

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, 1998

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 (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 6,435,000 shares of the voting stock held by non-affiliates of the registrant as of February 28, 1999 was approximately \$65,154,000. 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, 1999 was 12,588,264.

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.

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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; risks relating to Year 2000 issues; 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 and bakeware products. Items are sold under both owned and licensed trade names. Owned trade names include Hoffritzr, Tristarr, Old Homesteadr, Roshcor, Baker's Advantager and Hoanr. Licensed trade names include Farberwarer, Reverer 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. Lifetime has developed a strong consumer franchise by promoting and marketing innovative products under Company trade names and through licensing agreements. 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 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 through a "shop within a store" concept in department and specialty stores.

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#### Farberwarer

In April 1996, the Company entered into an agreement to acquire certain assets of Farberware, Inc. ("Farberware") for \$12.7 million in cash. 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 Farberwarer 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 Syrattech 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. Shipments of products incorporating the Microban technology began in September 1997.

#### Meyer Agreement

In July 1997, the Company entered into an agreement with the 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. Also, Meyer acquired all cookware inventory from the Company at its carrying value of approximately \$3.1 million. Meyer Corporation receives all revenue from sales of Farberware cookware, and currently reimburses the Company for 52.0% 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, and its revenues were approximately \$10 million in 1997. The purchase price consisted of an initial cash payment of \$5.0 million and future payments of \$1.5 million. The Company is also obligated to make additional payments based on annual sales volume for bakeware and baking-related products for a period of two years. The Company also assumed bank debt of \$2.6 million that was paid on the acquisition date.

#### Revere Agreement

In October 1998, the Company entered into a licensing agreement with Corning Consumer Products Company. This agreement allows the Company to design and market cutlery and cutting boards under the Revere trademark in the United States and Canada. Shipments of products under the Revere name are expected to begin in the first half of 1999.

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#### Products

The Company designs, markets and distributes a broad range of household cutlery, kitchenware, cutting boards and bakeware, marketing its products under various trade names including Farberwarer, Hoffritzr and Revere.

#### Cutlery

The Company markets and distributes household cutlery under a variety of trade names including Farberwarer, Hoffritzr, Revere and Tristarr. 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 2,750 kitchenware items under various trade names including Farberwarer, Hoffritzer, Hoanr, Smart Choice and Pillsbury. 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;

Green Giantr, vegetable-related kitchen accessories incorporating the Green Giantr character, including items such as peelers, can openers, kitchen hooks, magnets, spoons, steamers and strainers.

### 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, markets and distributes a full range of cutting boards made of polyethylene, wood, glass and acrylic. All cutting boards except for glass are imported. Glass cutting board blanks are purchased domestically and are finished and packaged in the Company's warehouse facilities in central New Jersey. 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.

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. The Company will also begin to design, market and distribute selected items of this product line under the trade names of Hoffritzer and Farberwarer beginning in the first half of 1999.

The Company also distributes bakeware 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.

## New Products

The Company has a design and development department consisting of 11 employees who create new products, packaging and merchandising concepts. In excess of 300 items were developed or remodeled in 1998, including the following:

**Hoffritz:** The Company introduced a new line of serving accessories and vastly expanded the barware assortment in 1998.

**Cutlery:** Introduction of Farberwarer Soft Grip and Farberwarer Millenium carousels, knife block sets and open stock cutlery.

**Gadgets:** Introduction of the Farberwarer Millenium line of kitchen tools and accessories.

**Bakeware:** Along with the product lines associated with the Roshco Inc. acquisition; bakeware, pizza stones, fondues, woks, ceramics and coasters, the Company began distributing airshield insulated bakeware under the Pillsbury brand name in 1998.

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## Sources of Supply

The Company sources its products from approximately 45 manufacturers located primarily in the Far East, including the People's Republic of China, Indonesia, Taiwan, Thailand, Malaysia, Korea and to a smaller extent in the United States, India, France and Italy. The majority of cutlery was purchased from five suppliers in 1998 who accounted for 29%, 24%, 18%, 13% and 10% of the total purchases and from four suppliers in 1997 who accounted for 30%, 21%, 18% and 18% of the total purchases. 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. All purchase orders are in United States dollars.

## 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 1,900 customers including national retailers, department store chains, mass merchant retail and discount stores, supermarket chains, warehouse clubs, direct marketing companies, specialty chains and through other channels of distribution. During the years ended December 31, 1998 and 1997, Walmart accounted for approximately 19% and 17% of net sales, respectively. No other customer accounted for 10% or more of the Company's net sales during 1998 and 1997 and no customer accounted for more than 10% of the Company's sales in 1996.

## Competition

The markets for household cutlery, kitchenware, cutting boards 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.

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#### Patents and Trademarks

The Company uses a number of owned trademarks, primarily Hoffritzr, 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 Corning Consumer Products Company which it uses in its business. The Company also owns several design and utility patents expiring from 2000 to 2017 on the overall design of some of its products. The Company also acquired patents, trademarks and copyrights as part of the Hoffritzr purchase and Roshco acquisition, that expire from 1999 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. The following table sets forth the quarterly net sales for the years ended December 31, 1998, 1997 and 1996:

#### Net Sales (in thousands)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1998	\$21,900	\$24,200	\$31,300	\$39,400
1997	21,100	22,100	24,500	32,300
1996	19,300	21,000	25,100	33,000

#### Backlog

Lifetime 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.

Lifetime's backlog at December 31, 1998 and 1997 was \$4,227,000 and \$6,048,000, respectively. The Company expects to fill the 1998 backlog during 1999. 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, 1998, the Company had 673 full-time employees, of whom 5 were employed in an executive capacity, 54 in sales, marketing, design and product development, 60 in financial, administrative or clerical capacities, 313 in warehouse or distribution capacities and 241 were outlet store personnel. None of the Company's employees are represented by a labor union. The Company considers its employee relations to be good.

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## ITEM 2. PROPERTIES

The Company conducts its operations from four facilities, exclusive of the Outlet Store and Roshco subsidiaries. The Company's corporate headquarters located in Westbury, New York, occupy approximately 42,000 square feet and was acquired in October 1994 at an approximate cost of \$6,850,000, inclusive of building, furniture, fixtures and equipment.

The Company's primary warehouse and distribution facility located in central New Jersey, occupies approximately 305,000 square feet. The facility is leased pursuant to a net lease subject to annual automatic renewals through January 31, 2001. The annual rent is approximately \$1,111,000.

The Company leased approximately 136,000 square feet of additional warehouse and distribution space, located in central New Jersey, in 1995. The additional warehouse facility is leased through January 31, 2001. The annual rent is approximately \$441,000.

The Company is designing a new, more modern distribution center, which it expects to commence leasing in the first half of 2000.

The Company also leases an approximately 2,000 square foot showroom in New York City. The annual rental is approximately \$46,000 and the lease expires on June 30, 1999.

The Company's Roshco subsidiary leases approximately 2,250 square feet of office space in Chicago. The annual rental is approximately \$30,000 and the lease expires December 31, 2003.

The Company's Outlet Store subsidiary leases approximately 54 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 4,500 square feet. The terms of these leases range from three to five years with expiration dates beginning in April 1999 and extending through October 2003.

## 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 financial position or its 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. On February 5, 1997, the Board of Directors of the Company declared a 10% stock dividend payable to shareholders of record on February 18, 1997. All share and per share



data included in this report have been retroactively adjusted to reflect the declaration and payment of stock dividends.

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.

	1998		1997	
	High	Low	High	Low
First Quarter	\$11.50	\$9.25	\$12.25	\$8.38
Second Quarter	\$12.56	\$9.75	\$8.75	\$7.13
Third Quarter	\$11.28	\$8.00	\$9.63	\$7.75
Fourth Quarter	\$11.75	\$8.00	\$11.00	\$8.38

At December 31, 1998, the Company estimates that there were approximately 1,100 beneficial holders of the Common Stock of the Company.

The Company paid quarterly cash dividends of \$0.0625 per share on its Common Stock in November 1997, February 1998, May 1998, August 1998, November 1998 and February 1999. The Board of Directors currently intends to maintain a quarterly cash dividend of \$0.0625 per share of Common Stock in the foreseeable future, although the Board may in its discretion determine to modify or eliminate such dividend at any time.

Currently the Board of Directors of the Company has no plans to declare future stock dividends.

#### ITEM 6. SELECTED FINANCIAL DATA

The selected financial data set forth below for the five years in the period ended December 31, 1998 have been derived from the audited financial statements of the Company. The data for 1996 through 1998 should be read in conjunction with "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited financial statements and related notes thereto included elsewhere herein.

	(in thousands except per share data)				
	Year Ended December 31,				
	1998	1997	1996	1995	1994
<b>INCOME STATEMENT DATA:</b>					
Net sales	\$116,746	\$100,021	\$98,426	\$80,495	\$77,449
Cost of sales	60,507	51,419	50,528	43,531	41,726
Gross profit	56,239	48,602	47,898	36,964	35,723
Selling, general and administrative expenses	35,306	33,114	31,915	25,397	21,636
Income from operations	20,933	15,488	15,983	11,567	14,087
Interest expense	203	76	671	401	124
Other income, net	(200)	(149)	(100)	(148)	(165)
Income before income taxes	20,930	15,561	15,412	11,314	14,128
Income taxes	8,372	6,000	6,060	4,387	5,498
Net income	\$12,558	\$9,561	\$9,352	\$6,927	\$8,630

Basic earnings per common share	\$1.00	\$0.77	\$0.75	\$0.56	\$0.71
Weighted average shares - basic	12,570	12,459	12,395	12,465	12,216
Diluted earnings per common share	\$0.98	\$0.75	\$0.74	\$0.54	\$0.68
Weighted average shares - diluted	12,843	12,720	12,676	12,753	12,618
Cash dividends paid per common share	\$0.25	\$0.06	-	-	-

	December 31,				
	1998	1997	1996	1995	1994
BALANCE SHEET DATA:					
Current assets	\$72,265	\$69,709	\$61,884	\$62,569	\$53,885
Current liabilities	13,925	12,051	13,213	13,836	8,916
Working capital	58,340	57,658	48,671	48,733	44,969
Total assets	105,072	92,957	84,772	75,756	64,696
Borrowings	-	-	1,000	4,600	-
Stockholders' equity	91,147	80,906	71,559	61,920	55,780

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

RESULTS OF OPERATIONS

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,		
	1998	1997	1996
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	51.8	51.4	51.3
Gross profit	48.2	48.6	48.7
Selling, general and adm. Expenses	30.2	33.1	32.4
Income from operations	18.0	15.5	16.3
Interest expense	0.2	0.1	0.8
Other income (net)	(0.2)	(0.1)	(0.1)
Income before income taxes	18.0	15.5	15.6
Income taxes	7.2	6.0	6.2
Net income	10.8 %	9.5 %	9.4 %

1998 COMPARED TO 1997

Net Sales

Net sales in 1998 were \$116.7 million, an increase of \$16.7 million or 16.7% over 1997. The recent acquisition of Roshco completed in August 1998 added \$6.0 million to net sales for the year. Excluding the impact of Roshco product sales, net sales for the Company grew 10.7%. This sales growth was due principally to increased shipments of Hoffritz and Farberware branded products, partially offset by lower sales of non-branded products.

Net sales of Farberware outlet stores were \$8.0 million in 1998 as compared to \$8.6 million in 1997, reflecting the restructuring of the operations of the outlet stores, which became effective in the third quarter of 1997

pursuant to an agreement with the Meyer Corporation. In conjunction with the agreement, the Company continues to own and operate the Farberware retail outlet stores, and Meyer Corporation, the licensed manufacturer of Farberware branded cookware products, assumed responsibility for merchandising and stocking cookware products in the stores. As a result, Meyer Corporation receives all revenue from sales of cookware and is responsible for 52.0% (as amended from 62.5% in July 1998) of the operating expenses, as defined, attributable to the stores.

#### Gross Profit

Gross profit for 1998 was \$56.2 million, an increase of 15.7% over 1997. Gross profit as a percentage of net sales decreased slightly to 48.2% in 1998 as compared to 48.6% in 1997, primarily as a result of the addition of the Roshco product sales which carry lower gross profit margins as compared to the Company's other product sales.

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#### Selling, General and Administrative Expenses

Selling, general and administrative expenses for 1998 were \$35.3 million, an increase of \$2.2 million or 6.6% from 1997. Selling, general and administrative expenses for the Farberware outlet stores decreased by \$810,000, reflecting the restructuring of the operations of the outlet stores. Excluding the expenses related to the outlet stores and those associated with Roshco, selling, general and administrative expenses in the Company's core business increased by 6.1%. The higher dollar expenses were primarily attributable to increased selling, warehousing and distribution expenses related to the higher sales volume, offset by decreased bad debt expense. These expenses as a percentage of net sales decreased to 29.5% in 1998 as compared to 31.2% in 1997.

#### Interest Expense

Interest expense for 1998 was \$203,000, an increase of \$127,000 from 1997. This increase is due to increased borrowings under the Company's line of credit during 1998, primarily to finance the Roshco acquisition in August 1998. All borrowings under the Company's line of credit were repaid by December 31, 1998.

#### PRELIMINARY RESULTS OF FIRST QUARTER 1999

Due to start-up problems with the installation of a new warehouse management system that caused delays in the shipment of customer orders, the Company expects that revenues for the first quarter of 1999 will be approximately 15% - 18% below last year's first quarter sales of \$21.9 million. As a result of the shipping delays, the Company anticipates that it will be only nominally profitable in the first quarter. Management believes that substantially all significant software issues have been resolved. Since a portion of the unfilled orders will carry over into the second quarter, the shipping backlog will be higher than normal going into the period.

#### 1997 COMPARED TO 1996

##### Net Sales

Net sales for all products in 1997 were \$100.0 million, an increase of \$1.6 million or 1.6% over 1996. Excluding net sales from the Company's Farberware outlet stores, net sales increased by approximately 4% in 1997. The sales growth was due principally to increased shipments of Hoffritz and Farberware branded products, partially offset by decreased sales of impulse purchase items and to a lesser extent, lower volume in non-branded products.

Net sales of Farberware outlet stores were \$8.6 million in 1997 as compared to \$10.4 million in 1996. This decrease in sales resulted primarily from the July 1997 restructuring of the operations of the outlet stores, which effectively transferred responsibility for, and the

right to receive revenues from, the sale of cookware products and a significant portion of the store operating expenses to the Meyer Corporation.

#### Gross Profit

Gross profit for 1997 was \$48.6 million, an increase of \$0.7 million or 1.5% over 1996. Gross profit as a percentage of net sales was relatively constant at 48.6% in 1997 as compared to 48.7% in 1996. The slight decrease in gross profit as a percentage of sales was attributable to the change in sales product mix.

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#### Selling, General and Administrative Expenses

Selling, general and administrative expenses were \$33.1 million for 1997, an increase of \$1.2 million or 3.8% over 1996. This increase was primarily attributable to increased bad debt expense and warehouse expenses, partially offset by reduced insurance expenses and lower operating expenses for the outlet stores. Bad debt expense in 1997 increased by \$900,000 for the Chapter 11 bankruptcy filing of a large customer. The lower operating expenses for the outlet stores resulted from the restructuring of the stores operations whereby the Meyer Corporation assumed responsibility for 62.5% of the expenses effective July 1, 1997.

#### Interest Expense

Interest expense for 1997 was \$76,000, a decrease of \$595,000 from 1996. This decrease was due to decreased average borrowings under the Company's line of credit. In 1996, the Company borrowed approximately \$9.0 million under its line of credit to finance the Farberware acquisition and all but \$1.0 million was repaid by 1996 year end.

#### LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1998, the Company had cash and cash equivalents of \$9.4 million, an increase of \$1.7 million from the prior year, working capital was \$58.3 million, an increase of \$0.7 million from 1997, and the current ratio was 5.2 to 1.

Cash provided by operating activities was approximately \$15.9 million, consisting primarily of net income, decreased merchandise inventory and the combined balances of prepaid expenses, other current assets and other assets offset by decreased combined balances of accounts payable, trade acceptances and accrued expenses and increased accounts receivable. Cash used in investing activities was \$11.5 million, consisting primarily of the Roshco acquisition and capital expenditures. Cash used in financing activities was \$2.7 million, which included the payment of dividends of \$3.1 million, offset by proceeds from the exercise of stock options of \$459,000.

Capital expenditures were \$3.8 million in 1998 and \$2.3 million in 1997. Capital expenditures for 1998 consisted primarily of the new financial/accounting system, a separate warehouse management system, machinery and equipment for use in the warehouse, and fixtures and point-of-sale registers for the Farberware outlet stores. Total planned capital expenditures for 1999 are estimated at \$7.0 million. These expenditures are primarily for equipment in the warehouse and distribution facility. These expenditures are expected to be funded from current operations, cash and cash equivalents and, if needed, short term borrowings.

In August 1998, the Company acquired all of the outstanding common stock of Roshco, a privately held bakeware and baking-related products distributor, located in Chicago, Illinois. The purchase price consisted of an initial cash payment of approximately \$5.0 million and future payments of \$1.5 million. The Company is also

obligated to make additional payments based on annual sales volume for bakeware and baking-related products for a period of two years. The Company also assumed bank debt of \$2.6 million that was paid at the acquisition date.

The Company has available an unsecured \$25,000,000 line of credit with a bank (the "Line") which may be used for revolving credit loans or letters of credit. Borrowings made under the Line bear interest payable daily at a negotiated short term borrowing rate. As of December 31, 1998, the Company had \$11,234,000 of letters of credit and trade acceptances outstanding and no borrowings under the Line and, as a result, the availability under the Line was \$13,766,000. The Line is cancelable by either party at any time.

Products are sold to retailers primarily on 30-day credit terms, and to distributors primarily on 60-day credit terms. As of December 31, 1998, the Company had an aggregate of \$788,000 of accounts receivable outstanding in excess of 60 days or approximately 5.3% of gross receivables, and had inventory of \$44.9 million.

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#### Year 2000

The Company is in the process of investigating issues that could affect its operations regarding Year 2000 compliance issues. The Year 2000 compliance issues revolve around the fact that most computer systems do not recognize a year by its traditional four digit format. Instead, computer systems recognize the last two digits for a specified year. If not properly addressed, these issues could potentially have an adverse material impact on the Company's operations.

The Company is in the process of installing new financial/accounting systems and a separate new warehouse management system to address the financial and operational needs of its business. These systems are expected to be fully operational by the end of the first half of 1999 and be Year 2000 compliant. Testing of these systems to determine that they are in fact Year 2000 compliant has begun and should be fully completed by the end of the second quarter in 1999. As results of this testing process become available over the next six months, the Company will make contingency plans where it deems necessary.

The Company relies on third parties for inventory, supplies, financial products and other key services. Third party entities that could have a potential material impact on the operations of the Company's business have been contacted to determine the progress that each has made in connection with Year 2000 compliance issues. Despite the Company's efforts, there can be no guarantee that the systems of other companies which the Company relies on to conduct its day-to-day business will be compliant. In such event, the Company may, among other things, experience difficulties in obtaining inventory and supplies. The Company will make contingency plans for any entity it feels has not made satisfactory progress towards being Year 2000 compliant. Contingency plans may include increasing inventory levels, securing alternate supply sources and taking other appropriate measures.

The Company is also dependent upon its customers for sales and cash flow. Interruption in our customers' operations due to Year 2000 issues could result in reduced sales and cash flow for the Company, and higher inventories. The Company is monitoring the status of its customers to determine potential risks and develop possible alternatives.

Although the Company believes that the implementation of the new financial/accounting and warehouse management systems, along with the evaluation process of significant third party entities, the possibility of significant interruptions of normal operations should be reduced,

there can be no assurance that failure of the Company, third party vendors or customers, to be Year 2000 compliant could have an adverse material impact on the operations of the Company's business.

Notwithstanding Year 2000 issues, the Company decided to install the new financial/accounting systems and a separate new warehouse management system to accommodate the Company's growth. Therefore, at this time, the costs relating to Year 2000 compliance activities have not been significant and, based on management's best estimates, are not expected to be significant. However, due to the complexity and pervasiveness of Year 2000 issues, in particular the uncertainty regarding the compliance programs of third parties, no assurance can be given that costs will not exceed those currently anticipated by the Company.

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 12 months.

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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 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 quarterly results of operations for the years ended December 31, 1998 and 1997.

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

#### 1998

Net sales	\$21,868	\$24,184	\$31,313	\$39,382
Cost of sales	11,472	12,171	16,003	20,861
Net income	1,911	2,318	3,694	4,636
Basic earnings per common share	\$0.15	\$0.18	\$0.29	\$0.37
Diluted earnings per common share	\$0.15	\$0.18	\$0.29	\$0.36

#### 1997

Net sales	\$21,108	\$22,133	\$24,516	\$32,264
Cost of sales	11,133	11,203	12,105	16,978
Net income	1,363	1,538	3,054	3,606
Basic earnings per common share	\$0.11	\$0.12	\$0.24	\$0.29
Diluted earnings per common share	\$0.11	\$0.12	\$0.24	\$0.28

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

## 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
Milton L. Cohen	70	Chairman of the Board of Directors and President	1958
Jeffrey Siegel	56	Executive Vice President and Director	1967
Craig Phillips	49	Vice-President - Distribution, Secretary and Director	1973
Robert McNally	52	Vice-President - Finance, and Treasurer	1997
Bruce Cohen	40	Vice-President - National Sales Manager and Director	1998
Ronald Shiftan	54	Director	1991
Howard Bernstein	78	Director	1992

Mr. Milton L. Cohen has been continuously employed by the Company in his present capacity since 1958.

Mr. Siegel has been continuously employed by the Company in his present capacity since 1967.

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. Bruce Cohen was elected a Director for the first time in 1998 and has been continuously employed by the Company in his present capacity since 1991.

Mr. Shiftan has served as Deputy Executive Director of The Port Authority of New York & New Jersey since September 1998. 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.

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

Milton L. Cohen is the father of Bruce Cohen.

Jeffrey Siegel and Craig Phillips are cousins.

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The Board of Directors has an audit committee, both of whose members are independent directors.

The directors and officers of the Company are elected annually by the stockholders and Board of Directors of the Company, respectively. They 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.

Directors who are not employees of the Company will receive \$5,000 per year, 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 1999 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 1999 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 1999 Annual Meeting of Stockholders.

#### 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 1998.

None.

(c) Exhibits\*:



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).

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- 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).

- 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

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).

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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).

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.

21 Subsidiaries of the registrant

23 Consent of Ernst & Young LLP.

27 Financial Data Schedule

\*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, 1998 and 1997	F-3
Consolidated Statements of Income for the Years ended December 31, 1998, 1997 and 1996	F-4
Consolidated Statements of Stockholders' Equity for the Years ended December 31, 1998, 1997 and 1996	F-5
Consolidated Statements of Cash Flows for the Years ended December 31, 1998, 1997 and 1996	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, 1998 and 1997 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. 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 generally

accepted auditing standards. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lifetime Hoan Corporation at December 31, 1998 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. 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 19, 1999

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LIFETIME HOAN CORPORATION  
 CONSOLIDATED BALANCE SHEETS  
 (in thousands, except share data)

	December 31,	
	1998	1997
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$9,438	\$7,773
Accounts receivable, less allowances of \$1,527 in 1998 and \$851 in 1997	13,306	13,274
Merchandise inventories	44,938	42,763
Prepaid expenses	2,956	3,290
Deferred income taxes	397	439
Other current assets	1,230	2,170
TOTAL CURRENT ASSETS	72,265	69,709
PROPERTY AND EQUIPMENT, net	11,823	9,434
EXCESS OF COST OVER NET ASSETS ACQUIRED, net	9,316	1,841
OTHER INTANGIBLES, net	10,560	10,950
OTHER ASSETS	1,108	1,023
TOTAL ASSETS	\$105,072	\$92,957
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and trade acceptances	\$2,706	\$5,360
Accrued expenses	10,263	6,152
Income taxes	956	539
TOTAL CURRENT LIABILITIES	13,925	12,051
STOCKHOLDERS' EQUITY		
Common stock, \$.01 par value, shares authorized: 25,000,000; shares issued and outstanding: 12,588,264 in 1998 and 12,522,246 in 1997	126	125
Paid-in capital	76,115	75,307
Retained earnings	15,859	6,443

Notes receivable for shares issued to stockholders	(908)	(908)
Deferred compensation	(45)	(61)
TOTAL STOCKHOLDERS' EQUITY	91,147	80,906

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$105,072 \$92,957

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,		
	1998	1997	1996
Net Sales	\$116,746	\$100,021	\$98,426
Cost of Sales	60,507	51,419	50,528
	56,239	48,602	47,898
Selling, General and Administrative Expenses	35,306	33,114	31,915
Income from Operations	20,933	15,488	15,983
Interest Expense.....	203	76	671
Other Income, net.....	(200)	(149)	(100)
Income Before Income Taxes	20,930	15,561	15,412
Income Taxes.....	8,372	6,000	6,060
NET INCOME	\$12,558	\$9,561	\$9,352
BASIC EARNINGS PER COMMON SHARE	\$1.00	\$0.77	\$0.75
DILUTED EARNINGS PER COMMON SHARE	\$0.98	\$0.75	\$0.74

See notes to consolidated financial statements.

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LIFETIME HOAN CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(in thousands)

	Common Shares	Stock Amount	Paid-in Capital	Retained Earnings (Deficit)	Notes Receivable from Stockholders	Deferred Compensation	Total
Balance at December 31, 1995	11,257	\$113	\$61,103	\$1,845	(\$1,048)	(\$93)	\$61,920
Net income for 1996				9,352			9,352
Exercise of stock options	21		125				125
Exercise of warrants	1		6				6
Repayment of note receivable					140		140
Amortization of deferred compensation						16	16
Stock dividend	1,128	11	13,523	(13,534)			-
Balance at December 31, 1996	12,407	124	74,757	(2,337)	(908)	(77)	71,559
Net income for 1997				9,561			9,561
Exercise of stock options	115	1	550				551
Amortization of deferred compensation						16	16
Cash dividends				(781)			(781)
Balance at December 31, 1997	12,522	125	75,307	6,443	(908)	(61)	80,906
Net income for 1998			12,558				12,558
Exercise of stock options	66	1	458				459
Grant of stock options			350				350
Amortization of deferred compensation						16	16
Cash dividends				(3,142)			(3,142)
Balance at December 31, 1998	12,588	\$126	\$76,115	\$15,859	(\$908)	(\$45)	\$91,147

See notes to consolidated financial statements.

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LIFETIME HOAN CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31, 1998	1997	1996
OPERATING ACTIVITIES			
Net income	\$12,558	\$9,561	\$9,352
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,480	1,990	1,588

Deferred income taxes	42	579	168
Provision for losses on accounts receivable	444	2,112	500
Reserve for sales returns and allowances	3,683	3,533	3,589
Changes in operating assets and liabilities, excluding the effects of the Roshco, Inc. acquisition:			
Accounts receivable	(2,916)	(4,919)	(5,407)
Merchandise inventories	2,268	(5,946)	6,920
Prepaid expenses, other current assets and other assets	1,985	317	(645)
Accounts payable, trade acceptances and accrued expenses	(5,067)	618	1,891
Income taxes	417	(780)	1,086
NET CASH PROVIDED BY OPERATING ACTIVITIES	15,894	7,065	19,042
INVESTING ACTIVITIES			
Purchases of property and equipment, net	(3,777)	(2,255)	(2,010)
Purchase of marketable securities	(256)	-	-
Acquisition of Roshco, Inc.	(4,926)	-	-
Payment of note payable of acquired business	(2,587)	-	-
Sale of inventory to Meyer Corporation	-	3,100	-
Purchase of intangibles and outlet store inventory	-	-	(12,700)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(11,546)	845	(14,710)
FINANCING ACTIVITIES			
Payments of short term borrowings, net	-	(1,000)	(3,600)
Proceeds from the exercise of warrants	-	-	6
Proceeds from the exercise of stock options	459	551	125
Cash dividends paid	(3,142)	(781)	-
Repayment of note receivable from stockholder	-	-	140
NET CASH (USED IN) FINANCING ACTIVITIES	(2,683)	(1,230)	(3,329)
INCREASE IN CASH AND CASH EQUIVALENTS	1,665	6,680	1,003
Cash and cash equivalents at beginning of year	7,773	1,093	90
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$9,438	\$7,773	\$1,093

See notes to consolidated financial statements.

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#### LIFETIME HOAN CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1998

#### NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Organization and Business: The accompanying consolidated financial statements include the accounts of Lifetime Hoan Corporation ("Lifetime") and its wholly-owned subsidiaries, Outlet Retail Stores, Inc. ("Outlets") and Roshco, Inc. ("Roshco"), 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 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 and to consumers through its Outlets subsidiary.

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.

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 7 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 generally accepted accounting principles requires management to make estimates and assumptions that affect the amount 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 are being amortized by the straight-line method over periods ranging from 30 to 40 years. Accumulated amortization at December 31, 1998 and 1997 was \$1,004,000 and \$839,000, respectively.

Other intangibles consist of a royalty-free license, trademark and brand name acquired pursuant to two acquisitions and are being amortized by the straight-line method over 30 years. Accumulated amortization at December 31, 1998 and 1997 was \$1,116,000 and \$726,000, respectively.

Long-Lived Assets: If there are indicators of impairment, the Company reviews the carrying value of its long-lived assets in determining the ultimate recoverability of their unamortized values using future undiscounted cash flow analyses.

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

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#### LIFETIME HOAN CORPORATION

##### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

##### NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings Per Share: Basic earnings per share has been computed by dividing net income of \$12.6 million in 1998, \$9.6 million in 1997 and \$9.4 million in 1996 by the weighted average number of common shares outstanding of 12,570,000 in 1998, 12,459,000 in 1997 and 12,395,000 in 1996. 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 12,843,000 in 1998, 12,720,000 in 1997 and 12,676,000 in 1996.

##### NOTE B - ACQUISITIONS AND LICENSES

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. The purchase price consisted of an initial cash payment of \$5.0 million and future payments of \$1.5 million. The Company is also obligated to make additional payments based on annual sales volume for bakeware and baking-related products for a period of two years. The Company also assumed bank debt of \$2.6 million that was paid on the acquisition date. This acquisition was accounted for using the purchase method and the Company recorded excess of cost over net assets acquired of \$7,640,000.

Farberware Acquisition: In April 1996, the Company



together with an unrelated third party, Syratech Corporation, acquired certain assets of Farberware, Inc. ("Farberware") including the assignment to the Company of a 200 year, royalty-free, exclusive right to use the Farberware name in connection with the product lines covered by its previous license agreement with Farberware. The Company also acquired all of the Farberware outlet stores, including inventory. Rights to license the Farberware name for use by third parties are held by a joint venture, owned equally by the Company and Syratech Corporation. The Company's portion of the purchase price was \$12.7 million, of which \$9.2 million was attributed to the royalty-free exclusive right to use the Farberware name. The Company is jointly and severally liable for the obligations of Syratech Corporation under the terms of the agreement. The Company will be indemnified by Syratech Corporation for any losses it may incur as a result of Syratech Corporation's failure to perform such obligations.

Revere Licensing Agreement: In October 1998, the Company entered into a licensing agreement with Corning Consumer Products Company. This agreement allows the Company to design and market cutlery and cutting boards under the Revere trademark in the United States and Canada. Shipments of products under the Revere assortment are expected to begin in the first half of 1999.

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#### LIFETIME HOAN CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

#### NOTE C - LINE OF CREDIT

The Company has available an unsecured \$25,000,000 line of credit with a bank (the "Line") which may be used for short term borrowings, letters of credit or trade acceptances. As of December 31, 1998, the Company had letters of credit and trade acceptances of \$11,234,000 outstanding and no outstanding borrowings. The Line is cancelable by either party at any time.

Borrowings made under the Line bear interest payable daily at a negotiated short term borrowing rate. The Company is charged a nominal fee on the entire Line.

The Company paid interest of approximately \$203,000, \$76,000 and \$671,000 during the years ended December 31, 1998, 1997 and 1996, respectively.

#### NOTE D - CAPITAL STOCK

Cash Dividends: The Company paid quarterly cash dividends of \$0.0625 per share on its Common Stock in November 1997, February 1998, May 1998, August 1998 and November 1998. The Board of Directors currently intends to maintain a quarterly cash dividend of \$0.0625 per share of Common Stock in the foreseeable future, although the Board may in its discretion determine to modify or eliminate such dividend at any time.

Stock Option Plans: The Company has a Stock Option Plan (the "Plan") whereby up to 1,500,000 options to purchase 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.

In June 1996, the stockholders of the Company approved the adoption of the Lifetime Hoan Corporation 1996 Incentive Stock Option Plan (the "ISO Plan"). The ISO Plan authorizes the granting of 250,000 options to purchase common stock to officers of the Company and its subsidiaries. No individual

officer may be granted more than 175,000 options to purchase common stock. The ISO Plan authorizes the issuance of incentive stock options as defined in Section 422 of the Internal Revenue Code. All options expire on the fifth anniversary of the date of grant and vest in one year from the date of grant.

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE D - CAPITAL STOCK (continued)

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 Statement 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 6.62%, 5.75% and 6.34% for 1998, 1997 and 1996, respectively; 2.50% dividends yield in 1998 and 1997 and no dividend yield in 1996; volatility factor of the expected market price of the Company's common stock of 0.39 in 1998, 0.54 in 1997 and 0.35 in 1996; and a weighted-average expected life of the options of 5.7, 5.1 and 4.8 years in 1998, 1997 and 1996, respectively.

The Black-Scholes option valuation model was developed for use in estimating 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 period. The Company's pro forma information is as follows:

	Year Ended December 31,		
	1998	1997	1996
Pro forma net income (in thousands)	\$12,148	\$9,300	\$9,237
Pro forma basic earnings per common share	\$0.97	\$0.75	\$0.75
Pro forma diluted earnings	\$0.95	\$0.73	\$0.73

## 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:

	1998		1997		1996	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Balance	906,942	\$6.95	868,963	\$6.19	625,633	\$5.43
- - Jan 1,						
Grants	222,000	\$10.39	184,370	\$9.26	202,750	\$8.45
Exercised	(66,018)	\$4.93	(114,737)	\$5.10	(20,356)	\$5.57
Canceled	(21,379)	\$7.38	(31,654)	\$6.12	(18,061)	\$6.30
Stock Dividend					78,997	
Balance- Dec 31,	1,041,545	\$7.81	906,942	\$6.95	868,963	\$6.19

The weighted average fair value of options granted during the years ended December 31, 1998, 1997 and 1996 were \$3.77, \$3.98 and \$3.85, respectively.

The following table summarizes information about employees stock options outstanding at December 31, 1998:

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	215,365	215,365	3.4 years	\$4.63	\$4.63
\$6.39 - \$8.41	339,637	219,129	5.7 years	\$6.80	\$6.53
\$8.64 - \$10.87	486,543	248,531	6.7 years	\$9.92	\$10.08
	1,041,545	683,025	5.7 years	\$7.81	\$7.22

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 \$903,712. The notes bear interest at 9% and are due no later than December 31, 2000.

NOTE E - INCOME TAXES

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

	Year Ended December 31,		
	1998	1997	1996
Current:			
Federal	\$6,957	\$4,443	\$4,813
State and local	1,373	978	1,079
Deferred	42	579	168
Income tax provision	\$8,372	\$6,000	\$6,060

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,	
	1998	1997
Merchandise inventories	\$973	\$1,078
Accounts receivable allowances	356	289
Depreciation and amortization	(927)	(687)
Other	(5)	(241)
	\$397	\$439

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

	Year Ended December 31,		
	1998	1997	1996
Provision for Federal income taxes at the statutory rate	\$7,116	\$5,291	\$5,240
Increases (decreases):			
State and local income taxes net of Federal income tax benefit	906	645	712
Other	350	64	108
Provision for income taxes	\$8,372	\$6,000	\$6,060

The Company paid income taxes (net of refunds) of approximately \$7,809,000, \$6,258,000 and \$4,830,000 during the years ended December 1998, 1997, and 1996, respectively.

NOTE F - COMMITMENTS

Operating Leases: The Company has lease agreements for its

warehouse, showroom facilities and outlet stores which expire through October 31, 2003. 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:	
1999	\$4,073
2000	3,357
2001	1,228
2002	563
2003	260
	\$9,481

Meyer Corporation reimburses the Company 52.0% (as amended from 62.5% in July 1998) of the operating lease expenses of the outlet stores, which is not a sublease commitment. In 1998 and 1997, Meyer Corporation reimbursed approximately \$1,710,000 and \$861,000, respectively, for operating lease expense to the Company.

Rental and related expenses on the operating leases were approximately \$4,715,000, \$4,281,000 and \$3,570,000 for the years ended December 31, 1998, 1997 and 1996, respectively. Amounts for 1998 and 1997 are prior to the Meyer Corporation reimbursement described above.

The Company has issued a letter of credit of approximately \$279,000 which is held by the landlord as security for its warehouse leases.

Royalties: The company has royalty licensing agreements which expire through December 31, 2002. Future minimum royalties are as follows (in thousands):

Year ended December 31:	
1999	\$320
2000	1,100
2001	1,300
2002	1,000
	\$3,720

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE F - COMMITMENTS (continued)

Employment Agreements: In April 1996, as amended in June 1997, the Company entered into employment agreements with its President and Executive Vice President, providing for annual salaries of \$700,000 and \$400,000 respectively, and for the payment of bonuses pursuant to the Company's 1996 Incentive Bonus Compensation Plan (the "Bonus Plan") (see below). The employment agreements continue through April 2000, thereafter for additional periods of one year unless terminated by either the Company or the executive.

In April 1997, the Company entered into an employment agreement with its Vice President- Distribution, which provides a current annual salary of \$200,000. The agreement expires April 6, 2000.

Incentive Bonus Compensation Plan: In April 1996, the Board of Directors adopted and in June 1996, the stockholders approved the Bonus Plan. The Bonus Plan provides the award of a bonus, with respect to each of the ten fiscal years of the Company beginning with the 1996 fiscal year, to the President

and the Executive Vice President of the Company. The bonus payable to each executive is 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 1991 Stock Option Plan and extraordinary items. During the years ended December 31, 1998, 1997 and 1996, the Company recorded annual compensation expense of approximately \$1.7 million, \$1.2 million and \$1.2 million, respectively, pursuant to the Bonus Plan.

#### NOTE G - RELATED PARTY TRANSACTIONS

In May 1993, the Company loaned \$140,000 to a director of the Company for the exercise of stock options. The loan had an interest rate of 9%, payable quarterly. The loan and accrued interest was repaid in May 1996.

In connection with the Farberware acquisition (see note B), a director of the Company was paid \$292,000 for a financial advisory fee.

In connection with the Roshco acquisition (see note B), a director of the Company was paid \$200,000 and received options to purchase 100,000 shares of common stock (at an exercise price of \$10.63) as a financial advisory fee. The fair value of the options granted, which vest immediately, are approximately \$350,000.

#### 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 salary. The Company made no contributions to the Plan in 1998, 1997 and 1996.

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#### LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

#### 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 accordingly, where considered necessary, establishes an allowance for doubtful accounts.

During the years ended December 31, 1998 and 1997, one customer accounted for approximately 19% and 17% of net sales, respectively.

#### NOTE J - OTHER

Property and Equipment:

Property and equipment consist of (in thousands):

	December 31,	
	1998	1997
Land	\$832	\$832
Building and improvements	4,649	4,649
Machinery, furniture and equipment	12,419	9,439
Leasehold improvements	28	28
	17,928	14,948
Less: accumulated depreciation and amortization	6,105	5,514
	\$11,823	\$9,434

Accrued Expenses:

Accrued expenses consist of (in thousands):

	December 31,	
	1998	1997
Commissions	\$439	\$489
Accrued customer allowances and rebates	3,285	2,551
Obligation to Meyer Corporation	985	860
Note payable - Roshco (See Note B)	1,500	-
Officer and employee bonuses	1,507	829
Other	2,547	1,423
	\$10,263	\$6,152

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

LIFETIME HOAN CORPORATION

NOTE J - OTHER (Continued)

Sources of Supply: The Company sources its products from approximately 45 manufacturers located primarily in the Far East, including the People's Republic of China, Indonesia, Taiwan, Thailand, Malaysia, Korea and to a smaller extent in the United States, India, France and Italy. The majority of cutlery was purchased from five suppliers in 1998 who accounted for 29%, 24%, 18%, 13% and 10% of the total purchases and from four suppliers in 1997 who accounted for 30%, 21%, 18% and 18% of the total purchases. 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.

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LIFETIME HOAN CORPORATION

Schedule II - Valuation and Qualifying Accounts

Lifetime Hoan Corporation

(in thousands)

COL. A Description	COL. B Balance at Beginning of Period	COL. C Additions Charged to Costs and Expenses	COL. D Deductions (Describe)	COL. E Balance at end of period
Year ended December 31, 1998				
Deducted from asset accounts:				
Allowance for doubtful accounts.....	\$75	\$444	\$99 (a)	\$420
Reserve for sales returns and allowances.....	776	3,683 (c)	3,352 (b)	1,107
	\$851	\$4,127	\$3,451	\$1,527
Year ended December 31, 1997				
Deducted from asset accounts:				
Allowance for doubtful accounts.....	\$75	\$2,112	\$2,112 (a)	\$75
Reserve for sales returns and allowances.....	716	3,533 (c)	3,473 (b)	776
	\$791	\$5,645	\$5,585	\$851
Year ended December 31, 1996				
Deducted from asset accounts:				
Allowance for doubtful accounts.....	\$75	\$500	\$500 (a)	\$75
Reserve for sales returns and allowances.....	588	3,589 (c)	3,461 (b)	716
	\$663	\$4,089	\$3,961	\$791

(a) Uncollectible accounts written off, net of recoveries.

(b) Allowances granted.

(c) Charged to net sales.



## 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.

Corporation Lifetime Hoan

/s/ Milton Cohen  
Milton L. Cohen  
Chairman of the Board of  
Directors and President  
(Principal Executive Officer)

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/ Milton Cohen Milton L. Cohen	Chairman of the Board of Directors and President (Principal Executive Officer)	March 30, 1999
/s/ Jeffrey Siegel Jeffrey Siegel	Executive Vice-President and Director	March 30, 1999
/s/ Craig Phillips Craig Phillips	Vice-President - Distribution, Secretary and Director	March 30, 1999
/s/ Robert McNally Robert McNally	Vice-President - Finance and Treasurer (Principal Financial and Accounting Officer)	March 30, 1999
/s/ Bruce Cohen Bruce Cohen	Vice-President - National Sales Manager and Director	March 30, 1999
/s/ Ronald Shifan Ronald Shifan	Director	March 30, 1999
/s/ Howard Bernstein Howard Bernstein	Director	March 30, 1999

## Exhibit 21. Subsidiaries of the Registrant

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

Roshco, Inc.  
Incorporated in the state of Illinois

Exhibit 23. Consent of Ernst & Young LLP

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 19, 1999, 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, 1998.

Ernst & Young LLP

Melville, New York  
March 30, 1999

Exhibit 27. Financial Data Schedule

Lifetime Hoan Corporation

Financial Data Schedule

Pursuant to Item 601(c) of Regulation S-K

This schedule contains summary financial information extracted from the financial statements included in the form 10-K for the twelve months ended December 31, 1998.

Item Number	(in thousands) Item Description	Amount
5-02(1)	Cash and Cash Items	\$ 9,438
5-02(2)	Marketable Securities	\$ 0
5-02(3)(a)(1)	Notes and Accounts Receivable - Trade	\$ 13,726
5-02(4)	Allowances for Doubtful Accounts	\$ 420
5-02(6)	Inventory	\$ 44,938
5-02(9)	Total Current Assets	\$ 72,265
5-02(13)	Property, Plant and Equipment	\$ 17,928
5-02(14)	Accumulated Depreciation	\$ 6,105
5-02(18)	Total Assets	\$ 105,072
5-02(21)	Total Current Liabilities	\$ 13,925
5-02(22)	Bonds, Mortgages and Similar Debt	\$ 0
5-02(28)	Preferred Stock - Mandatory Redemption	\$ 0
5-02(29)	Preferred Stock - No Mandatory Redemption	\$ 0
5-02(30)	Common Stock	\$ 126
5-02(31)	Other Stockholders' Equity	\$ 91,021
5-02(32)	Total Liabilities and Stockholders' Equity	\$ 105,072
5-03(b)1(a)	Net Sales of Tangible Products	\$ 116,144
5-03(b)1	Total Revenues	\$ 116,746
5-03(b)2(a)	Cost of Tangible Goods Sold	\$ 60,507
5-03(b)2	Total Costs and Expenses Applicable to Sales and Revenues	\$ 60,507
5-03(b)3	Other Costs and Expenses	\$ 0
5-03(b)5	Provision for Doubtful Accounts and Notes	\$ 444
5-03(b)(8)	Interest and Amortization of Debt Discount	\$ 0
5-03(b)(10)	Income Before Taxes and Other Items	\$ 20,930
5-03(b)(11)	Income Tax Expense	\$ 8,372
5-03(b)(14)	Income/Loss Continuing Operations	\$ 12,558
5-03(b)(15)	Discontinued Operations	\$ 0
5-03(b)(17)	Extraordinary Items	\$ 0

5-03(b)(18)	Cumulative effect - Changes in Accounting Principles	\$	0
5-03(b)(19)	Net Income or Loss	\$	12,558
5-03(b)(20)	Earnings Per Share - Primary	\$	1.00
5-03(b)(20)	Earnings Per Share - Fully Diluted	\$	0.98