Credit Party or the London interbank market any other condition affecting this Agreement, any Eurodollar Loans made by such Credit Party or any participation therein;

and the result of any of the foregoing shall be to increase the cost (other than Excluded Taxes) to such Credit Party of making or maintaining any Eurodollar Loan hereunder or to increase the cost (other than Excluded Taxes) to such Credit Party or to reduce the amount of any sum received or receivable by such Credit Party hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Credit Party such additional amount or amounts as will compensate such Credit Party for such additional costs incurred or reduction suffered. Failure to demand compensation pursuant to this Section shall not constitute a waiver of such Credit Party's right to demand such compensation.

If any Credit Party determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Credit Party's capital or on the capital of such Credit Party's holding company, if any, as a consequence of this Agreement or the Extensions of Credit made by such Credit Party to a level below that which such Credit Party or such Credit Party's holding company could have achieved but for such Change in Law (taking into consideration such Credit Party's policies and the policies of such Credit Party's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Credit Party such additional amount or amounts as will compensate such Credit Party or such Credit Party's holding company for any such reduction suffered.

A certificate of a Credit Party setting forth the amount or amounts necessary to compensate such Credit Party or its holding company, as applicable, as specified in paragraphs (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Credit Party the amount shown as due on any such certificate within 15 days after receipt thereof.

Notwithstanding any other provision of this Agreement, if, after the date of this Agreement, any Change in Law shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Borrower and to the Administrative Agent:

such Lender may declare that Eurodollar Loans will not thereafter (for the duration of such unlawfulness) be made by such Lender hereunder (or be continued for additional Interest Periods and ABR Loans will not thereafter (for such duration) be converted into Eurodollar Loans), whereupon any request for a Eurodollar Borrowing or to convert an ABR Borrowing to a Eurodollar Borrowing or to continue a Eurodollar Borrowing, as applicable, for an additional Interest Period shall, as to such Lender only, be deemed a request for an ABR Loan (or a request to continue an ABR Loan as such for an additional Interest Period or to convert a Eurodollar Loan into an ABR Loan, as applicable), unless such declaration shall be subsequently withdrawn; and such Lender may require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall be automatically converted to ABR Loans, as of the effective date of such notice as provided in the last sentence of this paragraph.

In the event any Lender shall exercise its rights under clauses (i) or (ii) of this Section 3.05(d), all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Loans, as applicable. For purposes of this Section 3.05(d), a notice to the Borrower by any Lender shall be effective as to each Eurodollar Loan made by such Lender, if lawful, on the last day of the Interest Period currently applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt by the Borrower.

Break Funding Payments

In the event of (a) the payment or prepayment (voluntary or otherwise) of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto or (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any Credit Request or other notice delivered pursuant Section 2.06, 2.08 or

3.02 (regardless of whether such notice may be revoked under Section 2.08(e) and is revoked in accordance therewith), then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. If such Credit Request or other notice relates to a Eurodollar Loan (in all cases other than a revocation permitted under Section 2.08(e)), such loss, cost or expense to any Lender shall be deemed to include an amount reasonably determined by such Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate that such Lender would in good faith bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section 3.06 shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 15 days after receipt thereof.

Taxes

Any and all payments by or on account of any obligation of any Loan Party hereunder and under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes, provided that, if such Loan Party shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that, after making all required deductions (including deductions applicable to additional sums payable under this Section 3.07), the applicable Credit Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Loan Party shall make such deductions and (iii) such Loan Party shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law. In addition, the Loan Parties shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law. Each Loan Party shall indemnify each Credit Party, within ten days after receipt of written demand therefor describing the amount and the basis in reasonable detail, for the full amount of any Indemnified Taxes or Other Taxes paid by such Credit Party on or with respect to any payment by or on account of any obligation of such Loan Party under the Loan Documents (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 3.07) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Credit Party, or by the Administrative Agent on its own behalf or on behalf of a Credit Party, shall be conclusive absent manifest error. Following any indemnification pursuant to this Section 3.07(c), the applicable Credit Party, at the request of the applicable Loan Party, shall deliver to such Loan Party evidence of such payment reasonably satisfactory to such Loan Party.

As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the relevant Loan Party is located, or any treaty to which such jurisdiction is a party, with respect to payments under the Loan Documents shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate.

Any Credit Party that is not a Foreign Lender shall, at the request of the Borrower, deliver to the Borrower (with a copy to the Administrative Agent) any documentation as will permit payments to such Credit Party under the Loan Documents to be made without

withholding of Tax or at a reduced rate of Tax.

Mitigation Obligations

If any Lender requests compensation under Section 3.05, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.07, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans (or any participation therein) hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Sections 3.05 or 3.07, as applicable, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

Substitution of Lenders

If any Lender requests compensation under Section 3.05, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.07, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 10.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent to such assignee, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 3.05 or payments required to be made pursuant to Section 3.07, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Credit Parties that:

Organization; Powers

Each of the Borrower and each Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

Authorization; Enforceability

The Transactions are within the corporate, partnership or other analogous powers of each of the Borrower and each Subsidiary to the extent it is a party thereto and have been duly authorized by all necessary corporate, partnership or other analogous and, if required, equityholder action. Each Loan Document has been duly executed and delivered by each of the Borrower and each Subsidiary to the extent it is a party thereto and constitutes a legal, valid and binding obligation thereof, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally.

Governmental Approvals; No Conflicts

The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any of the Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture,

agreement or other instrument binding upon the Borrower or any of the Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by the Borrower or any of the Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of the Subsidiaries (other than Liens permitted by Section 7.02).

Financial Condition; No Material Adverse Change

The Borrower has heretofore furnished to the Credit Parties: (i) the Consolidated balance sheet and statements of income, stockholders' equity and cash flows of the Borrower as of and for the fiscal year ended December 31, 2000, reported on by Ernst & Young LLP, independent public accountants and (ii) the Consolidated balance sheet and statement of income, stockholders' equity and cash flows of the Borrower as of and for the fiscal quarter ended June 30, 2001, prepared by the Borrower. The financial statements referred to above present fairly, in all material respects, the financial position and results of operations and cash flows of the Persons referred to therein as of such dates and for the indicated periods in accordance with GAAP (subject, with respect to the interim financial statements, to footnotes and normal year-end audit adjustments).

Since the dates of the financial statements referred to in clause (ii) of Section 4.04(a), there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and the Subsidiaries taken as a whole.

Properties

Each of the Borrower and each Subsidiary has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

Each of the Borrower and each Subsidiary owns, or is entitled to use, all trademarks, trade names, copyrights, patents and other intellectual property material to its business, and to the knowledge of the Borrower the use thereof by the Borrower and the Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Litigation and Environmental Matters

There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of the Subsidiaries (i) that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that challenge the validity of any Loan Document or the Transactions.

Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has, to its knowledge, become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

There has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

Compliance with Laws and Agreements

Each of the Borrower and each Subsidiary is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

Investment and Holding Company Status

Neither the Borrower nor any of the Subsidiaries are (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

Taxes

Each of the Borrower and each Subsidiary has timely filed (or validly extended) or caused to be filed (or validly extended) all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being

contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

ERISA

Neither the Borrower nor any ERISA Affiliate of the Borrower has any direct or contingent obligation or liability under or in respect of any person or other employee benefit plan which is subject to the provisions of Title IV of ERISA which has, or would in the foreseeable future have, in the judgment of the responsible officers of the Borrower, a Material Adverse Effect.

Disclosure

The Borrower has disclosed to the Credit Parties all agreements, instruments and corporate or other restrictions to which it or any of the Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. No representation or warranty contained in any Loan Document and no certificate or report from time to time furnished by the Borrower or any of its Subsidiaries in connection with the transactions contemplated thereby, contains or will contain a misstatement of material fact, or, to the best knowledge of the Borrower, omits or will omit to state a material fact required to be stated in order to make the statements therein contained not misleading in the light of the circumstances under which made, provided that any projections or pro-forma financial information contained therein are based upon good faith estimates and assumptions believed by the Borrower to be reasonable at the time made, it being recognized by the Lender that such projections as to future events are not to be viewed as facts, and that actual results during the period or periods covered thereby may differ from the projected results.

Subsidiaries

Schedule 4.12 sets forth the name of, and the ownership interest of the Borrower in, each Subsidiary, in each case as of the Effective Date.

Insurance

Schedule 4.13 sets forth a description of all insurance maintained by or on behalf of the Borrower and the Subsidiaries as of the Effective Date. As of the Effective Date, all premiums in respect of such insurance that are due and payable have been paid.

Labor Matters

As of the Effective Date, there are no strikes, lockouts or slowdowns against the Borrower or any Subsidiary pending or, to the knowledge of the Borrower, threatened. The hours worked by and payments made to employees of the Borrower and the Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign law dealing with such matters, except where any such violations, individually and in the aggregate, would not be reasonably likely to result in a Material Adverse Effect. All material payments due from the Borrower or any Subsidiary, or for which any claim may be made against the Borrower or any Subsidiary, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of the Borrower or such Subsidiary. The consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which the Borrower or any Subsidiary is bound.

Solvency

Immediately after the consummation of each Transaction, (a) the fair value of the assets of the Borrower and the Guarantors taken as a whole, at a fair valuation, will exceed their debts and liabilities, subordinated, contingent or otherwise; (b) the present fair saleable value of the property of the Borrower and the Guarantors, taken as a whole, will be greater than the amount that will be required to pay the probable liability of their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) each of the Borrower and each Guarantor will be able to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and

matured; and (d) each of the Borrower and each Guarantor will not have unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted following such date.

Federal Reserve Regulations

Neither the Borrower nor any of the Subsidiaries are engaged principally, or as one of their important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock.

No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase, acquire or carry any Margin Stock or for any purpose that entails a violation of, or that is inconsistent with, the provisions of the regulations of the Board, including Regulation T, U or X.

Security Documents

The Security Agreement is effective to create in favor of the Administrative Agent, for the ratable benefit of the Secured Parties, a legal, valid and enforceable security interest in the Collateral (as defined in the Security Agreement) and, when (i) the pledged property constituting such Collateral is delivered to the Administrative Agent, (ii) financing statements in appropriate form are filed in the offices of the secretary of state of the jurisdiction of organization of each Loan Party or such other office specified by the Uniform Commercial Code and (iii) all other applicable filings under the Uniform Commercial Code or otherwise that are required or permitted under the Loan Documents are made, the Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the grantors thereunder in such Collateral (other than the Intellectual Property (as defined in the Security Agreement) or any other Collateral for which perfection of a security interest is not governed by the Uniform Commercial Code), in each case prior and superior in right to any other Person, other than with respect to Liens expressly permitted by Section 7.02.

Except to the extent that the recording of an assignment or other transfer of title to the Administrative Agent or the recording of other applicable documents in the United States Patent and Trademark Office, the United States Copyright Office or the filing of financing statements in the appropriate form in the offices of the secretary of state of the jurisdiction of organization of each Loan Party or such other office specified by the Uniform Commercial Code may be necessary for perfection, the Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Borrowers and the Guarantors in the Intellectual Property in which a security interest may be perfected by filing, recording or registering a security agreement, financing statement or analogous document in the United States Patent and Trademark Office or the United States Copyright Office, as applicable, in each case to the extent permitted by applicable law prior and superior in right to any other Person, other than with respect to Liens expressly permitted by Section 7.02.

CONDITIONS

Effective Date

The obligations of the Lenders to make Extensions of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 10.02):

The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

The Administrative Agent shall have received a Revolving Note for each Lender, and the Swing Line Note for the Swing Line Lender, each signed on behalf of the Borrower.

The Administrative Agent shall have received a counterpart of the Guarantee Agreement signed on behalf of each Guarantor.

The Administrative Agent shall have received counterparts of the Security Agreement signed on behalf of the Borrower and each Guarantor party thereto, together with the following:

any stock certificates or other instruments representing the Pledged Equity owned by or on behalf of any Loan Party as of the Effective Date;

any promissory notes and other instruments evidencing the Pledged Debt owed or owing to any Loan Party as of the Effective Date;

stock powers and instruments of transfer, endorsed in blank, with respect to such stock certificates, promissory notes and other instruments;

all instruments and other documents, including Uniform Commercial

Code financing statements, required by law or reasonably requested by the Administrative Agent to be filed, registered or recorded to create or perfect the Liens intended to be created under the Security Agreement; and a completed Perfection Certificate, dated the Effective Date and signed by a Vice President or a Financial Officer of the Borrower, together with all attachments contemplated thereby. The Administrative Agent shall have received a favorable written opinion (addressed to the Credit Parties and dated the Effective Date) from McMillan, Rather, Bennett & Rigano, P.C., on behalf of the Loan Parties, substantially in the form of Exhibit B and covering such other matters relating to the Loan Parties, the Loan Documents or the Transactions as the Required Lenders shall reasonably request. The Borrower hereby requests such counsel to deliver such opinion. The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of each Loan Party, the authorization of the Transactions and any other legal matters relating to the Loan Parties, the Loan Documents or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel. The Administrative Agent shall have received a certificate, dated the Effective Date and signed by a Financial Officer of the Borrower, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 5.02. The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder. The Administrative Agent shall have received evidence satisfactory to it that the insurance required by Section 6.10 is in effect. The performance by each Loan Party of its obligations under each Loan Document shall not (i) violate any applicable law, statute, rule or regulation or (ii) conflict with, or result in a default or event of default under, any material agreement of any Loan Party, and the Administrative Agent shall have received one or more legal opinions and/or officer's certificates to such effect, satisfactory to the Administrative Agent. The Lenders shall be reasonably satisfied as to the amount and nature of any environmental and employee health and safety exposures to which the Borrower and the Subsidiaries may be subject, and with the plans of the Borrower with respect thereto. The Lenders shall be reasonably satisfied (i) that there shall be no litigation or administrative proceeding, or regulatory development, that would reasonably be expected to have a material adverse effect on (a) the business, assets, operations, prospects, condition (financial or otherwise) or material agreements of the Borrower and the Subsidiaries, (b) the ability of any Loan Party to perform any of its obligations under any Loan Document or (c) the rights of or benefits available to any Credit Party under any Loan Document and (ii) with the current status of, and the terms of any settlement or other resolution of, any litigation or other proceedings brought against the Borrower or any Subsidiary. (i) All indebtedness of the Borrower to (A) BNY arising out of that certain letter agreement dated September 21, 2000 (the "BNY Line" and (B) The Chase Manhattan Bank arising out of (1) the Promissory Note dated September 28, 2001 made by the Borrower payable to The Chase Manhattan Bank in the principal amount of \$10,000,000 and (2) the letter agreement dated December 13, 2000 between the Borrower and The Chase Manhattan Bank (collectively, the "Chase Line"), shall have been unconditionally paid in full, the Borrower shall have terminated the BNY Line and the Chase Line and all liens, if any, securing the BNY Line and/or the Chase Line covering the Collateral shall have been released or terminated, and all other obligations, if any, with respect thereto shall have been duly and finally extinguished. (ii) After giving effect to the Transactions, none of the Borrower or any of the Subsidiaries shall have outstanding any shares of preferred equity securities or any Indebtedness, other than (i) Indebtedness incurred under the Loan Documents and (ii) Indebtedness set forth on Schedule 7.01. The Lenders shall be reasonably satisfied that no material adverse change or material adverse condition in the business, assets, operations, properties, condition (financial or otherwise), liabilities (including contingent liabilities), prospects or material agreements of the Borrower and the Subsidiaries has occurred since December 31, 2000. The Administrative Agent shall have received a certificate, dated the Effective Date and signed by a Financial Officer of the Borrower, setting forth reasonably detailed calculations demonstrating compliance with Section 7.12 on a pro forma basis as of the Effective

Date, immediately after giving effect to the Transactions.

The Administrative Agent shall have received a Borrowing Base Certificate, duly completed and setting forth the calculations required thereby, as of the Effective Date.

The Administrative Agent shall have received counterparts of mortgages, deeds of trust or similar documents in form and substance satisfactory to the Administrative Agent (collectively, as amended, restated, supplemented or otherwise modified from time to time, the "Mortgage") covering the Designated Real Property signed on behalf of the Borrower, together with mortgagee title insurance policies issued by the title insurers reasonably satisfactory to the Administrative Agent in amounts satisfactory to the Administrative Agent (which policies shall include, without limitation, a "last dollars" endorsement), a survey, in form and substance satisfactory to the Administrative Agent, of the Designated Real Property certified by a licensed professional surveyor satisfactory to the Administrative Agent, an appraisal of the Designated Real Property in form and substance satisfactory to the Administrative Agent conducted by a real estate appraiser satisfactory to the Administrative Agent, such phase I environmental reports, and, if deemed necessary or appropriate by the Administrative Agent, phase II environmental reports, in form and substance satisfactory to the Administrative Agent, as the Administrative Agent may reasonably require, and such other instruments, documents and agreements in connection with the execution, delivery and recording of the Mortgage and the granting of a Lien on the Designated Real Property in favor of the Administrative Agent as the Administrative Agent may reasonably request (collectively with the Mortgage, the "Mortgage Documents").

The Administrative Agent shall have received a collateral audit report prepared by J.H. Cohn, which report shall be satisfactory in form and substance to all of the Lenders.

The Administrative Agent shall notify the Borrower and the Credit Parties of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Extensions of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.02) at or prior to 3:00 p.m., New York City time, on November 30, 2001 (and, in the event such conditions are not so satisfied or waived, the Revolving Commitments shall terminate at such time). Each Extension of Credit

The obligation of each Lender to make an Extension of Credit is subject to the satisfaction of the following conditions:

The representations and warranties of each Loan Party set forth in each Loan Document shall be true and correct in all material respects on and as of the date of such Extension of Credit, except to the extent such representations and warranties relate to an earlier date. At the time of and immediately after giving effect to such Extension of Credit, no Default shall have occurred and be continuing and the Aggregate Revolving Exposure (excluding the aggregate undrawn face amount of the outstanding commercial Letters of Credit) shall not exceed the Borrowing Base Amount.

The Administrative Agent shall have received such other documentation and assurances as shall be reasonably required by it in connection with such Extension of Credit.

If, on the date of such Extension of Credit and before giving effect thereto, the Aggregate Revolving Exposure is less than \$5,500,000, the Administrative Agent shall have received a Mortgage covering the Designated Real Property and such other Mortgage Documents as the Administrative Agent may reasonably require, each in form and substance satisfactory to the Administrative Agent.

Each Extension of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section 5.02.

AFFIRMATIVE COVENANTS

Until the Revolving Commitments have expired or been terminated and the principal of and interest on each Extension of Credit, all Reimbursement Obligations, all BA Obligations and all fees and other amounts (other than contingent indemnity obligations) payable under the Loan Documents shall have been paid in full, the Borrower covenants and agrees with the Lenders that:

Financial Statements and Other Information

The Borrower will furnish to the Administrative Agent and each Lender:

within 90 days after the end of each fiscal year, the audited Consolidated balance sheet and related statements of income, stockholders' equity and cash flows of the Borrower and the Subsidiaries as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all

reported on by independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and the Subsidiaries on a consolidated basis in accordance with GAAP consistently applied; within 45 days after the end of each of the first three fiscal quarters of each fiscal year, the Consolidated balance sheets and related statements of income and cash flows of the Borrower and the Subsidiaries as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding fiscal quarter end, and period or periods, of the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and the Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments;

concurrently with any delivery of financial statements under clauses (a) or (b) of this Section 6.01, a certificate of a Financial Officer of the Borrower (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth (A) reasonably detailed calculations demonstrating compliance with Sections 7.12, 7.13, 7.14, 7.15 and 7.16 and (B) any change in the Guarantors as of the date of such certificate and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the financial statements referred to in Section 4.04(a) and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of the Securities and Exchange Commission, or with any national securities exchange, or distributed by the Borrower or any Subsidiary to its shareholders generally, as the case may be, and delivery by the Borrower of its (i) Annual Report on Form 10-K for each fiscal year of the Borrower containing financial statements reported on in a manner acceptable to the Securities and Exchange Commission by independent public accountants of recognized national standing and (ii) report on Form 10-Q for each of the first three fiscal quarters of each fiscal year of the Borrower with the financial statements contained therein certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and the Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments, in each case within the time periods prescribed by Section 6.01(a) or 6.01(b), respectively, shall be deemed to satisfy the requirements of Section 6.01(a) or 6.01(b), as the case may be;

within 10 Business Days after the last day of each month, a Borrowing Base Certificate, duly completed and setting forth the calculations required thereby, as of such last day; and

promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower or any Subsidiary, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may reasonably request.

Notices of Material Events

The Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

the occurrence of any Default;

the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any Affiliate thereof that, if adversely determined, could in the good faith opinion of the Borrower reasonably be expected to result in a Material Adverse Effect;

the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and the Subsidiaries in an aggregate amount exceeding \$500,000; and

any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section 6.02 shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action

taken or proposed to be taken with respect thereto.

Existence; Conduct of Business

The Borrower will, and will cause each of the Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business, provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 7.03.

Payment of Obligations

The Borrower will, and will cause each of the Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

Maintenance of Properties

The Borrower will, and will cause each of the Subsidiaries to, keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted.

Books and Records; Inspection Rights

The Borrower will, and will cause each of the Subsidiaries to, keep, in all material respects, proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each of the Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times during normal business hours and as often as reasonably requested. Each Credit Party and its agents may enter upon any of the Borrower's or any Subsidiary's premises (prior to the occurrence of an Event of Default, upon reasonable notice) at any time during business hours and at any other reasonable time, and, from time to time, for the purpose of inspecting the Collateral and any and all records pertaining thereto and the operation of the Borrower's or such Subsidiary's business.

Compliance with Laws

The Borrower will, and will cause each of the Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Use of Proceeds

The proceeds of the Loans will be used only for general corporate purposes not inconsistent with the terms hereof. No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase, acquire or carry any Margin Stock or for any purpose that entails a violation of any of the regulations of the Board, including Regulations T, U and X.

Notice of Certain Changes

The Borrower will furnish to the Administrative Agent prompt written notice of any change in (i) the legal name of any Loan Party or in any trade name used to identify it in the conduct of its business or in the ownership of its properties, (ii) the jurisdiction of organization or the location of the chief executive office of any Loan Party, its principal place of business, any office in which it maintains its books or records, (iii) the identity or organizational structure of any Loan Party or (iv) the organizational identification number or the Federal Taxpayer Identification Number of any Loan Party.

Insurance

The Borrower will, and will cause each of the Subsidiaries to, maintain, with financially sound and reputable insurance companies, (i) adequate insurance for its insurable properties, all to such extent and against such risks, including fire, casualty, business interruption and other risks insured against by extended coverage, as is customary with companies in the same or similar businesses operating

in the same or similar locations and (ii) such other insurance as is required pursuant to the terms of any Security Document.

Additional Subsidiaries

If any Subsidiary organized under the laws of the United States of America or any state thereof is formed or acquired after the Effective Date, the Borrower will notify the Administrative Agent and the Lenders in writing thereof within five Business Days after the date on which such Subsidiary is formed or acquired and (i) the Borrower will cause such Subsidiary to (A) execute and deliver the Guarantee Agreement (or otherwise become a party thereto in the manner provided therein) and (B) become a party to each applicable Security Document in the manner provided therein, in each case within five Business Days after the date on which such Subsidiary is formed or acquired, and (ii) promptly take such actions to create and perfect Liens on such Subsidiary's assets to secure the Obligations as the Administrative Agent or the Required Lenders shall reasonably request and (b) if any equity securities issued by any such Subsidiary are owned or held by or on behalf of the Borrower or any Subsidiary or any loans, advances or other debt is owed or owing by any such Subsidiary to the Borrower or any Subsidiary, the Borrower will cause such equity securities and promissory notes and other instruments evidencing such loans, advances and other debt to be pledged pursuant to the Security Agreement within five Business Days after the date on which such Subsidiary is formed or acquired.

Information Regarding Collateral

The Borrower will furnish to the Administrative Agent prompt written notice of any change in (i) the legal name of any Loan Party, (ii) the jurisdiction of organization of any Loan Party, (iii) the location of the chief executive office of any Loan Party, its principal place of business, any office in which it maintains books or records relating to Collateral owned or held by it or on its behalf or any office or facility at which Collateral owned or held by it or on its behalf is located (including the establishment of any such new office or facility), (iv) the identity or organizational structure of any Loan Party such that a filed financing statement becomes misleading or (v) the organizational identification number or the Federal Taxpayer Identification Number of any Loan Party. The Borrower shall not effect or permit any change referred to in the preceding sentence unless all filings have been made under the Uniform Commercial Code or otherwise that are required in order for the Administrative Agent to continue at all times following such change to have a valid, legal and perfected security interest in all the Collateral. The Borrower shall promptly notify the Administrative Agent if any material portion of the Collateral is damaged or destroyed.

Each year, at the time of delivery of annual financial statements with respect to the preceding fiscal year pursuant to Section 6.01(a), the Borrower shall deliver to the Administrative Agent a certificate of a Financial Officer of the Borrower, (i) setting forth the information required pursuant to Sections 1, 2, 4, 5 and 6 of the Perfection Certificate or confirming that there has been no change in such information since the date of the Perfection Certificate or the date of the most recent certificate delivered pursuant to this Section and (ii) certifying that the Loan Parties are in compliance with all of the terms of the Security Agreement.

Casualty and Condemnation

The Borrower will furnish to the Administrative Agent and the Lenders prompt written notice of any casualty or other insured damage to any portion of any Collateral or the commencement of any action or proceeding for the taking of any Collateral or any part thereof or interest therein under power of eminent domain or by condemnation or similar proceeding.

If any event described in Section 6.13(a) results in Net Proceeds (whether in the form of insurance proceeds, condemnation award or otherwise), the Administrative Agent is authorized to collect such Net Proceeds and, if received by the Borrower or any Subsidiary, such Net Proceeds shall be paid over to the Administrative Agent, provided that (i) to the extent that the Borrower or such Subsidiary intends to use any such Net Proceeds to repair, restore, reinvest or replace assets of the Borrower or such Subsidiary as provided in the proviso to Section 2.08(b), the Administrative Agent shall, subject to the provision of such proviso, deliver such Net Proceeds to the Borrower or the applicable Subsidiary, (ii) otherwise, the Administrative Agent shall, and the Borrower and the Subsidiaries hereby authorize the Administrative Agent to, apply such Net Proceeds, to the extent that they are Net Proceeds, to prepay the Loans in accordance with

Section 2.08 and (iii) all proceeds of business interruption insurance shall be paid over to the Borrower unless a Default has occurred and is continuing.

If any Net Proceeds retained by or paid over to the Administrative Agent as provided in Section 6.13(b) continue to be held by the Administrative Agent on the date that is 365 days after the receipt of such Net Proceeds, then such Net Proceeds shall be applied to prepay Borrowings as provided in Section 2.08.

Collateral Monitoring

Following any fiscal quarter in which the Administrative Agent, any Related Party, or any agent of the Administrative Agent or the Lenders performs any field examination, Collateral analysis or other business analysis or audit relating to the Borrower or any Subsidiary (each a "Monitoring"), the need for which shall be determined by the Administrative Agent or at the request of Required Lenders, which Monitoring is undertaken by the Administrative Agent, any Related Party or by any such agent, the Borrower shall pay to the Administrative Agent, promptly after demand therefor, (i) all reasonable out-of-pocket costs and expenses incurred by the Administrative Agent and the Lenders in connection therewith, and (ii) in the event that such Monitoring is conducted by the Administrative Agent or any Related Party, all reasonable and customary fees and expenses of each person employed in connection with such Monitoring.

Further Assurances

The Borrower will, and will cause each Subsidiary to, execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, and other documents), that may be required under any applicable law, or which the Administrative Agent or the Required Lenders may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created by the Security Documents or the validity or priority of any such Lien, all at the expense of the Borrower. The Borrower shall provide to the Administrative Agent, from time to time upon request, evidence reasonably satisfactory to the Administrative Agent as to the perfection and priority of the Liens created or intended to be created by the Security Documents.

If any material assets are acquired by the Borrower or any Subsidiary after the Effective Date (other than assets constituting Collateral under the Security Agreement that become subject to the Lien of the Security Agreement upon acquisition thereof), the Borrower will notify the Administrative Agent and the Lenders thereof, and, if requested by the Administrative Agent or the Required Lenders, the Borrower will cause such assets to be subjected to a Lien securing the Obligations and will take, and cause the Subsidiaries to take, such actions as shall be necessary or reasonably requested by the Administrative Agent to grant and perfect such Liens, including actions described in Section 6.15(a), all at the expense of the Borrower.

The Administrative Agent, promptly at the direction of the Required Lenders by notice to the Administrative Agent, shall file the Security Agreement (or any other instrument or agreement of assignment that the Administrative Agent may reasonably request) in the United States Patent and Trademark Office and the United States Copyright Office.

Intellectual Property Licenses

The Borrower shall (a) use its best efforts to obtain, on or before the date that is 60 days after the Effective Date, the written consent (in form and substance reasonably satisfactory to the Administrative Agent) of Microban Products Company to the assignment by the Borrower to the Administrative Agent pursuant to the Security Documents of the license agreement between the Borrower and Microban Products Company and to the disposition by the Administrative Agent upon the occurrence of an Event of Default of Inventory bearing the intellectual property covered by such licensing agreement and (b) obtain, on or before the date that is 60 days after the Effective Date, the written consent (in form and substance reasonably satisfactory to the Administrative Agent) of Whirlpool Corporation to the assignment by the Borrower to the Administrative Agent pursuant to the Security Documents of the license agreement between the Borrower and Whirlpool Corporation and to the disposition by the Administrative Agent upon the occurrence of an Event of Default of Inventory bearing the intellectual property covered by such licensing agreement; provided, however, that the failure by the Borrower to obtain the written consent of Whirlpool Corporation within such 60-day period shall not constitute an Event of Default but shall result in all Inventory of the Borrower or any Subsidiary bearing the intellectual property covered by such licensing agreement being deemed not Eligible Inventory until such time as such written consent is obtained.

NEGATIVE COVENANTS

Until the Revolving Commitments have expired or been terminated and the principal of and interest on each Extension of Credit, all Reimbursement Obligations, all BA Obligations and all fees and other amounts (other than contingent liability obligations) payable under the Loan Documents shall have been paid in full, the Borrower covenants and agrees with the Lenders that:

Indebtedness

The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

Indebtedness under the Loan Documents;

Indebtedness existing on the Effective Date and set forth in Schedule 7.01, including any extensions, renewals or replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;

Indebtedness incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capital Lease Obligations and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof, provided that (A) such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement and (B) the aggregate principal amount of Indebtedness permitted by this clause (iii) shall not exceed \$3,000,000 at any time outstanding;

Indebtedness of any Person that becomes a Subsidiary after the Effective Date, provided that (A) such Indebtedness exists at the time such Person becomes a Subsidiary and is not created in contemplation of or in connection with such Person becoming a Subsidiary and (B) the aggregate principal amount of Indebtedness permitted by this clause (iv) shall not exceed \$3,000,000 at any time outstanding;

Indebtedness of a Subsidiary to any other Subsidiary and of any Subsidiary to the Borrower;

Guarantees by a Subsidiary of Indebtedness of any other Subsidiary and by any Subsidiary of Indebtedness of the Borrower; provided that the aggregate amount of all Indebtedness of all Subsidiaries that are not a Domestic Subsidiary Guaranteed by the Borrower and the Domestic Subsidiaries shall not exceed \$3,000,000 at any time outstanding;

Indebtedness of the Prestige Subsidiaries to any Person that is not an Affiliate of the Prestige Subsidiaries in an aggregate principal not exceeding \$6,000,000 at any time outstanding; Guarantees by the Borrower of Indebtedness of any Subsidiary; provided that the aggregate amount of all Indebtedness of all Subsidiaries that are not a Domestic Subsidiary Guaranteed by the Borrower and the Domestic Subsidiaries shall not exceed \$3,000,000 at any time outstanding; and other unsecured Indebtedness in an aggregate principal amount not exceeding \$1,000,000 at any time outstanding.

The Borrower will not, and it will not permit any Subsidiary to, (i) issue any preferred equity securities or (ii) be or become liable in respect of any obligation (contingent or otherwise) to purchase, redeem, retire, acquire or make any other payment in respect of any shares of equity securities of the Borrower or any Subsidiary or any option, warrant or other right to acquire any such shares of equity securities, except as permitted by Section 7.08.

Liens

The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

Permitted Encumbrances;

any Lien on any property or asset of the Borrower or any Subsidiary existing on the Effective Date and set forth in Schedule 7.02, provided that (i) such Lien shall not apply to any other property or asset of the Borrower or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and any extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the Effective Date prior to the time such Person becomes a Subsidiary, provided that (i) such Lien is not created in contemplation of or in connection with such acquisition of such Person becoming a Subsidiary, as applicable, (ii) such Lien shall not apply to any other property or assets of the

Borrower or any Subsidiary and (iii) such Lien shall secure only those obligations that it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as applicable, and any extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

Liens on fixed or capital assets acquired, constructed or improved by the Borrower or any Subsidiary, provided that (i) such security interests secure Indebtedness permitted by clause (iii) of Section 7.01(a), (ii) such security interests and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such security interests shall not apply to any other property or assets of the Borrower or any Subsidiary;

possessory Liens in favor of lessees or sublessees of property leased or subleased by the Borrower or any Subsidiary to such Person in the ordinary course of business of the Borrower or such Subsidiary, provided that such Liens attach only to such property;

Liens incurred in connection with the Permitted Factoring Arrangement described in clause (ii) of the definition thereof; provided, that, (i) such Liens attach only to the accounts receivable of the Borrower and its Subsidiaries that are the subject of such Permitted Factoring Arrangement and not to any other property or assets of the Borrower or any Subsidiary and (ii) such Liens shall secure only the obligations of the Borrower or such Subsidiary to Republic Business Credit under such Permitted Factoring Arrangement; and
Liens created under the Security Documents.

Fundamental Changes

The Borrower will not, and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, or all or substantially all of the equity securities of any of the Subsidiaries (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto, no Default shall have occurred and be continuing:

any Subsidiary may merge into the Borrower in a transaction in which the Borrower is the surviving entity, and any Subsidiary may merge into any other Subsidiary;

any Subsidiary may merge with any Person in a transaction that is not permitted by clause (i) of this Section 7.03(a), provided that such merger is permitted by Section 7.04 or 7.05, as applicable, and the surviving entity of such merger complies with the provisions of Section 6.11;

any Subsidiary may sell, transfer, lease or otherwise dispose of its assets to the Borrower or to any other Subsidiary; and
any Subsidiary may sell, transfer, lease or otherwise dispose of its assets in a transaction that is not permitted by clause (iii) of this Section 7.03(a), provided that such sale, transfer, lease or other disposition is also permitted by Section 7.05.

The Borrower will not, and will not permit any of the Subsidiaries to, engage to any material extent in any business other than businesses of the type conducted by the Borrower and the Subsidiaries on the Effective Date and businesses or activities that are substantially similar, related or incidental thereto.

Investments, Loans, Advances, Guarantees and Acquisitions

The Borrower will not, and will not permit any of the Subsidiaries to, purchase, hold or acquire (including pursuant to any merger) any capital stock, evidences of Indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions (including pursuant to any merger)) any assets of any other Person constituting a business unit, or purchase, hold or acquire any "derivative" (other than a Hedging Agreement permitted by Section 7.07), except:

Permitted Investments;

investments existing on the Effective Date and set forth in Schedule 7.04;

investments made by the Borrower in the equity securities of the Subsidiaries; provided that any such equity securities owned by the Borrower shall become Pledged Equity pursuant to the Security Agreement;

investments made by a Subsidiary in the equity securities of

any other Subsidiary; provided that any such equity securities owned by such Subsidiary shall become Pledged Equity pursuant to the Security Agreement;

loans or advances made by any Subsidiary to any other Subsidiary; provided that (i) any such loans or advances constituting Pledged Debt shall be evidenced by a promissory note which shall be pledged pursuant to the Security Agreement and (ii) the aggregate amount of all loans and advances made by the Borrower and the Domestic Subsidiaries to all Subsidiaries that are not a Domestic Subsidiary shall not exceed \$3,000,000 at any time outstanding;

loans or advances made by the Borrower to any Subsidiary; provided that (i) any such loans or advances constituting Pledged Debt shall be evidenced by a promissory note which shall be pledged pursuant to the Security Agreement and (ii) the aggregate amount of all loans and advances made by the Borrower and the Domestic Subsidiaries to all Subsidiaries that are not a Domestic Subsidiary shall not exceed \$3,000,000 at any time outstanding;

acquisitions made by any Subsidiary from any other Subsidiary;

acquisitions made by the Borrower from any Subsidiary;

Permitted Acquisitions by the Borrower or any Subsidiary; provided that the Borrower shall have delivered to the Administrative Agent and the Lenders not less than 10 Business Days prior to the consummation of any such Permitted Acquisition a certificate of a Financial Officer of the Borrower in form and substance satisfactory to the Administrative Agent and the Required Lenders evidencing projected pro forma compliance with Sections 7.12, 7.13 and 7.14 after giving effect to such Permitted Acquisition for the period from the date of such Permitted Acquisition to the Revolving Maturity Date;

Indebtedness permitted to be incurred pursuant to Section 7.01(a); and

Investments made by the Borrower or any Subsidiary in any new Subsidiary of the Borrower or any Subsidiary (including, without limitation, a new Subsidiary acquired in connection with a Permitted Acquisition); provided, that after giving effect to such investment the aggregate stockholders' equity of all direct or indirect non-wholly-owned Subsidiaries of the Borrower is not greater than 10% of the Consolidated stockholders' equity of the Borrower determined in accordance with GAAP on a basis consistent with the financial statements delivered pursuant to Section 6.01(a).

Asset Sales

The Borrower will not, and will not permit any of the Subsidiaries to, sell, transfer, lease or otherwise dispose (including pursuant to a merger) of any asset, including any equity securities, nor will the Borrower permit any of the Subsidiaries to issue any additional shares of its equity securities, except:

sales, transfers and other dispositions of inventory, used or surplus equipment, intellectual property and Permitted Investments, in each case in the ordinary course of business;

sales, transfers, leases and other dispositions made by any Subsidiary to any other Subsidiary;

sales, transfers, leases and other dispositions made by the Borrower to any Subsidiary; and

sales or assignments of the Borrower's or any Subsidiary's accounts receivable in connection with Permitted Factoring Arrangements.

Sale and Lease-Back Transactions

The Borrower will not, and will not permit any of the Subsidiaries to, enter into any arrangement, directly or indirectly, with any Person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property being sold or transferred.

Hedging Agreements

The Borrower will not, and will not permit any of the Subsidiaries to, enter into any Hedging Agreement, other than Hedging Agreements entered into in the ordinary course of business to hedge or mitigate risks to which the Borrower or any Subsidiary is exposed in the conduct of its business or the management of its liabilities.

Restricted Payments

The Borrower will not, and will not permit any of the Subsidiaries to, declare or make, or agree to pay for or make, directly or indirectly, any Restricted Payment, except that (a) the Borrower may (i) declare and pay dividends with respect to its equity securities payable (1) in additional shares of its equity securities or (2) in cash and (ii) repurchase shares of its common stock in open market transactions; provided that, (x) after giving effect to any such payment of dividends or stock repurchase, the Fixed Charge Coverage Ratio, calculated on a pro forma basis as if such dividends or stock repurchases had been made on the last day of the most recently ended fiscal quarter of the Borrower, shall not be less than the amount set forth in Section 7.13 with respect to such fiscal quarter and (y) before and after giving effect to such dividends or repurchase no Default shall exist or result therefrom and (b) any Subsidiary may declare and pay dividends to the Borrower or any other Subsidiary.

Transactions with Affiliates

The Borrower will not, and will not permit any of the Subsidiaries to, sell, transfer, lease or otherwise dispose (including pursuant to a merger) any property or assets to, or purchase, lease or otherwise acquire (including pursuant to a merger) any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arms-length basis from unrelated third parties, provided that this Section shall not apply to any transaction that is permitted under Sections 7.01, 7.03, 7.04, 7.05 or 7.08 between or among the Loan Parties and not involving any other Affiliate.

Restrictive Agreements

The Borrower will not, and will not permit any of the Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of the Borrower or any Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its equity securities or to make or repay loans or advances to the Borrower or any other Subsidiary or to Guarantee Indebtedness of the Borrower or any other Subsidiary, provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing on the Effective Date identified on Schedule 7.10 (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided that such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) clause (a) of this Section 7.10 shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness and (v) clause (a) of this Section 7.10 shall not apply to customary provisions in leases restricting the assignment thereof.

Amendment of Material Documents

The Borrower will not, and will not permit any Subsidiary to, amend, modify or waive any of its rights under its certificate of incorporation, by-laws or other organizational documents, other than immaterial amendments, modifications or waivers that would not reasonably be expected to adversely affect the Credit Parties.

Leverage Ratio

The Borrower will not permit the Leverage Ratio at any time during any period set forth below to be greater than the ratio set forth below with respect to such period:

Period	Ratio
Effective Date through December 30, 2001	3.50:1.00

December 31, 2001 through	2.50:1.00
December 30, 2002	
December 31, 2002 and	2.00:1.00
thereafter	

Fixed Charge Coverage Ratio

The Borrower will not permit the Fixed Charge Coverage Ratio as of the end of any fiscal quarter ending during any period set forth below to be less than the ratio set forth below with respect to such period:

Period	Ratio
Effective Date through	1.25:1.00
December 31, 2001	
January 1, 2002 and thereafter	1.50:1.00

Net Worth

The Borrower will not permit Consolidated Net Worth at any time to be less than the sum of (i) \$66,130,000, (ii) 50% of the Borrower's Consolidated net income (if positive) for each fiscal quarter commencing October 1, 2001 to such date of determination and (iii) any increase to Consolidated Net Worth resulting from any equity issuance by the Borrower or any of its Subsidiaries.

Net Income

The Borrower shall not permit Consolidated Net Income for any fiscal year to be less than \$1.00.

Retail Stores

The Borrower will not, and will not permit any Subsidiary to, establish or become obligated to establish any retail store after the Effective Date, except that, if at the time thereof (a) no Default shall have occurred and be continuing or result therefrom and (b) the combined net income of all of the retail stores of the Borrower and the Subsidiaries for the four full fiscal quarters immediately preceding such time determined in accordance with GAAP applied on a basis consistent with the preparation of the financial statements most recently delivered pursuant to Section 6.01(a) is not less than \$1.00, the Borrower and the Subsidiaries may establish not more than six retail stores in the aggregate in any fiscal year of the Borrower.

Prepayments of Indebtedness

The Borrower will not, and shall not permit any Subsidiary to, pay or obligate itself to prepay any Indebtedness (other than Indebtedness under the Loan Documents).

EVENTS OF DEFAULT

Events of Default

Each of the following events shall constitute an "Event of Default": the Borrower shall fail (i) to pay any principal of any Loan or in respect of any BA Obligation or any Reimbursement Obligation when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise or (ii) make any deposit into the Cash Collateral Account when required hereby; or

the Borrower shall fail to pay any interest on any Extension of Credit or any fee, commission or any other amount (other than an amount referred to in clause (a) of this Section 8.01) payable under any Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three Business Days; or

any representation or warranty made or deemed made by or on behalf of any Loan Party in or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, shall prove to have been incorrect in any material respect when made or deemed made; or the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Sections 6.02, 6.03, 6.08, 6.11, 6.12, 6.13 or 6.15 or in Article 7; or

any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in any Loan Document to which it is a party (other than those specified in clauses (a), (b) or (d) of this Section 8.01), and such failure shall continue unremedied for a period of 30 days after such Loan Party shall have obtained knowledge thereof; or

the Borrower or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and

payable (after giving effect to any applicable grace period); or any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity, provided that this clause (g) shall not apply to secured Indebtedness that becomes due solely as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness; or an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any Guarantor or its debts, or of a substantial part of its assets, under any federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Guarantor or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered; or the Borrower or any Guarantor shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Section 8.01, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Guarantor or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing; or the Borrower or any Guarantor shall become unable, admit in writing its inability or fail generally to pay its debts as they become due; or

one or more judgments for the payment of money in an aggregate amount in excess of \$1,000,000 shall be rendered against the Borrower or any Guarantor or any combination thereof and the same shall remain undischarged, unvacated, unbonded or unstayed for a period of 60 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any Guarantor to enforce any such judgment; or

an ERISA Event shall have occurred that, in the judgment of the Required Lenders reasonably exercised, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect; or

any Loan Document shall cease, for any reason, to be in full force and effect, or any Loan Party shall so assert in writing or shall disavow any of its obligations thereunder; or

any Lien purported to be created under any Security Document shall cease to be, or shall be asserted by any Loan Party not to be, a valid and perfected Lien on any Collateral, with the priority required by the applicable Security Document; or a Change in Control shall occur.

Contract Remedies

Upon the occurrence of an Event of Default or at any time thereafter during the continuance thereof,

in the case of an Event of Default specified in Section 8.01(h) or 8.01(i), without declaration or notice to the Borrower, the Revolving Commitments (including the Letter of Credit Commitment and the Bankers Acceptance Commitment) shall immediately and automatically terminate, and the Loans, all accrued and unpaid interest thereon and all other amounts owing under the Loan Documents shall immediately become due and payable, and

in all other cases, upon the direction of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, declare all of the Revolving Commitments (including the Letter of Credit Commitment and the Bankers Acceptance Commitment) to be terminated forthwith, whereupon such Revolving Commitments (including the Letter of Credit Commitment and the Bankers Acceptance Commitment) shall immediately terminate, or declare the Loans, all accrued and unpaid interest thereon and all other amounts owing under the Loan Documents to be due and payable forthwith, whereupon the same shall immediately become due and payable.

In the event that the Loans, all accrued and unpaid interest thereon and all other amounts owing under the Loan Documents shall have been declared due and payable pursuant to the

provisions of this Section 8.02, (i) the Administrative Agent (A) upon the direction of the Required Lenders, shall proceed to enforce the rights of the holders of the Notes, the BA Obligations and the Reimbursement Obligations by suit in equity, action at law and/or other appropriate proceedings, whether for payment or the specific performance of any covenant or agreement contained in the Loan Documents and (B) may exercise any and all rights and remedies provided to the Administrative Agent by the Loan Documents and (ii) the Borrower shall deposit in the Cash Collateral Account Cash Collateral in an amount equal to the sum of (x) the Bankers Acceptance Exposure and (y) the Letter of Credit Exposure after giving effect to all payments required under this Section 8.02. Except as otherwise expressly provided in the Loan Documents, the Borrower expressly waives presentment, demand, protest and all other notices of any kind in connection with the Loan Documents. The Borrower hereby further expressly waives and covenants not to assert any appraisal, valuation, stay, extension, redemption or similar laws, now or at any time hereafter in force which might delay, prevent or otherwise impede the performance or enforcement of any Loan Document.

THE ADMINISTRATIVE AGENT

Each Credit Party hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidentally thereto.

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Credit Parties as shall be necessary under the circumstances as provided in Section 10.02), and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower, any of the Subsidiaries or any other Loan Party that is communicated to or obtained by the Person serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Credit Parties as shall be necessary under the circumstances as provided in Section 10.02) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Credit Party (and, promptly after its receipt of any such notice, it shall give each Credit Party and the Borrower notice thereof), and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth therein, (iv) the validity, enforceability, effectiveness or genuineness thereof or any other agreement, instrument or other document or (v) the satisfaction of any condition set forth in Article 5 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to

have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower; provided such counsel has not been retained by the Administrative Agent), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent, provided that no such delegation shall serve as a release of the Administrative Agent or waiver by the Borrower or the Borrower of any rights hereunder. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Credit Parties and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the approval of the Borrower (provided that such approval shall not be required if a Default has occurred and is continuing), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Credit Parties, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article 9 and Section 10.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Credit Party acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Credit Party and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Credit Party also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Credit Party and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon any Loan Document, any related agreement or any document furnished thereunder.

MISCELLANEOUS

Notices

Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

if to the Borrower, to it at One Merrick Avenue, Westbury, New York 11590, Attention: Chief Financial Officer (Telephone No. (516) 683-6000; Telecopy No. (516) 450-1017);

if to the Administrative Agent, to it at One Wall Street, New York, New York 10286, Attention of: Tony Pinella, Agency Administrative Function (Telephone No. (212) 635-4698; Telecopy No. (212) 635-6365, 6366 or 6367; with a copy to The Bank of New York, at One Wall Street, New York, New York 10286, Attention of: Roger A. Grossman (Telephone No. (212) 635-1309; Telecopy No. (212) 635-1480);

if to any other Credit Party, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Waivers; Amendments

No failure or delay by any Credit Party in exercising any right or power under any Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Credit Parties under the Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section 10.02, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether any Credit Party may have had notice or knowledge of such Default at the time.

Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders, provided that no such agreement shall (i) increase the Revolving Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Extension of Credit, or reduce the rate of interest thereon, or reduce any fees or other amounts payable under the Loan Documents, or reduce the amount of any scheduled reduction of any Revolving Commitment, without the written consent of each Credit Party affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any, or any interest thereon (except in connection with a waiver of the applicability of any post-default increase in interest rates), or any fees or other amounts payable under the Loan Documents, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of reduction or expiration of any Commitment, without the written consent of each Credit Party affected thereby, (iv) change any provision hereof in a manner that would alter the pro rata sharing of payments required by any Loan Document, without the written consent of each Credit Party, (v) change any of the provisions of this Section 10.02(b) or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender, (vi) release any Guarantor from its Guarantee under the Guarantee Agreement (except as expressly provided in the Guarantee Agreement), or limit its liability in respect of such Guarantee, without the written consent of each Lender or (vii) release of any of the Collateral from the Liens of the Loan Documents (except as expressly provided in the Security Agreement), without the consent of each Lender, and provided, further, that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Swing Line Lender, the BA Issuer or the Issuer hereunder without the prior written consent of the Administrative Agent, the Swing Line Lender, the BA Issuer or the Issuer, as the case may be.

Expenses; Indemnity; Damage Waiver

The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions of any Loan Document (whether or not the transactions contemplated thereby shall be consummated) and (ii) all reasonable out-of-pocket expenses (other than Taxes) incurred by any Credit Party, including the fees, charges and disbursements of any counsel (including any in-house counsel, whether or not on an out-of-pocket basis) for any Credit Party, in connection with the enforcement or protection of its rights in connection with the Loan Documents, including its rights under this Section 10.03, or in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

The Borrower shall indemnify each Credit Party and each Related Party thereof (each such Person being called an "Indemnatee") against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any indemnatee, incurred by or asserted against any Indemnatee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any agreement or instrument contemplated thereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated thereby, (ii) any Loan or the use of the proceeds, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of the Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of the Subsidiaries or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnatee is a party thereto, provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnatee or that such indemnity relates to Taxes.

To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent under paragraphs (a) or (b) of this Section 10.03, each Lender severally agrees to pay to the Administrative Agent an amount equal to the product of such unpaid amount multiplied by a fraction, the numerator of which is the sum of such Lender's Revolving Commitment and the denominator of which is the sum of the total of all Lenders' Revolving Commitments (in each case determined as of the time that the applicable unreimbursed expense or indemnity payment is sought), provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as applicable, was incurred by or asserted against the Administrative Agent in its capacity as such.

To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnatee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, any Loan Document or any agreement, instrument or other document contemplated thereby, the Transactions or any Loan or the use of the proceeds thereof.

All amounts due under this Section 10.03 shall be payable promptly but in no event later than thirty days after written demand therefor.

Successors and Assigns

The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Credit Party (and any attempted assignment or transfer by the Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each Credit Party) any legal or equitable right, remedy or claim under or by reason of any Loan Document.

Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Commitment and the Loans at the time owing to it), provided that (i) except in the case of an assignment to a Lender or an Affiliate or an Approved Fund of a Lender, each of the Borrower and the Administrative Agent must give its prior written consent to such assignment (such consents shall not be unreasonably withheld or delayed), (ii) except in the case of an assignment to a Lender or an Affiliate or an Approved Fund of a Lender or an assignment of the entire remaining amount of the assigning Lender's Revolving Commitment, the amount of the Revolving Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless the Borrower and the Administrative Agent otherwise consent, (iii) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance together with, unless otherwise agreed by the Administrative Agent, a processing and recordation fee of \$3,500, and (iv) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire, and provided further, that any consent of the Borrower otherwise required under this paragraph shall not be required if a

Default has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section 10.04, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under the Loan Documents, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under the Loan Documents (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under the Loan Documents, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.05, 3.06, 3.07 and 10.03). Any assignment or transfer by a Lender of rights or obligations under the Loan Documents that does not comply with this paragraph shall be treated for purposes of the Loan Documents as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section 10.04. Notwithstanding anything to the contrary, an assignee Lender shall not be entitled to receive any greater payment under Sections 3.05 or 3.07 than the assigning Lender would have been entitled to receive with respect to the interest so assigned unless the assignment of such interest is made with the Borrower's prior written consent.

The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in New York City a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Revolving Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent clearly demonstrable error, and the Borrower and each Credit Party may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Credit Party, at any reasonable time and from time to time upon reasonable prior notice.

Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section 10.04 and any written consent to such assignment required by paragraph (b) of this Section 10.04, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

Any Lender may, without the consent of the Borrower or any Credit Party, sell participations to one or more banks or other entities (each such bank or other entity being called a "Participant") in all or a portion of such Lender's rights and obligations under the Loan Documents (including all or a portion of its Commitment and the Loans owing to it), provided that (i) such Lender's obligations under the Loan Documents shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Loan Parties and the Credit Parties shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of any Loan Documents, provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to paragraph (b) of Section 10.02 that affects such Participant. Subject to paragraph (f) of this Section 10.04, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.05 and 3.06 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section 10.04. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided that such Participant agrees to be subject to paragraph (c) of Section 2.09 as though it were a Lender.

A Participant shall not be entitled to receive any greater payment under Sections 3.05 or 3.07 than the Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a

Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.07 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with paragraph (e) of Section 3.07 as though it were a Lender.

Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under the Loan Documents to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section 10.04 shall not apply to any such pledge or assignment of a security interest, provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations under the Loan Documents or substitute any such pledgee or assignee for such Lender as a party hereto.

Survival

All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of any Loan Document and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Credit Party may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under the Loan Documents is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 3.05, 3.06, 3.07 and 10.03 and Article 9 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans and the termination of the Commitments or the termination of this Agreement or any provision hereof.

Counterparts; Integration; Effectiveness

This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which, when taken together, shall constitute but one contract. This Agreement and any separate letter agreements with respect to fees payable to any Credit Party constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 5.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

Severability

In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Right of Setoff

If an Event of Default shall have occurred and be continuing, each of the Lenders and their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to setoff and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by it to or for the

credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by it, irrespective of whether or not it shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each of the Lenders and their respective Affiliates under this Section 10.08 are in addition to other rights and remedies (including other rights of setoff) that it may have.

Governing Law; Jurisdiction; Consent to Service of Process

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party hereto may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents in the courts of any jurisdiction.

Each party hereto hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any court referred to in paragraph (b) of this Section 10.09. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

WAIVER OF JURY TRIAL

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Headings

Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Interest Rate Limitation

Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts that are treated as interest on such Loan under applicable law (collectively the "charges"), shall exceed the maximum lawful rate (the "maximum rate") that may be contacted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all of the charges payable in respect thereof, shall be limited to the maximum rate and, to the extent lawful, the interest and the charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section 10.12 shall be cumulated, and the interest and the charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the maximum rate therefor) until such cumulated amount, together with

interest thereon at the Federal Funds Rate to the date of repayment, shall have been received by such Lender.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

LIFETIME HOAN CORPORATION

By:
Name:
Title:

THE BANK OF NEW YORK,
as Administrative Agent and Lender

By:
Name:
Title:

HSBC BANK USA

By:
Name:
Title:
CITIBANK, N.A.

By:
Name:
Title:
BANK LEUMI USA

By:
Name:
Title:
WELLS FARGO BANK, N.A.

By:
Name:
Title:
SCHEDULE 1.01

Existing Bankers Acceptances

Amount	Issuance Date
\$12,949	9/25/01 (Matures 11/9/01)
\$28,816	10/11/01
\$7,920	10/23/01
\$142,105	10/2/01
\$33,639	10/5/01
\$78,258	10/5/01
\$38,491	10/12/01
\$29,963	10/23/01
\$577,034	11/06/01
\$5,220	11/08/01

Existing Letters of Credit
Commercial

Amount	Issuance Date
\$158,613	12/6/00
\$79,945	12/6/00
\$32,824	1/8/01
\$265,055	1/8/01
\$187,397	1/10/01
\$186,572	8/8/01
\$21,000	11/1/01
\$152,000	11/2/01

Standby

Amount	Issuance Date
\$279,200	1/10/95
\$1,711,874	1/23/01

SCHEDULE 2.01
Effective Date Commitments

Lender	Commitment
The Bank of New York	\$12,500,000.00
HSBC Bank USA	\$12,500,000.00
Citibank, N.A.	\$8,000,000.00
Wells Fargo Bank, N.A.	\$8,000,000.00
Bank Leumi USA	\$4,000,000.00
TOTAL	\$45,000,000

SCHEDULE 4.06
Disclosed Matters

SCHEDULE 4.12
Subsidiaries

SCHEDULE 4.13
Insurance
SCHEDULE 7.01
Existing Indebtedness

SCHEDULE 7.02
Existing Liens

SCHEDULE 7.04
Existing Investments

SCHEDULE 7.10
Existing Restrictions

EXHIBIT C-1

FORM OF REVOLVING NOTE

\$ _____ November __, 2001
New York, New York

FOR VALUE RECEIVED, the undersigned, LIFETIME HOAN CORPORATION, a Delaware corporation (the "Borrower"), hereby promises to pay to the order of

_____ (the "Lender")
_____ DOLLARS (\$ _____) or if less, the unpaid principal amount of the Revolving Loans made by the Lender to the Borrower, in the amounts and at the times set forth in the Credit Agreement, dated as of November __, 2001, among the Borrower, the Lenders party thereto, and The Bank of New York, as Administrative Agent (as the same may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), and to pay interest from the date hereof on the principal balance of such Revolving Loans from time to time outstanding at the rate or rates and at the times set forth in the Credit Agreement, in each case at the office of the Administrative Agent located at One Wall Street, New York, New York, or at such other place as the Administrative Agent may specify from time to time, in lawful money of the United States of America in immediately available funds. Terms defined in the Credit Agreement are used herein with the same meanings.

The Revolving Loans evidenced by this Revolving Note are prepayable in the amounts, and under the circumstances, and their respective maturities are subject to acceleration upon the terms, set forth in the Credit Agreement. This Revolving Note is subject to, and should be construed in accordance with, the provisions of the Credit Agreement and is entitled to the benefits and security set forth in the Loan Documents.

The Lender is hereby authorized to record on the schedule annexed hereto, and any continuation sheets which the Lender may attach hereto, (a) the date of each Revolving Loan made by

Except as specifically otherwise provided in the Credit Agreement, the Borrower hereby waives presentment, demand, notice of dishonor, protest, notice of protest and all other demands, protests and notices in connection with the execution, delivery, performance, collection and enforcement of this Revolving Note. THIS REVOLVING NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

By:
Name:
Title:

Date	Type of Loan	Amount of Loan	Amount of principal converted, paid or, prepaid	Interest rate on Eurodollar Loans	Interest Period for Eurodollar Loans	Notation made by
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The Lender is hereby authorized to record on the schedule annexed hereto, and any continuation sheets which the Lender may attach hereto, (a) the date of each Swing Line Loan, (b) the amount thereof and (c) the date and amount of each payment

or prepayment of the principal of any such Swing Line Loan. The entries made in such schedule shall be prima facie evidence of the existence and amounts of the obligations recorded therein, provided that the failure to so record or any error therein shall not in any manner affect the obligation of the Borrower to repay the Swing Line Loans in accordance with the terms of the Credit Agreement. Except as specifically otherwise provided in the Credit Agreement, the Borrower hereby waives presentment, demand, notice of dishonor, protest, notice of protest and all other demands, protests and notices in connection with the execution, delivery, performance, collection and enforcement of this Swing Line Note. THIS SWING LINE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

LIFETIME HOAN CORPORATION

By:
Name:
Title:

SCHEDULE TO SWING LINE NOTE

Date	Amount of Loan	Amount of principal paid or prepaid	Notation made by
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EXHIBIT D

FORM OF GUARANTEE AGREEMENT

GUARANTEE AGREEMENT, dated as of November __, 2001, among LIFETIME HOAN CORPORATION, a Delaware corporation (the "Borrower"), each of the subsidiaries of the Borrower listed on Schedule I hereto (each such subsidiary, individually, a "Guarantor" and, collectively, the "Guarantors") and THE BANK OF NEW YORK, as administrative agent under the Credit Agreement referred to in the next paragraph. Reference is made to the Credit Agreement, dated as of November __, 2001, among the Borrower, the Lenders from time to time party thereto and The Bank of New York, as Administrative Agent (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Lenders have agreed to make Loans to the Borrower pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. Each of the Guarantors is a wholly-owned Subsidiary, and each Guarantor acknowledges that it will derive substantial benefit from the making of the Loans.

Accordingly, the parties hereto agree as follows:

Guarantee; Fraudulent Transfer, etc.; Contribution

Each Guarantor unconditionally guarantees, jointly with the other Guarantors and severally, as a primary obligor and not merely as a surety, the Obligations. Each Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it and that it will remain bound upon its guarantee notwithstanding any extension or renewal of any Obligation.

Anything in this Guarantee Agreement to the contrary notwithstanding, (i) the obligations of each Guarantor hereunder shall be limited to a maximum aggregate amount equal to the greatest amount that would not render such Guarantor's obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Code or any provisions of applicable state law (collectively, the "fraudulent transfer laws"), in each case after giving effect to all other liabilities of such Guarantor, contingent or otherwise, that are relevant under the fraudulent transfer laws (specifically excluding, however, any liabilities of such Guarantor (A) in respect of debt owed or owing to the Borrower or Affiliates of the Borrower to the

extent that such debt would be discharged in an amount equal to the amount paid by such Guarantor hereunder and (B) under any Guarantee of senior unsecured debt or Indebtedness subordinated in right of payment to the Obligations, which Guarantee contains a limitation as to maximum amount similar to that set forth in this clause (i), pursuant to which the liability of such Guarantor hereunder is included in the liabilities taken into account in determining such maximum amount) and after giving effect as assets to the value (as determined under the applicable provisions of the fraudulent transfer laws) of any rights to subrogation, contribution, reimbursement, indemnity or similar rights of such Guarantor pursuant to (1) applicable law or (2) any agreement providing for an equitable allocation among such Guarantor and other Affiliates of the Borrower of obligations arising under guarantees by such parties (including the agreements in paragraph (c) of this Section) and (ii) until all the Obligations have been paid in full, each of the Guarantors expressly waives any and all rights of subrogation, reimbursement, indemnity, exoneration, contribution or any other claim that it may now or hereafter have against the Borrower, any other Loan Party, any other guarantor or any other Person directly or contingently liable for the Obligations, or against or with respect to the property of the Borrower, such other Loan Party, such other guarantor or such other Person, arising from the existence or performance hereof, and, in furtherance, and not in limitation, of the preceding waiver, each of the Guarantors agrees that, in the event that any money or property shall be transferred to any Credit Party by any Guarantor pursuant to this Guarantee Agreement in reduction of the Obligations, such transfer shall be deemed to be a contribution to the capital of the applicable Loan Party (in the case of the transfer of property, in an amount equal to the fair market value of the property so transferred) as of the date of such transfer, and any such transfer shall not cause the Parent to be a creditor of such Loan Party.

In addition to all rights of indemnity and subrogation the Guarantors may have under applicable law (but subject to this paragraph), the Borrower agrees that (i) in the event a payment shall be made by any Guarantor hereunder, the Borrower shall indemnify such Guarantor for the full amount of such payment, and such Guarantor shall be subrogated to the rights of the person to whom such payments shall have been made to the extent of such payment, and (ii) in the event that any assets of any Guarantor shall be sold pursuant to any Loan Document to satisfy any claim of any Credit Party, the Borrower shall indemnify such Guarantor in an amount equal to the greater of the book value or the fair market value of the assets so sold. Each Guarantor (a "contributing subsidiary guarantor") agrees (subject to this paragraph) that, in the event a payment shall be made by any other Guarantor hereunder or assets of any other Guarantor shall be sold pursuant to any Loan Document to satisfy a claim of any Credit Party and such other Guarantor (the "claiming subsidiary guarantor") shall not have been fully indemnified by the Borrower as provided in this paragraph, the contributing subsidiary guarantor shall indemnify the claiming subsidiary guarantor in an amount equal to the amount of such payment or the greater of the book value or the fair market value of such assets, as applicable, in each case multiplied by a fraction of which the numerator shall be the net worth of the contributing subsidiary guarantor on the date hereof and the denominator shall be the aggregate net worth of all the Guarantors on the date hereof (or, in the case of any Guarantor becoming a party hereto pursuant to Section 21, the date of the Supplement hereto executed and delivered by such Guarantor). Any contributing subsidiary guarantor making any payment to a claiming subsidiary guarantor pursuant to this paragraph shall be subrogated to the rights of such claiming subsidiary guarantor under this paragraph to the extent of such payment. Notwithstanding any provision of this paragraph to the contrary, all rights of the Guarantors under this paragraph and all other rights of indemnity, contribution or subrogation under applicable law or otherwise shall be fully subordinated to the indefeasible payment in full in cash of the Obligations. No failure on the part of the Borrower or any Guarantor to make the payments required by this paragraph (or any other payments required under applicable law or otherwise) shall in any respect limit the obligations and liabilities of

any Guarantor with respect to its obligations under this paragraph, and each Guarantor shall remain liable for the full amount of the obligations of such Guarantor under this paragraph.

Obligations Not Waived

To the fullest extent permitted by applicable law, each Guarantor waives presentment to, demand of payment from, and protest to the Borrower of any of the Obligations, and also waives notice of acceptance of its guarantee and notice of protest for nonpayment. To the fullest extent permitted by applicable law, the obligations of each Guarantor hereunder shall not be affected by (a) the failure of the Administrative Agent or any other Credit Party to assert any claim or demand or to enforce or exercise any right or remedy against the Borrowers or any other Guarantor under the provisions of the Credit Agreement or any other Loan Document, or otherwise, (b) any rescission, waiver, amendment or modification of, or any release from, any of the terms or provisions of this Guarantee Agreement, any other Loan Document, any Guarantee or any other agreement, including with respect to any other Guarantor under this Guarantee Agreement or (c) the failure to perfect any security interest in, or the release of, any of the security held by or on behalf of the Administrative Agent or any other Credit Party.

Security

Each Guarantor authorizes the Administrative Agent and each other Credit Party to (a) take and hold security for the payment of the obligations under this Guarantee Agreement and the Obligations and exchange, enforce, waive and release any such security, (b) apply such security and direct the order or manner of sale thereof as they in their sole discretion may determine and (c) release or substitute any one or more endorsees, other Guarantors or other obligors.

Guarantee of Payment

Each Guarantor further agrees that its guarantee hereunder constitutes a guarantee of payment when due and not of collection, and waives any right to require that any resort be had by the Administrative Agent or any other Credit Party to any of the security held for payment of the Obligations or to any balance of any deposit account or credit on the books of the Administrative Agent or any other Credit Party in favor of the Borrower or any other person.

No Discharge or Diminishment of Guarantee

The obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than the indefeasible payment in full in cash of the Obligations), including any claim of waiver, release, surrender, alteration or compromise of any of the Obligations, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of the Administrative Agent or any other Credit Party to assert any claim or demand or to enforce any remedy under the Credit Agreement, any other Loan Document or any other agreement, by any waiver or modification of any provision of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the Obligations, or by any other act or omission that may or might in any manner or to any extent vary the risk of any Guarantor or that would otherwise operate as a discharge of any Guarantor as a matter of law or equity (other than the indefeasible payment in full in cash of all the Obligations).

Defenses of Borrower Waived

To the fullest extent permitted by applicable law, each of the Guarantors waives any defense based on or arising out of any defense of the Borrower or any other Loan Party or the unenforceability of the Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Borrower or any other Loan Party, other than the final and indefeasible payment in full in cash of the Obligations. The Administrative Agent and the other Credit Parties may, at their election, foreclose on any security held by one or more of them by one or more judicial or nonjudicial sales, accept an assignment of any such security in lieu of foreclosure, compromise or adjust any part of the Obligations, make any other accommodation with the Borrower or any Guarantor or exercise any other right or remedy available to them against

the Borrower or any Guarantor, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent the Obligations have been fully, finally and indefeasibly paid in cash. Pursuant to applicable law, each Guarantor waives any defense arising out of any such election even though such election operates, pursuant to applicable law, to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of such Guarantor against the Borrower or any other Guarantor, as applicable, or any security.

Agreement to Pay; Subordination

In furtherance of the foregoing and not in limitation of any other right that the Administrative Agent or any other Credit Party has at law or in equity against any Guarantor by virtue hereof, upon the failure of the Borrower or any other Loan Party to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Guarantor hereby promises to and will forthwith pay, or cause to be paid, to the Administrative Agent or such other Credit Party as designated thereby in cash the amount of such unpaid Obligations. Upon payment by any Guarantor of any sums to the Administrative Agent or any Credit Party as provided above, all rights of such Guarantor against the Borrower arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subordinate and junior in right of payment to the prior indefeasible payment in full in cash of all of the Obligations. In addition, any debt of the Borrower or any other Loan Party now or hereafter held by any Guarantor is hereby subordinated in right of payment to the prior indefeasible payment in full in cash of all of the Obligations. If any amount shall erroneously be paid to any Guarantor on account of (a) such subrogation, contribution, reimbursement, indemnity or similar right or (b) any such debt of the Borrower or such other Loan Party, such amount shall be held in trust for the benefit of the Credit Parties and shall forthwith be paid to the Administrative Agent to be credited against the payment of the Obligations, whether matured or unmatured, in accordance with the terms of the Loan Documents.

Information

Each Guarantor assumes all responsibility for being and keeping itself informed of each Loan Party's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks that such Guarantor assumes and incurs hereunder, and agrees that none of the Administrative Agent or the other Credit Parties will have any duty to advise any of the Guarantors of information known to it or any of them regarding such circumstances or risks.

Representations and Warranties

Each of the Guarantors represents and warrants as to itself that all representations and warranties relating to it contained in the Credit Agreement are true and correct.

Termination

The guarantees made hereunder (a) shall terminate when all the Obligations have been indefeasibly paid in full in cash and the Lenders have no further commitment to lend or otherwise extend credit under the Credit Agreement and (b) shall continue to be effective or be reinstated, as applicable, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by any Credit Party or any Guarantor upon the bankruptcy or reorganization of any Loan Party or otherwise.

Binding Effect; Several Agreement; Assignments

Whenever in this Guarantee Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Guarantor that are contained in this Guarantee Agreement shall bind and inure to the benefit of each party hereto and its successors and assigns. This Guarantee Agreement shall become effective as to any Guarantor when a counterpart hereof executed on behalf of such Guarantor shall have been delivered to the Administrative Agent and a counterpart hereof shall have been executed on behalf of the Administrative Agent, and thereafter shall be binding upon such Guarantor and the Administrative Agent and their respective successors and assigns, and shall inure to the benefit of such Guarantor, the Administrative Agent and the other Credit Parties, and their respective successors and assigns, except that no Guarantor

shall have the right to assign its rights or obligations hereunder or any interest herein (and any such attempted assignment shall be void), except as expressly contemplated by this Guarantee Agreement or the other Loan Documents. If any of the equity interests in any Guarantor is sold, transferred or otherwise disposed of pursuant to a transaction permitted by the Loan Documents and, immediately after giving effect thereto, such Guarantor shall no longer be a Subsidiary, then the obligations of such Guarantor under this Guarantee Agreement shall be automatically released. This Guarantee Agreement shall be construed as a separate agreement with respect to each Guarantor and may be amended, modified, supplemented, waived or released with respect to any Guarantor without the approval of any other Guarantor and without affecting the obligations of any other Guarantor hereunder.

Waivers; Amendment

No failure or delay of the Administrative Agent in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent hereunder and of the other Credit Parties under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Guarantee Agreement or any other Loan Document or consent to any departure by any Guarantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Guarantor in any case shall entitle such Guarantor to any other or further notice or demand in similar or other circumstances.

Neither this Guarantee Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into by, between or among the Administrative Agent and the Guarantor or Guarantors with respect to which such waiver, amendment or modification is to apply, subject to any consent required in accordance with Section 10.02 of the Credit Agreement.

GOVERNING LAW

THIS GUARANTEE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Notices

All communications and notices hereunder shall be in writing and given as provided in Section 10.01 of the Credit Agreement. All communications and notices hereunder to each Guarantor shall be given to it at its address set forth in the Schedule hereto.

Survival of Agreement; Severability

All covenants, agreements, representations and warranties made by the Guarantors herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Guarantee Agreement or any other Loan Document shall be considered to have been relied upon by the Administrative Agent and the other Credit Parties and shall survive the execution and delivery of any Loan Document and the making of any Loan, regardless of any investigation made by the Credit Parties or on their behalf, and shall continue in full force and effect until this Guarantee Agreement shall terminate.

In the event any one or more of the provisions contained in this Guarantee Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Counterparts

This Guarantee Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one

contract (subject to Section 11), and shall become effective as provided in Section 11. Delivery of an executed counterpart of this Guarantee Agreement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Guarantee Agreement.

Rules of Interpretation

The rules of interpretation specified in Section 1.03 of the Credit Agreement shall be applicable to this Guarantee Agreement.

Jurisdiction; Consent to Service of Process

Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Guarantee Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Guarantee Agreement shall affect any right that any party hereto may otherwise have to bring any action or proceeding relating to this Guarantee Agreement or the other Loan Documents in the courts of any jurisdiction.

Each party hereto hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Guarantee Agreement or the other Loan Documents in any court referred to in paragraph (a) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Each party to this Guarantee Agreement irrevocably consents to service of process in the manner provided for notices in Section 14. Nothing in this Guarantee Agreement will affect the right of any party to this Guarantee Agreement to serve process in any other manner permitted by law.

WAIVER OF JURY TRIAL

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS GUARANTEE AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS GUARANTEE AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Additional Guarantors

Upon execution and delivery after the date hereof by the Administrative Agent and a Subsidiary of an instrument in the form of Annex 1, such Subsidiary shall become a Guarantor hereunder with the same force and effect as if originally named as a Guarantor herein. The execution and delivery of any such instrument shall not require the consent of any other Guarantor hereunder. The rights and obligations of each Guarantor hereunder shall remain in full force and effect notwithstanding the addition of any new Guarantor as a party to this Guarantee Agreement.

Right of Setoff

If an Event of Default shall have occurred and be continuing, each Credit Party is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to setoff and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other Indebtedness at any time owing by such Credit Party to or for the credit or the account of any Guarantor against any or all the obligations of such Guarantor now or hereafter existing under this Guarantee Agreement and the

other Loan Documents held by such Credit Party, irrespective of whether or not such Credit Party shall have made any demand under this Guarantee Agreement or any other Loan Document and although such obligations may be unmatured. The rights of each Credit Party under this Section are in addition to other rights and remedies (including other rights of setoff) which such Credit Party may have.

Headings

Section headings used herein are for convenience of reference only, are not part of this Guarantee Agreement and are not to affect the construction of, or be taken into consideration in interpreting, this Guarantee Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

LIFETIME HOAN CORPORATION

By:
Name:
Title:

EACH OF THE SUBSIDIARIES OF THE
PARENT LISTED ON THE SCHEDULE
HERETO

By:
Name:
Title:

THE BANK OF NEW YORK,
as Administrative Agent

By:
Name:
Title:

SCHEDULE I TO GUARANTEE AGREEMENT

GUARANTORS

Guarantor	Address for Notices
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Lifetime Hoan Corporation	
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Outlet Retail Stores, Inc.	
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Roshco, Inc.	
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M. Kamenstein Corp.	
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ANNEX 1 TO GUARANTEE AGREEMENT

FORM OF SUPPLEMENT

SUPPLEMENT NO. __, dated as of ____, 200__, to the GUARANTEE AGREEMENT, dated as of November __, 2001, among LIFETIME HOAN CORPORATION, a ____ corporation (the "Borrower"), each of the subsidiaries of the Borrower listed on Schedule I thereto and THE BANK OF NEW YORK, as administrative agent under the Credit Agreement referred to in the next paragraph (as amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement").

A. Reference is made to the Credit Agreement, dated as of November __, 2001, among the Borrower, the Lenders from time to time party thereto and The Bank of New York, as Administrative Agent (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement and the Guarantee Agreement.

B. The Guarantors have entered into the Guarantee Agreement in order to induce the Lenders to make Loans. Section 20 of the Guarantee Agreement provides that additional Subsidiaries may become Guarantors under the Guarantee Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Guarantor") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Guarantor under the Guarantee Agreement in order to induce the Lenders to make additional Loans and as consideration for Loans previously made.

Accordingly, the Administrative Agent and the New Guarantor agree as follows:

In accordance with Section 20 of the Guarantee Agreement, the New Guarantor by its signature below becomes a Guarantor under the Guarantee Agreement with the same force and effect as if originally named therein as a Guarantor, and the New Guarantor hereby (a) agrees to all the terms and provisions of the Guarantee Agreement applicable to it as a Guarantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Guarantor thereunder are true and correct on and as of the date hereof. Each reference to a "Guarantor" in the Guarantee Agreement shall be deemed to include the New Guarantor. The Guarantee

Agreement is hereby incorporated herein by reference.

The New Guarantor represents and warrants to the Administrative Agent and the other Credit Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

This Supplement may be executed in counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one contract. This Supplement shall become effective when the Administrative Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Guarantor and the Administrative Agent. Delivery of an executed counterpart of this Supplement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Supplement.

Except as expressly supplemented hereby, the Guarantee Agreement shall remain in full force and effect.

THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Guarantee Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision hereof in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

All communications and notices hereunder shall be in writing and given as provided in Section 14 of the Guarantee Agreement. All communications and notices hereunder to the New Guarantor shall be given to it at the address set forth under its signature below. The New Guarantor agrees to reimburse the Administrative Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, disbursements and other charges of counsel for the Administrative Agent. IN WITNESS WHEREOF, the New Guarantor and the Administrative Agent have duly executed this Supplement to the Guarantee Agreement as of the day and year first above written.

[Name of New Guarantor]

By:

Name:

Title:

Address:

Attention:

Telephone No.: (____) ____-____

Facsimile No.: (____) ____-____

THE BANK OF NEW YORK,

as Administrative Agent

By:
Name:
Title:

EXHIBIT E
FORM OF SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of November __, 2001, among LIFETIME HOAN CORPORATION, a Delaware corporation (the "Borrower"), each of the Subsidiaries of the Borrower from time to time party hereto (each such Subsidiary, individually, a "Guarantor" and, collectively, the "Guarantors"; the Guarantors and the Borrower are referred to herein individually as a "Grantor" and collectively as the "Grantors") and THE BANK OF NEW YORK, as Administrative Agent for the Lenders from time to time party to the credit agreement referred to below (in such capacity, the "Administrative Agent").

Reference is made to the Credit Agreement, dated as of November __, 2001 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among the Borrower, the Lenders from time to time party thereto and the Administrative Agent.

The Lenders have agreed to make Loans to, and otherwise extend credit on behalf of, the Borrower pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. Each of the Guarantors has agreed to guarantee, among other things, all the obligations of each Loan Party under the Loan Documents. The obligations of the Lenders to make Loans and otherwise extend credit are conditioned upon, among other things, the execution and delivery by the Grantors of an agreement in the form hereof to secure the Obligations.

Accordingly, the Grantors and the Administrative Agent hereby agree as follows:

Definitions

Unless the context otherwise requires, capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

As used herein, the following terms shall have the following meanings:

"Account Debtor": as defined in the NYUCC.

"Accounts": as defined in the NYUCC.

"Accounts Receivable": all Accounts and all right, title and interest in any returned goods, together with all rights, titles, securities and guarantees with respect thereto, including any rights to stoppage in transit, replevin, reclamation and resales, and all related security interests, liens and pledges, whether voluntary or involuntary, in each case whether now existing or owned or hereafter arising or acquired.

"Chattel Paper": as defined in the NYUCC.

"Collateral": with respect to any Grantor, all personal property of every kind and nature, wherever located, whether now owned or hereafter acquired or arising, and all Proceeds and products thereof, including, without limitation, all (i)

Accounts Receivable, (ii) Equipment, (iii) General Intangibles, (iv) Inventory, (v) Instruments, (vi) Pledged Debt, (vii) Pledged Equity, (viii) Documents, (ix) Chattel Paper (whether tangible or electronic), (x) Deposit Accounts, (xi) Letter of Credit Rights (whether or not the letter of credit is evidenced in writing), (xii) Commercial Tort Claims, (xiii) Intellectual Property, (xiv) Supporting Obligations, (xv) any other contract rights or rights to the payment of money, (xvi) insurance claims and proceeds, (xvii) tort claims and (xviii) unless otherwise agreed upon in writing by such Grantor and the Lender, other property owned or held by or on behalf of such Grantor that may be delivered to and held by the Lender pursuant to the terms hereof. Notwithstanding anything to the contrary in any Loan Document, for purposes hereof, the term "Collateral" shall not include any right under any General Intangible if the granting of a security interest therein or an assignment thereof would violate any

enforceable provision of such General Intangible.

"Commercial Tort Claims": as defined in the NYUCC.

"Copyright License": any written agreement, now or hereafter in effect, granting any right to any third party under any Copyright now or hereafter owned by any Grantor or which such Grantor otherwise has the right to license, or granting any right to such Grantor under any Copyright now or hereafter owned by any third party, and all rights of such Grantor under any such agreement.

"Copyrights": all of the following now owned or hereafter acquired by any Grantor: (i) all copyright rights in any work subject to the copyright laws of the United States or any other country, whether as author, assignee, transferee or otherwise, and (ii) all registrations and applications for registration of any such copyright in the United States or any other country, including registrations, recordings, supplemental registrations and pending applications for registration in the United States Copyright Office, including those listed on Schedule 6 to the Perfection Certificate.

"Deposit Accounts": as defined in the NYUCC.

"Documents": as defined in the NYUCC.

"Equipment": as defined in the NYUCC, and shall include, without limitation, all equipment, furniture and furnishings, and all tangible personal property similar to any of the foregoing, including tools, parts and supplies of every kind and description, and all improvements, accessions or appurtenances thereto, that are now or hereafter owned by any Grantor.

"Equity Interests": with respect to (i) a corporation, the capital stock thereof, (ii) a partnership, any partnership interest therein, including all rights of a partner in such partnership, whether arising under the partnership agreement of such partnership or otherwise, (iii) a limited liability company, any membership interest therein, including all rights of a member of such limited liability company, whether arising under the limited liability company agreement of such limited liability company or otherwise, (iv) any other firm, association, trust, business enterprise or other entity that is similar to any other Person listed in clauses (i), (ii) and (iii), and this clause (iv), of this definition, any equity interest therein or any other interest therein that entitles the holder thereof to share in the net assets, revenue, income, earnings or losses thereof or to vote or otherwise participate in any election of one or more members of the managing body thereof and (vi) all warrants and options in respect of any of the foregoing and all other securities that are convertible or exchangeable therefor.

"General Intangibles": as defined in the NYUCC, and shall include, without limitation, all corporate or other business records, indemnification claims, contract rights (including rights under leases, whether entered into as lessor or lessee, interest rate protection agreements and other agreements), Intellectual Property, goodwill, registrations, franchises, tax refund claims, guarantee, claim, security interest or other security held by or granted to any Grantor to secure payment by an Account Debtor of any of the Accounts Receivable or payment by the relevant obligor of any of the Pledged Debt.

"Intellectual Property": all intellectual and similar property of any Grantor of every kind and nature now owned or hereafter acquired by any Grantor, including inventions, designs, Patents, Copyrights, Trademarks, Licenses, trade secrets, confidential or proprietary technical and business information, customer lists, know-how, show-how or other data or information, software and databases and all embodiments or fixations thereof and related documentation, registrations and franchises, and all additions, improvements and accessions to, and books and records describing or used in connection with, any of the foregoing.

"Inventory": as defined in the NYUCC, and shall include, without limitation, all goods of any Grantor, whether now owned or hereafter acquired, held for sale or lease, or furnished or to be furnished by any Grantor under contracts of service, or consumed in any Grantor's business, including raw materials, intermediates, work in process, packaging materials, finished goods, semi-finished inventory, scrap inventory, manufacturing supplies and spare parts, and all such goods that have been returned to or repossessed by or on behalf of any Grantor.

"Letter of Credit Rights": as defined in the NYUCC.

"License": any Patent License, Trademark License, Copyright

License or other license or sublicense to which any Grantor is a party, including those listed on Schedule 6 to the Perfection Certificate.

"NYUCC": the UCC as in effect from time to time in the State of New York.

"Obligations": (i) the due and punctual payment of (x) principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, the Bankers Acceptance Exposure or the Letter of Credit Exposure, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, and (y) all other monetary obligations, including fees, commissions, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Borrower or any Guarantor to any Credit Party under the Credit Agreement and the other Loan Documents, or that are otherwise payable to any Credit Party under the Credit Agreement and the other Loan Documents, (ii) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Borrower or any Guarantor under or pursuant to the Credit Agreement and the other Loan Documents and (iii) unless otherwise agreed upon in writing by the Required Lenders, all obligations of the Borrower, monetary or otherwise, under each Hedging Agreement entered into with any Lender (or an Affiliate thereof) as a counterparty.

"Patent License": any written agreement, now or hereafter in effect, granting to any third party any right to make, use or sell any invention on which a Patent, now or hereafter owned by any Grantor or which any Grantor otherwise has the right to license, is in existence, or granting to any Grantor any right to make, use or sell any invention on which a Patent, now or hereafter owned by any third party, is in existence, and all rights of any Grantor under any such agreement.

"Patents": all of the following now owned or hereafter acquired by any Grantor: (i) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or any other country, including registrations, recordings and pending applications in the United States Patent and Trademark Office or any similar offices in any other country, including those listed on Schedule 6 to the Perfection Certificate, and (ii) all reissues, continuations, divisions, continuations-in-part, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use or sell the inventions disclosed or claimed therein.

"Perfection Certificate" means a certificate substantially in the form of Annex 1, completed and supplemented with the schedules and attachments contemplated thereby, and duly executed by a Vice President or Financial Officer of the Borrower.

"Pledged Debt" means all right, title and interest of any Grantor to the payment of any loan, advance or other debt of every kind and nature (other than Accounts Receivable and General Intangibles), whether due or to become due, whether or not it has been earned by performance, and whether now or hereafter acquired or arising in the future, other than intercompany debt among the Guarantors incurred for cash management purposes in the ordinary course of business.

"Pledged Equity" means, with respect to any Grantor, all right, title and interest of such Grantor in any Equity Interests (other than Equity Interests in the Prestige Subsidiaries), whether now or hereafter acquired or arising in the future.

"Pledged Securities" means the Pledged Debt, the Pledged Equity and all notes, chattel paper, instruments, certificates, files, records, ledger sheets and documents covering, evidencing, representing or relating to any of the foregoing, in each case whether now existing or owned or hereafter arising or acquired.

"Proceeds": as defined in the NYUCC, and shall include, without limitation, any consideration received from the sale, exchange, license, lease or other disposition of any asset or property that constitutes Collateral, any value received as a

consequence of the possession of Collateral and any payment received from any insurer or other person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property that constitutes Collateral, including (i) any claim of any Grantor against any third party for (and the right to sue and recover for and the rights to damages or profits due or accrued arising out of or in connection with) past, present or future infringement or dilution of any Intellectual

Property now or hereafter owned by any Grantor, or licensed under any license, (ii) subject to Section 6, all rights and privileges with respect to, and all payments of principal or interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of, in exchange for or upon the conversion of, any of the Pledged Securities and (iii) any and all other amounts from time to time paid or payable under or in connection with the Collateral.

"Secured Parties": collectively, (i) the Lenders, (ii) the Administrative Agent and (iii) and the successors and assigns of each of the foregoing.

"Security Interest": as defined in Section 2(a).

"Supporting Obligations": as defined in the NYUCC.

"Trademark License": any written agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned by any Grantor or which any Grantor otherwise has the right to license, or granting to any Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of any Grantor under any such agreement.

"Trademarks": all of the following now owned or hereafter acquired by any Grantor: (a) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office, any State of the United States or any similar offices in any other country or any political subdivision thereof, and all extensions or renewals thereof, including those listed on Schedule 6 to the Perfection Certificate, (b) all goodwill associated therewith or symbolized thereby and (c) all other assets, rights and interests that uniquely reflect or embody such goodwill.

"UCC": with respect to any jurisdiction, the Uniform Commercial Code as from time to time in effect in such jurisdiction.

The principles of construction specified in Section 1.02 of the Credit Agreement shall be applicable to this Security Agreement.

Grant of Security Interest; No Assumption of Liability

As security for the payment or performance, as applicable, in full of the Obligations, each of the Grantors hereby bargains, sells, conveys, assigns, sets over, pledges, hypothecates and transfers to the Administrative Agent for the ratable benefit of the Secured Parties, and hereby grants to the Administrative Agent for the ratable benefit of the Secured Parties, a security interest in, all of the right, title and interest of such Grantor in, to and under the Collateral (the "Security Interest"). Without limiting the foregoing, the Administrative Agent is hereby authorized to file one or more financing statements, continuation statements, recordation filings or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest granted by each of the Grantors, without the signature of any Grantor, and naming any Grantor or the Grantors, as applicable, as debtors and the Administrative Agent as secured party.

The Security Interest is granted as security only and shall not subject the any Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Collateral.

Delivery of the Collateral

Each of the Grantors agrees promptly to deliver or cause to be delivered to the Administrative Agent any and all notes, chattel paper, instruments, certificates, files, records, ledger sheets and documents covering, evidencing,

representing or relating to any of the Pledged Securities, or any other amount that becomes payable under or in connection with any Collateral, owned or held by or on behalf of such Grantor, in each case accompanied by (i) in the case of any notes, chattel paper, instruments or stock certificates, stock powers duly executed in blank or other instruments of transfer satisfactory to the Administrative Agent and such other instruments and documents as the Administrative Agent may reasonably request and (ii) in all other cases, proper instruments of assignment duly executed by such Grantor and such other instruments or documents as the Administrative Agent may reasonably request. Each Grantor will cause any Pledged Debt owed or owing to such Grantor by any Person to be evidenced by a duly executed promissory note that is pledged and delivered to the Administrative Agent pursuant to the terms hereof.

Representations and Warranties

Each of the Grantors, jointly with the others and severally, represents and warrants to the Secured Parties that:

Such Grantor has good and valid rights in and title to the Collateral and has full power and authority to grant to the Administrative Agent for the ratable benefit of the Secured Parties the Security Interest in the Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Security Agreement, without the consent or approval of any other person other than any consent or approval which has been obtained.

The Perfection Certificate, to the extent it relates to such Grantor or any of its Property, has been duly prepared, completed and executed and the information set forth therein is correct and complete.

The Security Interest constitutes (i) a legal and valid Lien on and security interest in all of the Collateral securing the payment and performance of the Obligations, (ii) subject to (A) filing Uniform Commercial Code financing statements, or other appropriate filings, recordings or registrations containing a description of the Collateral owned or held by or on behalf of such Grantor (including, without limitation, a counterpart or copy of this Security Agreement) in each applicable governmental, municipal or other office and (B) the delivery to the Lender of any instruments or certificated securities included in such Collateral, a perfected security interest in such Collateral to the extent that a security interest may be perfected by filing, recording or registering a financing statement or analogous document, or by the Administrative Agent's taking possession, in the United States (or any political subdivision thereof) and its territories and possessions pursuant to the UCC or other applicable law in such jurisdictions and (iii) subject to the receipt and recording of this Agreement or other appropriate instruments or certificates with the United States Patent and Trademark Office and the United States Copyright Office, as applicable, a security interest that shall be perfected in all Collateral consisting of Intellectual Property in which a security interest may be perfected by a filing or recordation with the United States Patent and Trademark Office or the United States Copyright Office, as applicable.

The Security Interest is and shall be prior to any other Lien on any of the Collateral owned or held by or on behalf of such Grantor other than Liens expressly permitted pursuant to the Loan Documents. The Collateral owned or held by or on behalf of such Grantor is so owned or held by it free and clear of any Lien, except for Liens expressly permitted pursuant to the Loan Documents.

With respect to each Account Receivable: (i) no transaction giving rise to such Account Receivable violated or will violate any applicable federal, state or local law, rule or ordinance, the violation of which could reasonably be expected to have a Material Adverse Effect, (ii) except for Accounts Receivable subject to Permitted Factoring Arrangements, each such Account Receivable is not subject to terms prohibiting the assignment thereof or requiring notice or consent to such assignment, except for notices and consents that have been obtained and (iii) each such Account Receivable represents a bona fide transaction which requires no further act on such Grantor's part to make such Account Receivable payable by the account debtor with respect thereto, and, to the Grantor's knowledge, such Account Receivable is not subject to any

offsets or deductions other than credits to customers in the ordinary course of business and does not represent any consignment sales, guaranteed sale, sale or return or other similar understanding or any obligation of any Affiliate of such Grantor.

With respect to all Inventory: (i) such Inventory is located on the premises set forth in the Perfection Certificate, or is Inventory in transit for sale in the ordinary course of business, (ii) no such Inventory is subject to any Lien other than Liens permitted by Section 7.02 of the Credit Agreement, and (iii) except as permitted hereby or by the Credit Agreement, no such Inventory is on consignment or is now stored or shall be stored any time after the Effective Date with a bailee, warehouseman or similar Person.

Covenants

Each of the Grantors shall provide the Administrative Agent with not less than 15 Business Days prior written notice of any change (i) in its legal name, (ii) in its jurisdiction of organization or formation, (iii) in the location of its chief executive office or principal place of business, (iv) in its identity or legal or organizational structure or (v) in its organization identification number or its Federal Taxpayer Identification Number and shall execute and deliver to the Administrative Agent such instruments, agreements and documents as the Administrative Agent shall reasonably request so that the Administrative Agent may make all filings under the UCC or otherwise that are required in order for the Administrative Agent to continue at all times following such change to have a valid, legal and perfected first priority security interest in all the Collateral (subject only to Liens expressly permitted to be prior to the Security Interest pursuant to the Loan Documents). Each Grantor shall promptly notify the Administrative Agent if any material portion of the Collateral owned or held by or on behalf of such Grantor is damaged or destroyed.

Each of the Grantors shall maintain, at its own cost and expense, such complete and accurate records with respect to the Collateral owned or held by it or on its behalf as is consistent with its current practices and in accordance with such prudent and standard practices used in industries that are the same as or similar to those in which it is engaged, but in any event to include complete accounting records indicating all payments and proceeds received with respect to any part of such Collateral, and, at such time or times as the Administrative Agent may reasonably request, promptly to prepare and deliver to the Administrative Agent copies of such records a duly certified by an officer of such Grantor.

Each year, at the time of delivery of annual financial statements with respect to the preceding fiscal year pursuant to Section 6.01(a) of the Credit Agreement, the Borrower shall deliver to the Administrative Agent a certificate executed by an Authorized Signatory of the Borrower, (i) setting forth the information required pursuant to Sections 1, 2(a), 4 and 5 of the Perfection Certificate or confirming that there has been no change in such information since the date of the Perfection Certificate or the date of the most recent certificate delivered pursuant to this paragraph and (ii) certifying that the Borrower and the Grantors are in compliance with all of the terms of this Security Agreement.

Each of the Grantors shall, at its own cost and expense, take any and all actions reasonably necessary to defend title to the Collateral owned or held by it or on its behalf against all persons and to defend the Security Interest of the Administrative Agent in such Collateral and the priority thereof against any Lien not expressly permitted pursuant to the Loan Documents.

Each of the Grantors shall, at its own expense, execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents and take all such actions as the Administrative Agent may from time to time reasonably request to preserve, protect and perfect the Security Interest granted by it and the rights and remedies created hereby, including the payment of any fees and taxes required in connection with its execution and delivery of this Security Agreement, the granting by it of the Security Interest and the filing of any financing statements or other documents in connection herewith or therewith.

The Administrative Agent and such persons as the Administrative Agent may reasonably designate shall have the right, at the cost and expense of the Grantors, and upon

reasonable prior notice, at reasonable times and during normal business hours, to inspect all of its records (and to make extracts and copies from such records), to discuss its affairs with its officers and independent accountants and to verify under reasonable procedures the validity, amount, quality, quantity, value, condition and status of, or any other matter relating to, the Collateral owned or held by it or on its behalf, including, in the case of Accounts, Pledged Debt or Collateral in the possession of any third person, by contacting Account Debtors, obligors or the third person possessing such Collateral for the purpose of making such a verification.

Each of the Grantors shall remain liable to observe and perform all the conditions and obligations to be observed and performed by it under each contract, agreement or instrument relating to the Collateral, all in accordance with the terms and conditions thereof, and such Grantor shall, jointly with the others and severally, indemnify and hold harmless the Secured Parties from and against any and all liability for such performance.

None of the Grantors shall make or permit to be made an assignment, pledge or hypothecation of the Collateral owned or held by it or on its behalf, or shall grant any other Lien in respect of such Collateral, except as expressly permitted by the Loan Documents. Except for the Security Interest, no Grantor shall make or permit to be made any transfer of such Collateral, and each Grantor shall remain at all times in possession of such Collateral and shall remain the direct owner, beneficially and of record, of the Pledged Equity included in such Collateral, except that prior to the occurrence and during the continuance of an Event of Default, the Grantors may use and dispose of the Collateral in any lawful manner not inconsistent with the provisions of this Security Agreement, the Credit Agreement or any other Loan Document, including the sale of Inventory or the disposition of Equipment in the ordinary course of business. Without limiting the generality of the foregoing, each Grantor shall not permit any Inventory to be in the possession or control of any warehouseman, bailee, agent or processor at any time unless such warehouseman, bailee, agent or processor shall have been notified of the Security Interest and shall have agreed in writing to hold such Inventory subject to the Security Interest and the instructions of the Administrative Agent and to waive and release any Lien held by it with respect to such Inventory, whether arising by operation of law or otherwise.

None of the Grantors will, without the Administrative Agent's prior written consent, grant any extension of the time of payment of any Accounts Receivable or any of the Pledged Debt, compromise, compound or settle the same for less than the full amount thereof or allow any credit or discount whatsoever thereon, other than extensions, credits, discounts, compromises or settlements granted or made in the ordinary course of business and consistent with its current practices. The Grantors, at their own expense, shall maintain or cause to be maintained insurance covering physical loss or damage to the Inventory and Equipment in accordance with Section 6.10 of the Credit Agreement, which insurance shall be against all risks. The Grantors shall not modify any such insurance or reduce amounts payable thereunder without the consent of the Administrative Agent. All policies covering such insurance (i) shall contain a standard loss payable clause and shall name the Administrative Agent for the ratable benefit of the Secured Parties as sole loss payee in respect of each claim relating to the Collateral and resulting in a payment thereunder and (ii) shall be indorsed to provide, in respect of the interests of the Administrative Agent, that (A) the Administrative Agent shall be an additional insured, (B) 30 days' prior written notice of any cancellation thereof shall be given to the Administrative Agent and (C) in the event that any Grantor at any time or times shall fail to pay any premium in whole or part relating thereto, the Administrative Agent may, in its sole discretion, pay such premium. Each Grantor irrevocably makes, constitutes and appoints the Administrative Agent (and all officers, employees or agents designated by the Administrative Agent) as such Grantor's true and lawful agent (and attorney-in-fact) for the purpose, during the continuance of an Event of Default, of making, settling and adjusting claims in respect of Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft,

instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto. In the event that any Grantor at any time or times shall fail to obtain or maintain any of the policies of insurance required hereby or to pay any premium in whole or part relating thereto, the Administrative Agent may, without waiving or releasing any obligation or liability of the Grantors hereunder or any Event of Default, in its sole discretion, obtain and maintain such policies of insurance and pay such premium and take any other actions with respect thereto as the Administrative Agent deems advisable. All sums disbursed by the Administrative Agent in connection with this paragraph, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable, upon demand, by the Grantors to the Administrative Agent and shall be additional Obligations secured hereby.

Each Grantor shall legend its Accounts Receivable, its Pledged Debt and its books, records and documents evidencing or pertaining thereto with an appropriate reference to the fact that such Accounts Receivable have been assigned to the Administrative Agent for the ratable benefit of the Secured Parties and that the Administrative Agent has a security interest therein for the ratable benefit of the Secured Parties.

Each Grantor shall: (i) not (and shall cause each of its licensees not to) do any act, or omit to do any act, whereby any Patent that is material to the conduct of such Grantor's business may become invalidated or dedicated to the public; (ii) (and shall cause each of its licensees to) continue to mark any products covered by a Patent with the relevant patent number as necessary and sufficient to establish and preserve its maximum rights under applicable patent laws; (iii) for each Trademark material to the conduct of such Grantor's business, (A) maintain (and shall cause each of its licensees to maintain) such Trademark in full force free from any claim of abandonment or invalidity for non-use, (B) maintain (and shall cause each of its licensees to maintain) the quality of products and services offered under such Trademark, (C) display (and shall cause each of its licensees to display) such Trademark with notice of federal or foreign registration to the extent necessary and sufficient to establish and preserve its rights under applicable law and (D) not knowingly use or knowingly permit the use of such Trademark in violation of any third party valid and legal rights; (iv) for each work covered by a Copyright material to the conduct of such Grantor's business, continue to publish, reproduce, display, adopt and distribute the work with appropriate copyright notice as necessary and sufficient to establish and preserve its maximum rights under applicable copyright laws; (v) notify the Administrative Agent promptly if it knows or has reason to know that any Intellectual Property material to the conduct of its business may become abandoned, lost or dedicated to the public, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, United States Copyright Office or any court or similar office of any country) regarding such Grantor's ownership of any Intellectual Property, its right to register the same, or to keep and maintain the same; (vi) promptly inform the Administrative Agent in the event that it shall, either itself or through any agent, employee, licensee or designee, file an application for any Intellectual Property (or for the registration of any Trademark or copyright) with the United States Patent and Trademark Office, United States Copyright Office or any office or agency in any political subdivision of the United States or in any other country or any political subdivision thereof, and, upon request of the Required Lenders, execute and deliver any and all agreements, instruments, documents and papers as the Administrative Agent may request to evidence the Administrative Agent's security interest in such Patent, Trademark or Copyright, and each Grantor hereby appoints the Administrative Agent as its attorney-in-fact to execute and file upon the occurrence and during the continuance of an Event of Default such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power, being coupled with an interest, is irrevocable; and (vii) take all necessary steps that are consistent with the practice in any proceeding before the United States Patent and Trademark Office, United

States Copyright Office or any office or agency in any political subdivision of the United States or in any other country or any political subdivision thereof, to maintain and pursue each material application relating to the Patents, Trademarks or Copyrights (and to obtain the relevant grant or registration) and to maintain each issued Patent and each registration of the Trademarks and Copyrights that is material to the conduct of such Grantor's business, including timely filings of applications for renewal, affidavits of use, affidavits of incontestability and payment of maintenance fees, and, if consistent with good business judgment, to initiate opposition, interference and cancellation proceedings against third parties. In the event that any Grantor has reason to believe that any Collateral consisting of a Patent, Trademark or Copyright material to the conduct of any Grantor's business has been or is about to be infringed, misappropriated or diluted by a third party, such Grantor promptly shall notify the Administrative Agent and shall, if consistent with good business judgment, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and take such other actions as are appropriate under the circumstances to protect such Collateral. Upon and during the continuance of an Event of Default, each Grantor shall use its best efforts to obtain all requisite consents or approvals by the licensor of each Copyright License, Patent License or Trademark License to effect the assignment of all of such Grantor's right, title and interest thereunder to the Administrative Agent or its designee.

Certain Rights as to the Collateral; Attorney-In-Fact

So long as no Event of Default shall have occurred and be continuing:

Each Grantor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Collateral or any part thereof for any purpose not inconsistent with the terms of this Security Agreement and the other Loan Documents, provided, that such Grantor shall not exercise or refrain from exercising any such right without the prior written consent of the Administrative Agent if such action or inaction would have a material adverse effect on the value of the Collateral, or any part thereof, or the validity, priority or perfection of the security interests granted hereby or the remedies of the Secured Parties hereunder.

Each Grantor shall be entitled to receive and retain any and all dividends, principal, interest and other distributions paid in respect of the Collateral to the extent not prohibited by this Security Agreement or the other Loan Documents, provided, that any and all (A) dividends, principal, interest and other distributions paid or payable other than in cash in respect of, and instruments (other than checks in payment of cash dividends) and other Property received, receivable or otherwise distributed in respect of, or in exchange for, Collateral, (B) dividends and other distributions paid or payable in cash in respect of any Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and (C) cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Collateral, shall be, and shall forthwith be delivered to the Administrative Agent to be held as, Collateral and shall, if received by such Grantor, be received in trust for the benefit of the Administrative Agent, be segregated from the other Property of such Grantor, and be forthwith delivered to the Administrative Agent as Collateral in the same form as so received (with any necessary indorsement or assignment).

The Administrative Agent shall execute and deliver (or cause to be executed and delivered) to the Grantors, at the Grantors' expense) all such proxies and other instruments as the Grantors may reasonably request for the purpose of enabling the Grantors to exercise the voting and other rights which it is entitled to exercise pursuant to clause (i) above and to receive the dividends, principal or interest payments, or other distributions which it is authorized to receive and retain pursuant to clause (ii) above.

Upon the occurrence and during the continuance of an Event of Default:

All rights of each Grantor to (A) exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 6(a)(i) shall, upon notice to such Grantor by the Administrative Agent, cease and (B) receive the dividends, principal and interest payments and other distributions which it would otherwise be authorized to receive and retain pursuant to Section 6(a)(ii) shall automatically cease, and all such rights shall thereupon become vested in the Administrative Agent, which

shall thereupon have the right, but not the obligation, to exercise such voting and other consensual rights and to receive and hold as Collateral such dividends, principal or interest payments and distributions.

All dividends, principal and interest payments and other distributions which are received by any Grantor contrary to the provisions of Section 6(b)(i) shall be received in trust for the benefit of the Administrative Agent, shall be segregated from other funds of such Grantor and shall be forthwith paid over to the Administrative Agent as Collateral in the same form as so received (with any necessary indorsement).

In the event that all or any part of the securities or instruments constituting the Collateral are lost, destroyed or wrongfully taken while such securities or instruments are in the possession of the Administrative Agent, the Grantors shall cause the delivery of new securities or instruments in place of the lost, destroyed or wrongfully taken securities or instruments upon request therefor by the Administrative Agent without the necessity of any indemnity bond or other security other than the Secured Parties' agreement or indemnity therefor customary for security agreements similar to this Security Agreement.

Each Grantor hereby irrevocably appoints the Administrative Agent such Grantor's attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor or otherwise, from time to time at any time when an Event of Default exists, in the Administrative Agent's discretion, to take any action and to execute any instrument which the Administrative Agent may deem necessary or advisable to accomplish the purposes of this Security Agreement, including, without limitation:

to ask for, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral, and to receive, indorse, and collect any drafts or other chattel paper, instruments and documents in connection therewith,

to file any claims or take any action or institute any proceedings which the Administrative Agent may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Administrative Agent or any of the other Secured Parties with respect to any of the Collateral, and

to receive, indorse and collect all instruments made payable to such Grantor representing any dividend, principal payment, interest payment or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same. The powers granted to the Administrative Agent under this Section constitute a power coupled with an interest which shall be irrevocable by such Grantor and shall survive until all of the Obligations have been indefeasibly paid in full in cash.

If any Grantor fails to perform any agreement contained herein, the Administrative Agent, ten days after notice to such Grantor (except that no notice will be required upon and during the continuance of an Event of Default), may itself perform, or cause performance of, such agreement, and the reasonable expenses of the Administrative Agent incurred in connection therewith shall be payable by the Grantors under Section 9.

The powers conferred on the Administrative Agent hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Administrative Agent shall have no duty as to any Collateral. The Administrative Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Administrative Agent accords its own property.

Remedies upon Default

Upon the occurrence and during the continuance of an Event of Default, each of the Grantors shall deliver each item of Collateral to the Administrative Agent on demand, and the Administrative Agent shall have in any jurisdiction in which enforcement hereof is sought, in addition to any other rights and remedies, the rights and remedies of a secured party under the NYUCC or the UCC of any jurisdiction in which the Collateral is located, including, without limitation, the right, with or without legal process (to the extent permitted by law) and with or without prior notice or demand for performance, to take possession of the Collateral and without

liability for trespass (to the extent permitted by law) to enter any premises where the Collateral may be located for the purpose of taking possession of or removing the Collateral (and for that purpose the Administrative Agent may, so far as the Grantors can give authority therefor, enter upon any premises on which the Collateral may be situated and remove the Collateral therefrom) and, generally, to exercise any and all rights afforded to a secured party under the UCC or other applicable law. Without limiting the generality of the foregoing, each of the Grantors agrees that the Administrative Agent shall have the right, subject to the mandatory requirements of applicable law, to sell or otherwise dispose of all or any part of the Collateral, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Lender shall deem appropriate. Each such purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of any Grantor, and each of the Grantors hereby waives (to the extent permitted by law) all rights of redemption, stay, valuation and appraisal which such Grantor or now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Administrative Agent shall give to the Borrower at least five Business Days prior written notice of the time and place of any public sale of Collateral or of the time after which any private sale or any other intended disposition is to be made. Each Grantor hereby acknowledges that five Business Days prior written notice of such sale or sales shall be reasonable notice. Each Grantor hereby waives any and all rights that it may have to a judicial hearing in advance of the enforcement of any of the Secured Parties' rights hereunder, including, without limitation, the right of the Administrative Agent following an Event of Default to take immediate possession of the Collateral and to exercise the Secured Parties' rights with respect thereto. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Administrative Agent may fix and state in the notice (if any) of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Administrative Agent may (in its sole and absolute discretion) determine. The Administrative Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Administrative Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Administrative Agent until the sale price is paid by the purchaser or purchasers thereof, but the Secured Parties shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by applicable law, private) sale made pursuant to this Section, any Secured Party may bid for or purchase, free from any right of redemption, stay, valuation or appraisal on the part of any Grantor (all said rights being also hereby waived and released), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to such Secured Party from any Grantor as a credit against the purchase price, and such Secured Party may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Grantor therefor. For purposes hereof, (i) a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof, (ii) such Secured Party shall be free to carry out such sale pursuant to such agreement and (iii) none of the Grantors shall be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after such Secured Party shall have entered into such an agreement all Events of Default shall have been remedied and

the Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Secured Parties may proceed by a suit or suits at law or in equity to foreclose upon the Collateral and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver.

Any sale pursuant to the provisions of this Section 7 shall be deemed to conform to commercially reasonable standards as provided in Section 9-610 of the NYUCC or the UCC of any other jurisdiction in which Collateral is located or any other requirement of applicable law. Without limiting the foregoing, each Grantor agrees and acknowledges that, to the extent that applicable law imposes duties on the Administrative Agent and the other Secured Parties to exercise remedies in a commercially reasonable manner, it shall be commercially reasonable for the Secured Parties to do any or all of the following: (i) fail to incur expenses deemed significant by the Secured Parties to prepare Collateral for disposition or otherwise to complete raw materials or work in process into finished goods or other finished products for disposition; (ii) fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) fail to exercise collection remedies against Account Debtors or other persons obligated on Collateral or to remove Liens on any Collateral, (iv) exercise collection remedies against Account Debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) contact other Persons, whether or not in the same business as the Grantors, for expressions of interest in acquiring all or any portion of the Collateral, (vii) hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) dispose of Collateral utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have reasonable capability of doing so, or that match buyers and sellers of assets, (ix) disclaim dispositions of warranties, (x) purchase (or fail to purchase) insurance or credit enhancements to insure the Secured Parties against risk of loss, collection or disposition of Collateral or to provide to the Secured Parties a guaranteed return from the collection or disposition of Collateral, or (xi) to the extent deemed appropriate by the Administrative Agent, obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Administrative Agent in the collection or disposition of any of the Collateral. Nothing in this Section 7 shall be construed to grant any rights to the Grantors or to impose any duties on the Secured Parties that would not have been granted or imposed by this Security Agreement or applicable law in the absence of this Section 7 and the parties hereto acknowledge that the purpose of this Section 7 is to provide non-exhaustive indications of what actions or omissions by the Administrative Agent and the other Secured Parties would be deemed commercially reasonable in the exercise by the Secured Parties of remedies against the Collateral and that other actions or omissions by the Administrative Agent or any other Secured Party shall not be deemed commercially unreasonable solely on account of not being set forth in this Section 7.

For the purpose of enabling the Administrative Agent to exercise rights and remedies under this Section, each Grantor hereby grants to the Administrative Agent an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Grantors) to use, license or sub-license any of the Collateral consisting of Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof. The use of such license by the Administrative Agent shall be exercised, at the option of the Administrative Agent, upon the occurrence and during the continuation of an Event of Default; provided that any license, sub-license or other

transaction entered into by the Administrative Agent in accordance herewith shall be binding upon the Grantors notwithstanding any subsequent cure of an Event of Default. Any royalties and other payments received by the Administrative Agent shall be applied in accordance with Section 8.

Application of Proceeds of Sale

The Administrative Agent shall apply the proceeds of any collection or sale of the Collateral, as well as any Collateral consisting of cash, first, to the payment of all costs and expenses incurred by the Secured Parties in connection with such collection or sale or otherwise in connection with this Security Agreement, any other Loan Document or any of the Obligations, including all court costs and the reasonable fees and expenses of their respective agents and legal counsel, the repayment of all advances made by the Secured Parties hereunder or under any other Loan Document on behalf of any Grantor and any other costs or expenses incurred in connection with the exercise of any right or remedy hereunder or under any other Loan Document, second, to the payment in full of the Obligations, and third, to the Grantors, their respective successors or assigns, or as a court of competent jurisdiction may otherwise direct. The Secured Parties shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Security Agreement. Upon any sale of the Collateral by the Administrative Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the purchase money by the Administrative Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Administrative Agent or such officer or be answerable in any way for the misapplication thereof.

Reimbursement of the Secured Parties

Each of the Grantors shall, jointly with the other Grantors and severally, pay upon demand to the Administrative Agent the amount of any and all reasonable expenses, including the reasonable fees, other charges and disbursements of counsel and of any experts or agents, that any Secured Party may incur in connection with (i) the administration of this Security Agreement relating to such Grantor or any of its property, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral owned or held by or on behalf of such Grantor, (iii) the exercise, enforcement or protection of any of the rights of the Secured Parties hereunder relating to such Grantor or any of its property or (iv) the failure by such Grantor to perform or observe any of the provisions hereof.

Without limitation of its indemnification obligations under the other Loan Documents, each of the Grantors shall, jointly with the other Grantors and severally, indemnify each Secured Party and its directors, officers, employees, advisors, agents, successors and assigns (each an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, damages, liabilities and related expenses, including reasonable counsel fees, other charges and disbursements, incurred by any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery by such Grantor of this Security Agreement or any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by such Grantor of its obligations under the Loan Documents and the other transactions contemplated thereby or (ii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

Any amounts payable as provided hereunder shall be additional Obligations secured hereby and by the other Security Documents. The provisions of this Section shall remain operative and in full force and effect regardless of the termination of this Security Agreement or any other Loan

Document, the consummation of the transactions contemplated hereby, the repayment of any of the Obligations, the invalidity or unenforceability of any term or provision of this Security Agreement or any other Loan Document or any investigation made by or on behalf of the Lender. All amounts due under this Section shall be payable on written demand therefor and shall bear interest at the rate specified in Section 3.01(d) of the Credit Agreement.

Waivers; Amendment

No failure or delay of the Secured Parties in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Secured Parties hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Security Agreement or any other Loan Document or consent to any departure by any Grantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Grantor in any case shall entitle such Grantor to any other or further notice or demand in similar or other circumstances.

Neither this Security Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into by, between or among the Administrative Agent and the other parties hereto with respect to which such waiver, amendment or modification is to apply.

Securities Laws; Registration Rights

In view of the position of the Grantors in relation to the Pledged Securities, or because of other current or future circumstances, a question may arise under the Securities Act of 1933, as now or hereafter in effect, or any similar statute hereafter enacted analogous in purpose or effect (such Act and any such similar statute as from time to time in effect being called the "Federal securities laws") with respect to any disposition of the Pledged Securities permitted hereunder. Each of the Grantors understands that compliance with the Federal securities laws might very strictly limit the course of conduct of the Secured Parties if the Secured Parties were to attempt to dispose of all or any part of the Pledged Securities, and might also limit the extent to which or the manner in which any subsequent transferee of any Pledged Securities could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Secured Parties in any attempt to dispose of all or part of the Pledged Securities under applicable Blue Sky or other state securities laws or similar laws analogous in purpose or effect. Each of the Grantors recognizes that in light of such restrictions and limitations, the Administrative Agent may, with respect to any sale of the Pledged Securities, limit the purchasers to those who will agree, among other things, to acquire such Pledged Securities for their own account, for investment, and not with a view to the distribution or resale thereof. Each of the Grantors acknowledges and agrees that in light of such restrictions and limitations, the Administrative Agent, in its sole and absolute discretion, (i) may proceed to make such a sale whether or not a registration statement for the purpose of registering such Pledged Securities, or any part thereof, shall have been filed under the Federal securities laws and (ii) may approach and negotiate with a single potential purchaser to effect such sale. Each of the Grantors acknowledges and agrees that any such sale might result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions. In the event of any such sale, the Administrative Agent shall incur no responsibility or liability for selling all or any part of the Pledged Securities at a price that the Administrative Agent, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might have been realized if the sale were deferred until after registration as aforesaid or if more than a single purchaser were approached. The provisions of this Section will apply notwithstanding the existence of a public or private market upon which the

quotations or sales prices may exceed substantially the price at which the Administrative Agent sells.

Each of the Grantors agrees that, upon the occurrence and during the continuance of an Event of Default, if for any reason the Administrative Agent desires to sell any of the Pledged Securities owned or held by or on behalf of such Grantor at a public sale, it will, at any time and from time to time, upon the written request of the Administrative Agent, use its best efforts to take or to cause the issuer of such Pledged Securities to take such action and prepare, distribute or file such documents, as are required or advisable in the reasonable opinion of counsel for the Administrative Agent to permit the public sale of such Pledged Securities. Each of the Grantors further agrees, jointly with the other Grantors and severally, to indemnify, defend and hold harmless the Administrative Agent, the other Secured Parties, any underwriter and their respective officers, directors, affiliates and controlling persons from and against all loss, liability, expenses, costs of counsel (including reasonable fees and expenses of legal counsel), and claims (including the costs of investigation) that they may incur, insofar as such loss, liability, expense or claim, as applicable, relates to such Grantor or any of its property, and arises out of or is based upon any alleged untrue statement of a material fact contained in any prospectus (or any amendment or supplement thereto) or in any notification or offering circular, or arises out of or is based upon any alleged omission to state a material fact required to be stated therein or necessary to make the statements in any thereof not misleading, except insofar as the same may have been caused by any untrue statement or omission based upon information furnished in writing to such Grantor or the issuer of such Pledged Securities, as applicable, by the Administrative Agent expressly for use therein. Each of the Grantors further agrees, upon such written request referred to above, to use its best efforts to qualify, file or register, or cause the issuer of such Pledged Securities to qualify, file or register, any of the Pledged Securities owned or held by or on behalf of such Grantor under the Blue Sky or other securities laws of such states as may be requested by the Administrative Agent and keep effective, or cause to be kept effective, all such qualifications, filings or registrations. Each of the Grantors will bear all costs and expenses of carrying out its obligations under this Section. Each of the Grantors acknowledges that there is no adequate remedy at law for failure by it to comply with the provisions of this Section and that such failure would not be adequately compensable in damages, and therefore agrees that its agreements contained in this Section may be specifically enforced.

Security Interest Absolute

All rights of the Administrative Agent hereunder, the Security Interest and all obligations of each of the Grantors hereunder shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Credit Agreement, any other Loan Document, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Loan Document or any other agreement or instrument relating to any of the foregoing, (c) any exchange, release or non-perfection of any Lien on any other collateral, or any release or amendment or waiver of, or consent under, or departure from, any guaranty, securing or guaranteeing all or any of the Obligations or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Grantor in respect of the Obligations or in respect of this Security Agreement or any other Loan Document other than the indefeasible payment of the Obligations in full in cash.

Notices

All communications and notices hereunder shall be in writing and given as provided in Section 10.01 of the Credit Agreement. All communications and notices hereunder to the Borrower shall be given to it at the address for notices set forth in such Section, and all communications and notices hereunder to any other Grantor shall be given to it at the address for notices set forth

on Schedule I.

Binding Effect; Several Agreement; Assignments

Whenever in this Security Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Grantor that are contained in this Security Agreement shall bind and inure to the benefit of each party hereto and its successors and assigns. This Security Agreement shall become effective as to any Grantor when a counterpart hereof executed on behalf of such Grantor shall have been delivered to the Administrative Agent and a counterpart hereof shall have been executed on behalf of the Administrative Agent, and thereafter shall be binding upon such Grantor, the Administrative Agent and the Lenders and their respective successors and assigns, and shall inure to the benefit of such Grantor, the Administrative Agent and the Lenders and their respective successors and assigns, except that none of the Grantors shall have the right to assign its rights or obligations hereunder or any interest herein or in the Collateral (and any such attempted assignment shall be void), except as expressly contemplated by this Security Agreement or the other Loan Documents. This Security Agreement shall be construed as a separate agreement with respect to each of the Grantors and may be amended, modified, supplemented, waived or released with respect to any Grantor without the approval of any other Grantor and without affecting the obligations of any other Grantor hereunder.

Survival of Agreement; Severability

All covenants, agreements, representations and warranties made by the Grantors herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Security Agreement or any other Loan Document shall be considered to have been relied upon by the Secured Parties and shall survive the execution and delivery of any Loan Documents and the making of any Loan or other extension of credit, regardless of any investigation made by the Secured Parties or on their behalf and notwithstanding that any Secured Party may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended under the Credit Agreement, and shall continue in full force and effect until this Security Agreement shall terminate.

In the event any one or more of the provisions contained in this Security Agreement or any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

GOVERNING LAW

THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Counterparts

This Security Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one contract (subject to Section 14), and shall become effective as provided in Section 14. Delivery of an executed counterpart of this Security Agreement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Security Agreement.

Headings

Section headings used herein are for convenience of reference only, are not part of this Security Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Security Agreement.

Jurisdiction; Consent to Service of Process

Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive

jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Security Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by applicable law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Security Agreement shall affect any right that any party hereto may otherwise have to bring any action or proceeding relating to this Security Agreement or the other Loan Documents in the courts of any jurisdiction.

Each of the parties hereto hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Security Agreement or the other Loan Documents in any court referred to in paragraph (a) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Each party to this Security Agreement irrevocably consents to service of process in the manner provided for notices in Section 13. Nothing in this Security Agreement will affect the right of any party to this Security Agreement to serve process in any other manner permitted by law.

WAIVER OF JURY TRIAL

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS SECURITY AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS SECURITY AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Additional Grantors

Upon execution and delivery after the date hereof by the Administrative Agent and a Subsidiary of an instrument in the form of Annex 2, such Subsidiary shall become a Grantor hereunder with the same force and effect as if originally named as a Grantor herein. The execution and delivery of any such instrument shall not require the consent of any Grantor hereunder. The rights and obligations of each of the Grantors hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Security Agreement.

Covenants of Administrative Agent and Lenders

The Administrative Agent shall provide to the Borrower copies of each filed financing statement, continuation statement or other document referred to in Section 2(a) promptly after receipt of the same. At the direction of the Required Lenders the Administrative Agent shall file this Agreement or any other instrument, certificate or other document referred to in Section 4(c)(iii) with the United States Patent and Trademark Office or the United States Copyright Office.

The security interest granted to the Secured Parties hereunder shall terminate when the Grantors shall have indefeasibly paid and discharged all of the Obligations in full in cash. Upon such indefeasible payment and discharge of the Obligations, the Administrative Agent and the Lenders shall reassign, release, or deliver to the Grantors all Collateral then held by or at the direction of the Administrative Agent, and shall execute and deliver to the Grantors (at the Grantors' sole expense) such termination statements, satisfactions, releases, reconveyances, or reassignments as the Grantors may reasonably request to evidence such termination, including, without limitation, such releases, reassignments, terminations or other documents necessary or appropriate for recording with the United States Patent and Trademark Office and the United

States Copyright Office terminating or reassigning the Secured Parties' interest in the Collateral constituting Intellectual Property.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have duly executed this Security Agreement as of the day and year first above written.
LIFETIME HOAN CORPORATION

By:
Name:
Title:

OUTLET RETAIL STORES, INC.

By:
Name:
Title:

ROSHCO, INC.

By:
Name:
Title:

M. KAMENSTEIN CORP.

By:
Name:
Title:

THE BANK OF NEW YORK, as
Administrative Agent

By:
Name:
Title:

SCHEDULE I TO SECURITY AGREEMENT

GRANTORS

Grantor	Address for Notices
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Lifetime Hoan Corporation

Outlet Retail Stores, Inc.

Roshco, Inc.

M. Kamenstein Corp.

ANNEX 1 TO SECURITY AGREEMENT

FORM OF PERFECTION CERTIFICATE

Reference is made to the Credit Agreement, dated as of November __, 2001 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), between LIFETIME HOAN CORPORATION, as Borrower, the Lenders from time to time party thereto and THE BANK OF NEW YORK, as Administrative Agent for the Lenders. Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement and the Security Agreement (as defined in the Credit Agreement).

The undersigned, an Authorized Signatory of the Borrower, hereby certifies to the Administrative Agent and the Lenders as follows:

Organization; Names; Identification
The legal name of each of the Grantors, as such name

appears in its organizational documents, is as follows:
The jurisdiction of organization or formation of each of
the Grantors is set forth opposite its name below:

Grantor	Jurisdiction of Organization or Formation
---------	--

Set forth below is each other legal name each of the
Grantors has had in the past five years, together with the
date of the relevant change:

Except as set forth in Schedule 1 hereto, none of the
Grantors has changed its identity or organizational
structure in any way within the past five years. Changes
in identity or organizational structure would include
mergers, consolidations and acquisitions, as well as any
change in the form, nature or jurisdiction of
organization. If any such change has occurred, include in
Schedule 1 hereto the information required by Sections 1
and 2 of this certificate as to each acquiree or
constituent party to a merger or consolidation.

The following is a list of all other names (including
trade names or similar appellations) used by each of the
Grantors or any of its divisions or other business units
in connection with the conduct of its business or the
ownership of its properties at any time during the past
five years:

Set forth below is the Federal Taxpayer Identification
Number of each of the Grantors:

Set forth below is the organizational identification
number of each of the Grantors, if any, issued by the
jurisdiction of such Grantor's organization:

Current Locations

The chief executive office of each of the Grantors is
located at the address set forth opposite its name below:

Grantor	Mailing Address	County	State
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Set forth below opposite the name of each Grantor are all
locations where it maintains any books or records relating
to any Accounts Receivable or Pledged Debt (with each
location at which chattel paper, if any, is kept being
indicated by an "*"):

Grantor	Mailing Address	County	State
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Set forth below opposite the name of each Grantor are all
the material places of its business not identified in
paragraph (a) or (b) above:

Grantor	Mailing Address	County	State
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Set forth below opposite the name of each Grantor are all
the locations where it maintains any Collateral not
identified above:

Grantor	Mailing Address	County	State
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Set forth below opposite the name of each of the Grantors
are the names and addresses of all persons other than such
Grantor that have possession of any of its Collateral:

Grantor	Name of Other Person	Mailing Address	County	State
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Unusual Transactions. All Accounts Receivable and Pledged Debt
have been originated by the Grantors and all Inventory has
been acquired by the Grantors in the ordinary course of
business.

Pledged Equity. Attached hereto as Schedule 4 is a true and
correct list of all of the Pledged Equity owned or held by or
on behalf of each of the Grantors, in each case setting forth
the name of the issuer of such Pledged Equity, the number of
any certificate evidencing such Pledged Equity, the registered
owner of such Equity Interest, the number and class of such
Pledged Equity and the percentage of the issued and
outstanding Equity Interests of such class represented by such

Pledged Equity. The Pledged Equity has been duly authorized and validly issued and is fully paid and nonassessable. Pledged Debt. Attached hereto as Schedule 5 is a true and correct list of (a) all of the Pledged Debt owned by or on behalf of each of the Grantors, in each case setting forth the name of the party from whom such Pledged Debt is owed or owing, the principal amount thereof, the date of incurrence thereof and the maturity date, if any, with respect thereto and (b) all unpaid intercompany transfers of goods sold and delivered, or services rendered, by or to any Grantor. All Pledged Debt owed or owing to each Grantor will be on and as of the date hereof evidenced by one or more promissory notes pledged to the Administrative Agent under the Security Agreement.

Intellectual Property. Attached hereto as Schedule 6 is a true and correct list of Intellectual Property owned by or on behalf of each of the Grantors, in each case identifying each Copyright, Copyright License, Patent, Patent License, Trademark and Trademark License in sufficient detail and setting forth with respect to each such Copyright, Copyright License, Patent, Patent License, Trademark and Trademark License, the registration number, the date of registration, the jurisdiction of registration and the date of expiration thereof.

IN WITNESS WHEREOF, the undersigned have duly executed this certificate on this ____ day of November 2001.

LIFETIME HOAN CORPORATION

By:
Name:
Title:

SCHEDULE 1 TO PERFECTION CERTIFICATE

Change in Identity or Organizational Structure

SCHEDULE 4 TO PERFECTION CERTIFICATE

Pledged Equity

SCHEDULE 5 TO PERFECTION CERTIFICATE

Pledged Debt

SCHEDULE 6 TO PERFECTION CERTIFICATE

Intellectual Property

I. Copyrights

II. Copyright Licenses

III. Patents

IV. Patent Licenses

V. Trademarks

VI. Trademark Licenses

ANNEX 2 TO SECURITY AGREEMENT

FORM OF SUPPLEMENT

SUPPLEMENT NO. __, dated as of _____, 200__, to the SECURITY AGREEMENT, dated as of November __, 2001 (as amended, supplemented or otherwise modified from time to time, the "Security Agreement"), among LIFETIME HOAN CORPORATION, a Delaware corporation (the "Borrower"), the Subsidiaries of the Borrower party thereto and THE BANK OF NEW YORK, as Administrative Agent for the Lenders from time to time party

to the credit agreement referred to below (in such capacity, the "Administrative Agent").

A. Reference is made to the Credit Agreement, dated as of November __, 2001 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among the Borrower, the Lenders from time to time party thereto and the Administrative Agent. Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement and the Security Agreement.

B. The Grantors have entered into the Security Agreement in order to induce the Lenders to make Loans and otherwise extend credit on behalf of the Borrower. Section 21 of the Security Agreement provides that additional Subsidiaries of the Borrower may become Grantors under the Security Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Grantor") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Grantor under the Security Agreement in order to induce the Lenders to make additional Loans and extensions of credit and as consideration for Loans and extensions of credit previously made.

Accordingly, the Administrative Agent and the New Grantor agree as follows:

Section 1. In accordance with Section 21 of the Security Agreement, the New Grantor by its signature below becomes a Grantor under the Security Agreement with the same force and effect as if originally named therein as a Grantor, and the New Grantor hereby agrees to all the terms and provisions of the Security Agreement applicable to it as a Grantor thereunder. In furtherance of the foregoing, the New Grantor, as security for the payment and performance in full of the Obligations, does hereby create and grant to the Administrative Agent for the ratable benefit of the Lenders a security interest in and lien on all of the New Grantor's right, title and interest in and to the Collateral (as defined in the Security Agreement) of the New Grantor. Each reference to a "Grantor" in the Security Agreement shall be deemed to include the New Grantor. The Security Agreement is hereby incorporated herein by reference.

The New Grantor represents and warrants to the Administrative Agent that (a) this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, (b) set forth on the Schedule attached hereto is a true and complete schedule of all of the information that would have been required to have been delivered by or on behalf of the New Grantor pursuant to the Security Agreement, the Schedules thereto and the Perfection Certificate if the New Grantor had been originally named in the Security Agreement and (c) the representations and warranties made by it as a Grantor under the Security Agreement are true and correct on and as of the date hereof based upon the applicable information referred to in clause (b) of this Section.

This Supplement may be executed in counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one contract. This Supplement shall become effective when the Administrative Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Grantor and the Administrative Agent. Delivery of an executed counterpart of this Supplement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Supplement.

Except as expressly supplemented hereby, the Security Agreement shall remain in full force and effect.

THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Security Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity

of a particular provision hereof in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

All communications and notices hereunder shall be in writing and given as provided in Section 13 of the Security Agreement. All communications and notices hereunder to the New Grantor shall be given to it at the address set forth in the Schedule hereto.

The New Grantor agrees to reimburse the Secured Parties for their reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, disbursements and other charges of counsel for the Administrative Agent.

IN WITNESS WHEREOF, the New Grantor and the Administrative Agent have duly executed this Supplement to the Security Agreement as of the day and year first above written.

[Name of New Grantor]

By:
Name:
Title:

THE BANK OF NEW YORK, as
Administrative Agent

By:
Name:
Title:

SCHEDULE TO THE SUPPLEMENT