As filed with the Securities and Exchange Commission on September 25, 2006

Registration No.333-____

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

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

Delaware	34203	11-2682486
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

One Merrick Avenue
Westbury, NY 11590
(516) 683-6000
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Robert McNally
Vice-President and
Chief Financial Officer
Lifetime Brands, Inc.
One Merrick Avenue
Westbury, NY 11590
(516) 683-6000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:
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Troutman Sanders LLP
The Chrysler Building
405 Lexington Avenue
New York, NY 10174
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Approximate date of commencement of proposed sale to the public:
From time to time after the effective date of this Registration Statement.

If any of the securities being registered on this form are being offered pursuant to a dividend or interest reinvestment plan, check the following box. ☐

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule415 under the Securities Act of 1933, as amended (the “Securities Act”), check the following box. ☒

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
4.75% Convertible Senior Notes due 2011	$75,000,000 (1)	100% (2)	$75,000,000 (1)	$8,025
Common Stock, $0.01 par value	2,678,571	--	--	--(4)

(1) Represents the aggregate principal amount of the debentures issued by the Registrant.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act and exclusive of accrued interest and distributions, if any.

(3) Represents 2,678,571 shares of common stock issuable upon conversion of the debentures at the conversion price of $28.00 per share of common stock. Pursuant to Rule 416 under the Securities Act, such number of shares of common stock registered hereby shall include an indeterminate number of shares of common stock that may be issued in connection with a stock split, stock dividend, recapitalization or similar event.

(4) Pursuant to Rule 457(i), no additional filing fee is payable with respect to the shares of common stock issuable upon conversion of the debentures because no additional consideration will be received in connection with the exercise of the conversion privilege.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION ACTING PURSUANT TO SAID SECTION 8(a) MAY DETERMINE.

SUBJECT TO COMPLETION, DATED SEPTEMBER 25, 2006

PRELIMINARY PROSPECTUS

$75,000,000
4.75% Convertible Senior Notes due 2011

2,678,571 Shares of Common Stock
(Issuable upon Conversion of the Notes)

Lifetime Brands, Inc.

This prospectus relates to $75,000,000 of 4.75% Convertible Senior Notes (which we call the “Notes”), and up to 2,678,571 shares of our common stock, $0.01 par value, which are potentially issuable upon conversion of the Notes. We issued the Notes in a private placement in June 2006. The Notes are held by the sellingsecurityholders named herein (which we refer to as the “Selling Securityholders”).

In connection with the private placement, we agreed with the initial purchaser that we would file the registration statement of which this prospectus is a part covering the Notes and the shares of common stock issuable upon the conversion of the Notes. The Selling Securityholders may sell any or all of their Notes or common stock, as the case may be, directly to purchasers or through agents, underwriters, or dealers on any stock exchange, market or trading facility on which the Notes or the shares are traded or in private transactions. We will not receive any proceeds from the sale of the Notes or the shares of our common stock. These sales may be at fixed or negotiated prices which will be determined at the time of sale. If required, the name of any agents, underwriters or dealers and any other required information will be set forth in a supplement to this prospectus. We will bear the expenses and fees incurred in registering the securities offered by this prospectus. The Selling Securityholders will pay any brokerage commissions or discounts attributable to the sale of their shares.

Under the registration statement of which this prospectus is a part, the Selling Securityholders may sell or distribute up to an aggregate of $75,000,000 of the Notes, or up to 2,678,571 shares of common stock which are potentially issuable upon the conversion of the Notes, in one or more transactions. This prospectus

will be used by the Selling Securityholders to resell their Notes and the shares of our common stock issuable upon conversion of their Notes. The process by which the Selling Securityholders will sell or distribute their Notes or common stock, as the case may be, is described in this prospectus under the heading “Plan of Distribution.”

The Notes accrue interest at an annual rate of 4.75%. We will pay interest on the Notes on January 15 and July 15 of each year, beginning January 15, 2007. The Notes are our general unsecured obligations and rank junior in right of payment to all of our existing and future secured indebtedness. The Notes are convertible into shares of our common stock at a rate of 35.7143 shares per $1,000 principal amount of the Notes, subject to adjustment as described in this prospectus.

Our common stock is quoted on the NASDAQ Global Market under the symbol “LCUT.” The last reported sale price of our common stock on the NASDAQ Global Market on September 21, 2006 was $21.02 per share.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

The securities offered hereby involve significant risks and uncertainties. These risks are described under the caption “Risk Factors” beginning on page 9 of this prospectus. You should consider these Risk Factors before purchasing these securities.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

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SUMMARY

This summary highlights selected information about us. This summary does not contain all of the information that you should consider before making an investment decision. You should read this summary in conjunction with the documents incorporated by reference herein. See "Incorporation of Certain Documents by Reference" below. This prospectus contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in "Risk Factors" and elsewhere in this prospectus. Unless otherwise indicated, references to "Lifetime Brands," "we," "our," and "us" refer to Lifetime Brands,Inc. and, unless the context requires otherwise, Lifetime Brands,Inc. and its consolidated subsidiaries, and the terms "fiscal year" and "year" in this prospectus refer to the year ended on December 31 of the year referenced.

Our Business

We are a leading designer, developer and marketer of a broad range of nationally branded consumer products used in the home. We market our products under some of the most well-respected and widely-recognized brand names in the U.S. housewares industry, including three of the four most recognized brands in the "Kitchen Tool, Cutlery and Gadgets" product category, according to the Home Furnishing News Brand Survey for 2005. We primarily target moderate to premium price points through every major level of trade. We generally market several lines within each of our product categories, often under more than one brand. At the heart of our company is a strong culture of innovation and new product development. We expect to develop or redesign approximately 2,500 products in 2006. We have been sourcing our products in Asia for over 40 years; we currently source our products from approximately 325 suppliers located primarily in China.

Historically, our five main product categories are: (1)Kitchenware, (2)Tabletop, (3)Cutlery & Cutting Boards, (4)Bakeware & Cookware (5)Pantryware & Spices. With the acquisition of the business and certain assets of Syratech Corporation (which we refer to as "Syratech") on April 27, 2006, we expanded our Tabletop product category and entered a sixth product category, Home Decor, which includes picture frames and other decorative items. Our principal brands and their respective product categories include:

Farberware®	Kitchenware, Cutlery & Cutting Boards, Tabletop
KitchenAid®	Kitchenware, Cutlery & Cutting Boards, Bakeware
Pfaltzgraff®	Tabletop, Bakeware, Pantryware & Spices
Cuisinart®	Cutlery & Cutting Boards, Tabletop
Wallace Silversmiths®	Tabletop
Sabatier®	Cutlery & Cutting Boards, Bakeware, Tabletop, Cookware
Towle Silversmiths®	Tabletop
Calvin Klein®	Tabletop

We also sell and market our products under the following brands and trademarks, which we own or license: Atlantis (Tabletop), Baker's Advantage® (Bakeware), Block® (Tabletop), CasaModa™ (Tabletop), Cuisine de France® (Cutlery& Cutting Boards, Cookware), DBK™ Daniel Boulud Kitchen (Pantryware& Spices), Elements® (Home Décor), Gemco® (Tabletop), Hershey®'s (Bakeware), Hoffritz® (Cutlery& Cutting Boards, Kitchenware, Tabletop, Bakeware, Cookware), Hoan® (Kitchenware), International Silver Company® (Tabletop), Jell-O® (Bakeware), Joseph Abboud Environments® (Tabletop), Kamenstein® (Pantryware& Spices), Kenneth Cole Reaction Home® (Tabletop), Melannco International® (Home Décor), Nautica® (Tabletop), Pedrini® (Kitchenware), Retroneu® (Tabletop), Rochard® (Tabletop), Roshco® (Bakeware), Sasaki® (Tabletop), Stiffel® (Tabletop), Tuttle® (Tabletop), and Weir in Your Kitchen™ (Bakeware). In addition, we sell and market products in the Bath Hardware and Accessories product category under our :USE® and Gemco® brands.

We continuously innovate and introduce large numbers of new products across all of our product categories and brands each year. The substantial majority of our products are designed and developed in-house by our design and development team, which consists of approximately 75 professional artists, designers and engineers. Utilizing the latest available design tools, technology and materials, we work closely with our suppliers to enable efficient and timely manufacturing of our products.

We sell our products to a diverse nationwide customer base including mass merchants (such as Wal-Mart and Target), specialty stores (such as Bed Bath& Beyond and Linens 'n Things), national chains (such as JC Penney, Kohl's and Sears), department stores (such as Bloomingdale's, Macy's and Saks), warehouse clubs (such as Costco, BJ's Wholesale Club and Sam's Club), home centers (such as Lowe's and The Home Depot), supermarkets (such as Stop& Shop and Kroger) and off-price retailers (such as Marshalls, T.J. Maxx and Ross Stores), as well as through other channels of distribution. Wal-Mart Stores,Inc. (including Sam's Club), which accounted for approximately 20% of our net sales in 2005, is our single largest customer. We also

sell our products directly to the consumer through our own mail order catalogs, outlet stores and the Internet. We have 87 outlet stores in 33 states operating under the Farberware® or Pfaltzgraff® brands.

Our most important retail customers are each serviced by an in-house team that includes representatives from our sales, marketing, merchandising and product development departments. We generally collaborate with our retail customers and in many instances produce specific versions of our product lines with exclusive designs and packaging for their stores, which are appropriately priced for their respective customer bases.

Our national distribution system enables us to comply with the stringent "just-in-time" delivery requirements of our retail customers. Our principal distribution center is a modern facility located in Robbinsville, New Jersey. We also operate distribution facilities in Mira Loma, California; East Boston, Massachusetts; and Winchendon, Massachusetts; and two distribution facilities in York, Pennsylvania. In addition, we utilize two distribution facilities in California operated for us by a third-party logistics provider.

We do not own any manufacturing facilities other than a sterling silver flatware manufacturing facility in Puerto Rico which we acquired in connection with the Syratech acquisition and a spice packing line within our Winchendon, Massachusetts facility. We source all of our other products from independent suppliers, with which we have in many cases established long-term relationships. We have been sourcing products in Asia for over 40years and currently source our products from approximately 325 suppliers located primarily in the People's Republic of China, and to a lesser extent in the United States, Taiwan, Thailand, Malaysia, Indonesia, Germany, France, Korea, the Czech Republic, Italy, India, Portugal and Hong Kong. We collaborate with our major suppliers during the product development process and on manufacturing technology to achieve efficient and timely production. We believe the flexibility provided by our sourcing strategy has proven superior to our investing in manufacturing facilities.

For the year ended December 31, 2005, we generated net sales of $307.9 million, which represented growth of 62.5% over the previous year. For the six months ended June 30, 2006, we generated net sales of $158.5 million, which represented growth of 77.5% over the corresponding period in the previous year. Sales for the first six months of 2006 include net sales for the Pfaltzgraff and Salton businesses that were acquired in the third quarter of 2005 and net sales for the Syratech business acquired in April 2006. Excluding sales for Pfaltzgraff, Salton and Syratech, net sales were $105.5million, or 18.1% higher for the six months ended June 30, 2006 compared to the 2005 period. Our business and working capital needs are highly seasonal, with a significant majority of our sales occurring in the third and fourth quarters. In 2005, 2004 and 2003, net sales for the third and fourth quarters combined accounted for approximately 71%, 63% and 66% of total annual net sales, respectively, and operating profit earned in the third and fourth quarters combined accounted for approximately 83%, 92% and 97% of total annual operating profits, respectively.

We operate in two reportable segments—wholesale and direct-to-consumer. The wholesale segment is comprised of our business that designs, markets and distributes household products to retailers and distributors. The direct-to-consumer segment is comprised of our business that sells directly to the consumer through our retail outlet stores, the Internet and our mail-order catalogs. We have segmented our operations in a manner that reflects how management reviews and evaluates the results of our operations. While both segments distribute similar products, the segments are distinct due to their different types of customers and the different methods used to sell, market and distribute the products in each segment.

We have assembled a seasoned management team with experience and talent in the housewares and consumer products industries. Our management team is focused on growing our business by capitalizing on the reputation of our well-respected and widely-recognized brands, our strengths in product design and innovation, our product sourcing experience and expertise and our long-term retail customer and supplier relationships.

Industry Overview

According to the International Housewares Association (which we refer to as the "IHA"), the U.S. housewares industry generated retail revenue of approximately $65.2 billion in 2004; however, we do not offer products in all categories in this industry. According to the IHA, the Housewares segment of the U.S. housewares industry grew 18.6% from 1999 to 2004, including an increase of 4.7% from 2003 to 2004. The U.S. housewares industry is highly fragmented. We estimate there are approximately 2,200 companies in the housewares industry. Houseware products are products sold generally in most retail stores in the United States.

According to the IHA, the list below shows total 2004 retail sales in the United States for those product categories in which we currently compete and for which data is available:

- Food Preparation (includes Kitchen Tools& Accessories and Cookware& Bakeware): $13.5 billion
- Tabletop: $4.5billion
- Home Décor: $4.0billion

Competitive Strengths

We believe that the following key competitive strengths, among others, will contribute to our continued success:

Broad Portfolio of Powerful Brands. Our products are marketed under some of the most well-respected and well-recognized brand names in our industry, which enables us to differentiate our product lines from lesser-known brands and commodity items in the eyes of both our retail customers and consumers. According to the HFN Brand Survey for 2005, KitchenAid®, Farberware® and Cuisinart® ranked #1, #2 and #4, respectively, in their "Kitchen Tool, Cutlery and Gadgets" category. We believe that our broad portfolio of brands and the use of sub-brands to differentiate product lines within each brand effectively address the varied needs of our diverse retail customer base.

Proven Track Record of Innovation and New Product Introductions. Our strategy is to constantly innovate and to introduce large numbers of new products across all of our brands each year. Our strong in-house product design and development capabilities allow us to continuously expand and refresh our product offerings according to our customers' preferences. The substantial majority of our products are designed and developed in-house by our design and development team, which consists of approximately 75 professional artists, designers and engineers. We expect to develop or redesign approximately 2,500 products in 2006. Utilizing the latest available design tools, technology and materials, we work closely with our suppliers to enable efficient and timely manufacturing of our products. In addition to styling and designing numerous products within each of our categories and each of our brands, our design and development team invents products with entirely new functionalities. We also utilize our design and development capabilities to help our suppliers achieve manufacturing efficiencies and introduce new manufacturing technologies. In addition, our in-house design capabilities lower product development costs and shorten the "time-to-market" of new products.

Established Sourcing Expertise. We have been sourcing products in Asia for over 40years and we currently have four sourcing offices staffed by approximately 150 employees in China. We believe our personnel's significant sourcing expertise allows us to determine where to source our products for superior prices and quality. By limiting our investment in manufacturing facilities, we are able to minimize our fixed costs and concentrate on efficiently managing our suppliers' variable costs of production. We believe that we have and will continue to maintain strong relationships with our key suppliers, thereby affording us priority status and access to timely and quality production.

Strong Relationships with Retail Customers. We sell our products to a diverse nationwide retail customer base. Our most important retail customers are each serviced by an in-house team that includes representatives from our sales, marketing, merchandising and product development departments. We generally collaborate with our retail customers and in many instances produce specific versions of our product lines with exclusive designs and packaging for their stores, which are appropriately priced for their respective customer bases.

National Distribution Capability. Our eight primary distribution centers in New Jersey, Pennsylvania, Massachusetts, and California are strategically located near the ports of entry for our products on the East and West Coasts and afford us nationwide distribution capabilities. Our largest distribution center is a modern facility located in Robbinsville, New Jersey. We also operate two additional distribution facilities located in York, Pennsylvania which were acquired in connection with the Pfaltzgraff acquisition, distribution facilities in East Boston, Massachusetts and Mira Loma, California, which were acquired in connection with the Syratech acquisition and a distribution facility located in Winchendon, Massachusetts. In addition, we utilize two facilities located in California, which are operated for us by a third-party logistics provider.

Scalability and Ability to Integrate New Businesses. We believe that our centralized design, sourcing, marketing, distribution, finance and administration structure allows us to expand our business organically and to acquire new businesses which can benefit from such centralization. Our largest distribution center in Robbinsville, New Jersey is a modern facility that enables us to satisfy the current "just-in-time" delivery requirements of our retail customers, as well as potentially more stringent requirements that may be imposed upon us in the future.

Experienced and Incentivized Management Team. We believe our management team, which includes executives with significant experience in the U.S. housewares and consumer products industries (an average of approximately 25years for our executive officers), provides us with a competitive advantage. Our executive officers beneficially own approximately 19.2% of our common stock on a fully diluted basis.

Our Strategy

Our primary objective is to be the leading supplier in each of the product categories in which we compete. We believe this objective would enable us to negotiate even more effectively with our key customers on product placement and pricing, which in turn would help us increase our revenues and improve our margins due to manufacturing economies of scale. Key elements of our strategy include:

Increase Sales of our Premium Brands. We focus on increasing our revenue from brands that are highly recognized and valued by both retailers and consumers. We have achieved growth by adding additional categories under each brand as well as new products within existing categories. We offer consumers a broad spectrum of products across different price points, providing the opportunity for them to trade up to branded products and then to higher-end product lines within our well-recognized brand names.

Continue to Introduce New Innovative Products. We use our design capabilities to continuously introduce new products and to refresh our product assortment. We practice "disruptive technology" by creating innovative products, packaging, displays and marketing programs that force our competitors to follow. In addition, we have the capability to create entirely new products with different functionalities. We track design innovations in the broader consumer products market and, when appropriate, apply these concepts to our product lines.

Expand Product Categories. We intend to continue expanding our product categories beyond our current categories. We plan to do this both through acquisitions of existing businesses, as in the Pfaltzgraff, Salton and Syratech acquisitions, and by introducing products in new categories under our existing brands as we have done with the KitchenAid® line of sinkware.

Increase Customer Penetration. We sell our products to most major retailers in the United States. We work together with our major retail customers to broaden the range of products purchased by each customer within our existing product categories and to sell new categories of products to each customer.

Improve Operating Margins. Managing our variable costs is the principal factor that allows us to improve our operating margins. We use design initiatives to lower supplier production costs and, where appropriate, to take advantage of lower cost raw materials. Because we have minimal investment in fixed manufacturing facilities, we can seek the highest quality suppliers with the lowest cost. We also seek to improve our margins by reducing distribution costs through efficiencies in our distribution system and customer collaboration.

Pursue Selective Acquisition Opportunities. We have historically grown and expect to continue to grow by acquiring brands and businesses that allow us to expand our existing product categories or provide new opportunities in the market for home products and that can benefit from the use of our brands and our centralized design, marketing, sourcing and distribution capabilities.

Recent Developments

Since July 2005, we have completed three acquisitions in the Tabletop category, making it our second largest product category.

Pfaltzgraff Acquisition. On July 11, 2005, we completed the acquisition of the business and certain assets of The Pfaltzgraff Co. (which we refer to as "Pfaltzgraff"), one of America's leading designers and marketers of dinnerware and tabletop accessories for the home. Its products are broadly distributed through retail chains and sold through company-operated outlet stores as well as through the Internet and our catalog operations. The purchase price for the acquisition was approximately $38.2 million, which we paid in cash.

Salton Acquisition. On September 19, 2005, we completed the acquisition of certain tabletop assets and the related business from Salton,Inc. (which we refer to as "Salton"). The assets include rights to Salton's Block® and Sasaki® brands, licenses to market Calvin Klein® tabletop products and distribution of upscale crystal products under the Atlantis brand. In

addition, we entered into a license agreement with Salton to market tabletop products under the Stiffel® brand. The purchase price was approximately $14.0million, which we paid in cash.

Syratech Acquisition. On April27, 2006, we completed the acquisition of the business and certain assets of Syratech , which designed, imported and manufactured a diverse portfolio of tabletop, home décor and picture frame products under such key brands in home fashion as Wallace Silversmiths®, Towle Silversmiths®, International Silver Company®, Tuttle®, Melannco International®, Elements® and Rochard®. In addition, we acquired Syratech's licenses for Cuisinart® and Kenneth Cole Reaction Home® brands for tabletop products. The purchase price, subject to working capital adjustments, which may be significant, was approximately $54.6million, of which $42.1million was paid in cash and $12.5million was paid in 439,676 shares of our common stock (which we refer to as the "Consideration Shares"). 193,458 Consideration Shares were issued directly to Syratech and 246,218 Consideration Shares are being held in escrow by the escrow agent appointed pursuant to the asset purchase agreement as a holdback to cover working capital adjustments and indemnity claims. Any changes to the purchase price as a result of working capital adjustments are not expected to have a material impact on our operations.

Notes Offering. In June 2006, we completed a private placement of $75 million principal amount of 4.75% Convertible Senior Notes due 2011 pursuant to Rule 144A under the Securities Act of 1933, as amended (which we refer to as the "Securities Act"). The Notes were resold by the initial purchasers to persons they reasonably believed to be qualified institutional buyers within the meaning of Rule 144A under the Securities Act in transactions exempt from registration under the Securities Act. Noteholders may convert their Notes into shares of our common stock at an initial conversion rate of 35.7143 shares of our common stock per $1,000 principal amount of Notes at any time prior to the close of business on the business day prior to the maturity date. The conversion rate is equivalent to an initial conversion price of $28.00 per share. Proceeds from the private placement were used to pay down outstanding indebtedness under our existing credit facility.

Our Corporate Information

We are a corporation organized under the laws of the State of Delaware. Our principal executive office is located at One Merrick Avenue, Westbury, New York 11590 and our telephone number is (516)683-6000. Our website address is *www.lifetimebrands.com.* Neither our website nor the information contained in our website is part of this prospectus.

Summary of the Notes and the Common Stock

Securities Offered	$75,000,000 principal amount of 4.75% Convertible Senior Notes Due 2011. Up to 2,678,571 shares of common stock, subject to adjustment upon certain events (for resale by Selling Securityholders after conversion of the Notes), issuable by us, upon conversion of the Notes.
Maturity Date of the Notes	July 15, 2011
Cash Interest on the Notes	4.75% per year on the principal amount from June 27, 2006, or from the most recent date to which interest has been paid or provided for, payable semiannually in arrears on January 15 and July 15 of each year, commencing January 15, 2007. The interest rate will be calculated using a 360-day year composed of twelve 30-day months.
Conversion Rights	Noteholders may convert their Notes into shares of our common stock at an initial conversion rate of 35.7143 shares of our common stock per $1,000 principal amount of Notes at any time prior to the close of business on the business day prior to the maturity date. The conversion rate is equivalent to an initial conversion price of $28.00 per share. Upon conversion of a Note, a Noteholder will not receive any cash payment of interest (unless such conversion occurs between a regular record date and the interest payment date to which it relates) and we will not adjust the conversion rate to account for accrued and unpaid interest. We may elect to deliver either shares of our common stock, cash or a combination of cash and shares of our common stock in satisfaction of our obligations upon conversion of Notes. At any time on or prior to the 26th trading day preceding the maturity date, we may irrevocably elect to satisfy in cash our conversion obligation with respect to the principal amount of the Notes to be converted after the date of such election, with any remaining amount to be satisfied in shares of our common stock. This election would be in our sole discretion without the consent of the Noteholders. See "Description of the Notes--Conversion Rights--Settlement upon Conversion."
Anti-Dilution Adjustments in the Notes	The conversion rate may be adjusted if certain events occur. See "Description of the Notes--Conversion Right Adjustments."
Make Whole Amount	Noteholders who convert their Notes in connection with certain fundamental changes, as defined herein, may be entitled to a make whole premium in the form of an increase in the conversion rate. See "Description of the Notes--Conversion Rights--Make Whole Amount."
Ranking of the Notes	The Notes are our general unsecured obligations and rank senior in right of payment to all of our existing and future indebtedness that is expressly subordinated in right of payment to the Notes. The Notes rank equally in right of payment with all of our existing and future liabilities that are not so subordinated. The Notes effectively rank junior to any of our secured indebtedness, to the extent of the assets securing such indebtedness, and are structurally subordinated to all liabilities of our subsidiaries. In the event of our bankruptcy, liquidation, reorganization or other winding up of our company, our assets that secure secured indebtedness will be available to pay obligations on the Notes only after all such secured indebtedness has been repaid in full from such assets. As of September 21, 2006, we had $14.4 million of letters of credit, $32.0 million of short-term borrowings and $5.0 million of long-term debt that would be pari passu with the Notes, all of which was secured indebtedness outstanding under our Credit Facility.
Optional Redemption of the Notes	We may not redeem the Notes at any time prior to maturity.
Purchase of the Notes by Us at the Option of the Noteholder	Other than in the event of a fundamental change described below, Noteholders may not require us to purchase the Notes at any time prior to maturity.

Fundamental Change	Upon a fundamental change involving us, each Noteholder may require us to purchase for cash all or a portion of such Noteholder's Notes. The price we are required to pay is 100% of the principal amount of the Notes to be purchased, plus any accrued and unpaid interest to, but excluding, the purchase date.
Use of Proceeds	We will not receive any proceeds from the sale of the Notes or the shares of common stock offered by this prospectus.
Global Securities	The Notes are evidenced by one or more global Notes deposited with the trustee as custodian for The Depository Trust Company, or DTC. The global Notes have been registered in the name of Cede & Co., as DTC's nominee.
Transfer Restrictions	Until the registration statement of which this prospectus is a part becomes effective, the Notes and the common stock issuable upon conversion of the Notes have not been registered under the Securities Act, or any state securities laws. Once effective, if the registration statement of which

	this prospectus is a part does not remain effective, this could adversely affect the liquidity and price of the Notes and the common stock issuable upon conversion of the Notes.
Registration Rights	We have entered into a registration rights agreement with the initial purchasers. In the registration rights agreement, we agreed to use our reasonable best efforts to: • cause this registration statement to become effective as promptly as is practicable, but in no event later than December 24, 2006; and • keep this registration statement effective for a period from the date this registration statement is declared effective by the Securities and Exchange Commission (which we refer to as the "SEC") until such date that is the earlier of (1) the date as of which all the Notes or the common stock issuable upon conversion of the Notes (which we refer to as "registrable securities") have been sold either under Rule 144 under the Securities Act (or any similar provision then in force) or pursuant to this registration statement; (2) the date as of which all of the registrable securities held by non-affiliates are eligible to be sold to the public pursuant to Rule 144(k) under the Securities Act or any successor provision; or (3) the date on which there are no outstanding registrable securities. If we do not fulfill certain of our obligations under the registration rights agreement, we will be required to pay liquidated damages to holders of the Notes (which we refer to as a "Noteholder"). If a Noteholder converts some or all of its Notes into common stock, such Noteholder will not be entitled to liquidated damages with respect to the common stock. However, if a Noteholder converts its Notes when there exists a registration default with respect to the common stock, we will increase the conversion rate by 3% as described under "Description of the Notes — Registration Rights" instead of paying any liquidated damages on the shares issuable upon conversion, if any.
Trading	Our common stock is listed on The NASDAQ Global Market under the symbol "LCUT." The Notes trade in the Private Offerings, Resales and Trading through Automatic Linkages Market, commonly referred to as the Portal Market.

Risk Factors

For a discussion of certain risks that should be considered in connection with an investment in the Notes and our common stock, see "Risk Factors" beginning on page 9 of this prospectus.

Ratio of Earnings to Fixed Charges

Our consolidated ratio of earnings to fixed charges is computed by dividing earnings by fixed charges. The following table shows our consolidated ratio of earnings to fixed charges for the six months ended June 30, 2006 and 2005, respectively, and for each of the five fiscal years ended December 31:

	Six Months Ended June 30,		Year Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
Ratios of earnings to fixed charges(1)	N/A(2)	3.4x	4.5x	5.7x	6.1x	3.0x	3.1x

(1) We do not believe that the ratios for the six month period is necessarily indicative of the ratios for the twelve month periods due to the seasonal nature of our business. The ratios were calculated pursuant to applicable rules of the SEC.

(2) In the six months ended June 30, 2006, our earnings were insufficient to cover fixed charges by approximately $1.0 million.

RISK FACTORS

You should carefully consider the risks described below together with all of the other information included or incorporated by reference in this prospectus before making an investment decision. The risks and uncertainties described below may not be the only ones we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also impair our business operations. Any of these risks may have a material adverse effect on our business, financial condition, results of operations and cash flows. In that case, you may lose all or part of your investment.

Risks Related to Our Business

We must successfully anticipate changing consumer preferences and buying trends and manage our product line and inventory commensurate with customer demand.

Our success depends upon our ability to anticipate and respond to changing merchandise trends and customer demands in a timely manner. Consumer preferences cannot be predicted with certainty and may change between selling seasons. We must make decisions as to design, development, expansion and production of new and existing product lines. If we misjudge either the market for our products, the purchasing patterns of our retailers' customers, or the appeal of the design, functionality or variety of our product lines, our sales may decline significantly, and we may be required to mark down certain products to sell the resulting excess inventory or sell such inventory through our outlet stores, or other liquidation channels, at prices which can be significantly lower than our normal wholesale prices, each of which would harm our business and operating results.

In addition, we must manage our inventory effectively and commensurate with customer demand. A substantial portion of our inventory is sourced from vendors located outside the United States. We generally commit to purchasing products before we receive firm orders from our retail customers and frequently before trends are known. The extended lead times for many of our purchases, as well as the development time for design and deployment of new products, may make it difficult for us to respond rapidly to new or changing trends. In addition, the seasonal nature of our business requires us to carry a significant amount of inventory prior to the year-end holiday selling season. As a result, we are vulnerable to demand and pricing shifts and to misjudgments in the selection and timing of product purchases. If we do not accurately predict our customers' preferences and acceptance levels of our products, our inventory levels may not be appropriate, and our business and operating results may be adversely impacted.

Our business depends, in part, on factors affecting consumer spending that are out of our control.

Our business depends on consumer demand for our products and, consequently, is sensitive to a number of factors that influence consumer spending, including general economic conditions, disposable consumer income, recession and inflation, incidents and fears relating to national security, terrorism and war, hurricanes, floods and other natural disasters, inclement weather, consumer debt, unemployment rates, interest rates, sales tax rates, fuel and energy prices, consumer confidence in future economic conditions and political conditions, and consumer perceptions of personal well-being and security generally. Adverse changes in factors affecting discretionary consumer spending could reduce consumer demand for our products, change the mix of products we sell to a different mix with a lower average gross margin, slower inventory turnover and greater markdowns on inventory, thus reducing our sales and harming our business and operating results.

We face intense competition from companies with brands or products similar to ours and from companies in the retail industry.

The markets for Kitchenware, Tabletop, Cutlery & Cutting Boards, Bakeware & Cookware, Pantryware & Spices and Home Decor are highly competitive and include numerous domestic and foreign competitors, some of which are larger than us, have greater financial and other resources than we do and may have more established brand names in some or all of the markets we serve. 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 in response to retail customers' order requirements, and ultimate price to the consumer.

The competitive challenges facing us include:

- anticipating and quickly responding to changing consumer demands better than our competitors;
- maintaining favorable brand recognition and achieving customer perception of value;

- effectively marketing and competitively pricing our products to consumers in several diverse market segments and price levels; and

- developing innovative, high-quality products in designs and styles that appeal to consumers of varying groups, tastes and price level preferences, and in ways that favorably distinguish us from our competitors.

In addition, we operate our outlet store, our mail order catalog and our Internet businesses under highly competitive conditions. We have numerous and varied competitors at the national and local levels, including conventional and specialty department stores, other specialty stores, mass merchants, value retailers, discounters, and Internet and mail order retailers. Competition is characterized by many factors, including assortment, advertising, price, quality, service, location, reputation and credit availability. If we do not compete effectively with regard to these factors, our results of operations could be materially and adversely affected.

In light of the many competitive challenges facing us, we may not be able to compete successfully. Increased competition could adversely affect our sales, operating results and business, by forcing us to lower our prices or sell fewer units, which could reduce our gross profit and net income.

Our recently expanded direct-to-consumer retail business may not be successful.

Our acquisition of the business and certain assets of Pfaltzgraff in 2005 included Pfaltzgraff's mail order catalog, Internet and outlet store businesses. As a result, our direct-to-consumer retail segment has become a more significant part of our overall business. In recent years, Pfaltzgraff incurred significant losses in the operation of its outlet stores and we incurred losses operating our Farberware®outlet stores. In addition, our outlet stores have not been profitable for the first six months of 2006 and will not be profitable for the year. We continue to evaluate our outlet stores operations. In January 2006, we closed 20 Farberware®stores and 13 Pfaltzgraff®stores in order to consolidate certain Farberware®and Pfaltzgraff®stores that coexisted within the same geographic area and to eliminate certain unprofitable stores. We may also open new Pfaltzgraff®and Farberware®stores and introduce new store formats. We cannot assure Noteholders that our outlet store operations will achieve profitability. Moreover, prior to July 2005, we had no significant experience in mail order catalog and Internet sales operations. Our failure to compete effectively in these areas would have an adverse effect upon the results of our operations.

We have a single customer that accounted for 20% of our net sales in 2005.

We distribute our products through a diverse nationwide base of retail customers including mass merchants, specialty stores, national chains, department stores, warehouse clubs, home centers, supermarkets and off-price retailers, as well as through other channels of distribution, including our outlet stores. However, during the years ended December 31, 2005, 2004 and 2003, Wal-Mart Stores,Inc. (including Sam's Club) accounted for approximately 20%, 24% and 29% of net sales, respectively, and our ten largest customers accounted for approximately 51%, 59% and 62% of net sales, respectively. Any material reduction of product orders by Wal-Mart Stores,Inc. could have significant adverse effects on our business and operating results, including the loss of predictability and volume production efficiencies associated with such a large customer. In addition, pressure by Wal-Mart Stores,Inc. to reduce the price of our products could result in the reduction of our operating margin. No customer other than Wal-Mart Stores,Inc. accounted for 10% or more of our net sales during 2005, 2004 or 2003.

We depend on key vendors for timely and effective sourcing of our products, and we are subject to various risks and uncertainties that may affect our vendors' ability to produce quality merchandise.

We do not own any manufacturing facilities other than a sterling silver flatware manufacturing facility in Puerto Rico which we acquired in connection with our acquisition of the business and certain assets of Syratech in April 2006 and our spice packing line within our Winchendon, Massachusetts facility. We source all of our other products from independent suppliers, with which we have in many cases established long-term relationships. Our performance depends on our ability to have our products manufactured to our designs and specifications in sufficient quantities at competitive prices. We have no contractual assurances of continued supply, pricing or access to products, and in general, vendors may discontinue selling to us at any time. We may not be able to acquire our products in sufficient quantities, with the quality assurance we require, and on terms acceptable to us.

We source our products from approximately 325 suppliers located primarily in the People's Republic of China, and to a lesser extent in the United States, Taiwan, Thailand, Malaysia, Indonesia, Germany, France, Korea, the Czech Republic, Italy, India, Portugal and Hong Kong. Our three largest suppliers provided us with approximately 54% of the products we distributed in 2005 and 2004. This concentration of sourcing in certain key vendors is a risk to our business. Furthermore, because our

product lines cover thousands of products, many products are produced for us by only one or two manufacturers. An interruption of supply from any of these manufacturers could have an adverse impact on our ability to fill orders on a timely basis.

As a result, an interruption of supply from any of our suppliers, or the loss of one or more key vendors, could have a negative effect on our business and operating results because we would be missing products that could be important to our assortment or to coordinated branded product lines, unless and until alternative supply arrangements are secured. We may not be able to develop relationships with new vendors, and products from alternative sources, if any, may be of a lesser quality and/or more expensive than those we currently purchase. Replacement of manufacturing sources would require long lead-times to assure the vendors' capability to manufacture to our designs and specifications, maintain quality control and achieve the production levels we require. In addition, some of our customers demand a certain standard of shipping fulfillment (usually as a percentage of orders placed) and any disruption in the manufacturing of our products could result in our failure to meet such standards.

In addition, we are subject to certain risks, including risks relating to the availability of raw materials, labor disputes, union organizing activity, inclement weather, natural disasters, and general economic and political conditions, that might limit our vendors' ability to provide us with quality merchandise on a timely basis. For these or other reasons, one or more of our vendors might not adhere to our quality control standards, and we might not identify the deficiency before products are shipped to our retail customers. Our vendors' failure to manufacture or ship quality merchandise in a timely and efficient manner could damage our reputation and that of brands offered by us, and could lead to a loss or reduction in orders by our retail customers and an increase in product liability claims or litigation.

Because most of our vendors are located in foreign countries, we are subject to a variety of additional risks and uncertainties.

Our dependence on foreign vendors means, in part, that we may be affected by declines in the relative value of the U.S. dollar to other foreign currencies. Although substantially all of our foreign purchases of products are negotiated and paid for in U.S. dollars, declines in foreign currencies and currency exchange rates might negatively affect the profitability and business prospects of our foreign vendors. This, in turn, might cause such foreign vendors to demand higher prices for products, hold up shipments to us or discontinue selling to us; any of which could ultimately reduce our sales or increase our costs.

We are also subject to other risks and uncertainties associated with changing economic and political conditions in foreign countries. These risks and uncertainties include import duties and quotas, concerns over anti-dumping, work stoppages, economic uncertainties (including inflation), foreign government regulations, incidents and fears involving security, terrorism and wars, political unrest and other trade restrictions. We cannot predict whether any of the countries in which our products are currently manufactured or may be manufactured in the future will be subject to trade restrictions imposed by the U.S. or foreign governments or the likelihood, type or effect of any such restrictions. Any event causing a disruption or delay of imports from foreign vendors, including the imposition of additional import restrictions, restrictions on the transfer of funds and/or increased tariffs or quotas, or both, with respect to products for the home could increase the cost or reduce the supply of products available to us and adversely affect our business, financial condition and operating results. Furthermore, some or all of our foreign vendors' operations may be adversely affected by political and financial instability resulting in the disruption of trade from exporting countries, restrictions on the transfer of funds and/or other trade disruptions.

In addition, there is a risk that one or more of our foreign vendors will not adhere to our compliance standards such as fair labor practices and prohibitions on child labor. Such circumstances might create an unfavorable impression of our sourcing practices or the practices of some of our vendors that could harm our image. Additionally, certain of our major retail customers, including Wal-Mart Stores,Inc., routinely inspect our suppliers' facilities to determine their compliance with applicable labor laws. A determination by such customers that one or more of our suppliers violate such standards could jeopardize our sales to such customers if we or our suppliers cannot effectively remedy any such violation in a timely manner. If any of these occur, we could lose sales, customer goodwill and favorable brand recognition, which could negatively affect our business and operating results.

Many of our leading product lines are manufactured under licensed trademarks and any failure to retain such licenses on acceptable terms may have an adverse effect on our business.

We promote and market some of our most successful product lines under trademarks we license from third parties. Several of these license agreements are subject to termination by the licensor.

Our license agreement with Whirlpool Corporation allows us to design, manufacture and market an extensive range of kitchenware, bakeware, cutlery, sinkware, pantryware and spices under the KitchenAid®brand name. We have extended

the term of the license agreement to December 31, 2009. Whirlpool Corporation may terminate this license for cause if we are in default or upon the occurrence of a change of control of our company. In addition, Whirlpool Corporation may terminate the agreement if, based on certain statistical parameters, a customer survey conducted by it shows that customers are dissatisfied with the products we market under the license. Products marketed under the KitchenAid®name accounted for a substantial portion of our revenues in the fiscal year ended December 31, 2005, and the six months ended June 30, 2006. We may not be successful in maintaining or renewing the KitchenAid®license, which expires on December 31, 2009 and has significant commercial value to us, on terms that are acceptable to us or at all. The loss of the KitchenAid®license, or an increase in the royalties we pay under such license upon renewal, could have a material adverse effect on our results of operations.

In addition, any of the licensors of the previously mentioned trade names may encounter problems that would potentially diminish the prestige of the licensed trade names. In turn, this could negatively reflect on our line of products that are marketed under the applicable trade name. In the event that this occurs with respect to one of our leading product lines, our sales and financial results may be adversely affected. Certain of our licenses have minimum sales requirements. If we are unable to achieve the minimum sales requirements under these licenses, we may incur a loss related to these licenses.

We must successfully manage the complexities associated with a multi-channel and multi-brand business.

Our business requires the development, marketing and production of a wide variety of products in several categories: Kitchenware, Tabletop, Cutlery & Cutting Boards, Bakeware & Cookware, Pantryware & Spices and Home Décor. Within each of these categories, it is necessary to market several full lines of branded products targeting different price and prestige levels, and each of these branded lines must contain an assortment of products and accessories with matched designs and packaging which are often sold as sets. Our different product lines are sold under a variety of brand names, some of which are owned and some of which are licensed. Many of our products are inherently of the type that consumers prefer to purchase as part of a branded, matched line. Accordingly, both for marketing reasons and under the requirements of our license agreements, we must maintain breadth of product lines and we must devote significant resources to developing and marketing new designs for our product lines. The inability to maintain breadth of our product lines—whether due to vendor difficulties, design issues, retail orders for less than all of the products in a line, or other problems—could result in competitive disadvantages as well as the potential loss of valuable license arrangements.

In addition, we sell our products through several different distribution channels (department store chains, mass merchants, specialty stores, national chains, warehouse clubs, home centers, supermarkets, off-price retailers, outlet stores, catalogs and over the Internet) and we must manage the selective deployment of branded lines within these channels so as to achieve maximum revenue and profitability. Failure to properly align brands and product lines to the price and prestige levels associated with particular channels of distribution could result in product line failures, damage to our reputation, and lost revenues and profits.

Our ability to deliver products to our customers in a timely manner and to satisfy our customers'fulfillment standardsis subject to several factors, some of which are beyond our control.

Our retail customers place great emphasis on timely delivery of our products for specific selling seasons and to fulfill consumer demand throughout the year. We cannot control all of the various factors that might affect product delivery to our retail customers. Vendor production delays, difficulties encountered in shipping from overseas and customs clearance are on-going risks of our business. We also rely upon third-party carriers for our product shipments from our warehouse facilities to customers, and we rely on the shipping arrangements our suppliers have made in the case of products shipped directly to our retail customers from the supplier. Accordingly, we are subject to risks associated with such carriers' ability to provide delivery services to meet our shipping needs, including risks relating to labor disputes such as the West Coast port strike of 2002, union organizing activity, inclement weather, natural disasters, possible acts of terrorism, the availability of shipping containers and increased security restrictions. Failure to deliver products in a timely and effective manner to our retail customers could damage our reputation and brands and result in loss of customers or reduced orders. In addition, fuel costs have increased substantially, which will likely result in increased shipping expenses. Increased transportation costs and any disruption in our distribution process, especially during the second half of the year, which is our busiest selling period, could adversely affect our business and operating results.

Our reliance on a third-party logistics provider may result in customer dissatisfaction or increased costs.

Two of our distribution facilities in California are currently operated by a third-party logistics provider. Failure of the third-party logistics provider to effectively and accurately manage on-site inventory and logistics functions at these distribution facilities, especially during the second half of the year, could have an adverse effect on our business and our financial results.

Our quarterly results of operations might fluctuate due to a variety of factors, including ordering patterns of ourcustomers and the seasonality of our business.

Our quarterly results have fluctuated in the past and may fluctuate in the future, depending upon a variety of factors, including, but not limited to the ordering patterns and timing of promotions of our major retail customers, which may differ significantly from period to period or from our original forecasts, and the strategic importance of third and fourth quarter results. A significant portion of our revenues and net earnings are realized during the second half of the calendar year, as order volume from our retail customer base reaches its peak as our customers increase their inventories for the end-of-year holiday season. If, for any reason, we were to realize significantly lower-than-expected revenues or net earnings during the September through December selling season, our business and results of operations would be materially adversely affected.

Our corporate compliance program cannot assure that we will be in complete compliance with all potentially applicable regulations, including the Sarbanes-Oxley Act of 2002.

As a publicly traded company we are subject to significant regulations, including the Sarbanes-Oxley Act of 2002. Many of these regulations are of recent adoption and may be subject to change. In connection with our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005, and the corresponding audit of that assessment by our independent registered public accounting firm, we identified one significant deficiency in our internal control over financial reporting. This deficiency did not constitute a “material weakness” as defined by the Public Company Accounting Oversight Board. Although we believe that we have remediated the identified deficiency, we cannot assure the Noteholders that our independent registered public accounting firm will be satisfied with the steps that we have taken to remediate the deficiency. In addition, we cannot assure the Noteholders that we will not find significant deficiencies or material weaknesses in the future. Further, our independent registered public accounting firm has not yet performed its assessment of our internal control over financial reporting for the current year, which will cover the operations of our recently acquired Pfaltzgraff and Salton businesses for the first time. Thus, we cannot be assured that our independent registered public accounting firm will conclude that our internal control over financial reporting is operating effectively.

We may not be able to successfully identify, manage and integrate future acquisitions.

Since 1995 we have completed nine acquisitions. Although we have grown significantly through acquisitions and intend to continue to pursue additional acquisitions in the future, we may not be able to identify appropriate acquisition candidates or, if we do, we may not be able to successfully negotiate the terms of the acquisition, finance the acquisition or integrate the acquired business effectively and profitably into our existing operations. Integration of an acquired business could disrupt our business by diverting management away from day-to-day operations. Furthermore, failure to successfully integrate any acquisition may cause significant operating inefficiencies and could adversely affect our profitability.

We may not be able successfully to integrate the recent Syratech acquisition.

We are currently integrating the operations of our recently acquired Syratech business. We may experience difficulties in managing the integration process or in establishing effective internal financial control over this business, which could adversely affect our results. This could result in a loss of confidence in the reliability of our financial statements, which could adversely affect the market price of our common stock.

We have limited experience operating in the Tabletop category, which is our second largest product category, and in the Home Décor Category.

We recently acquired from Pfaltzgraff, Salton and Syratech several brands and several product lines in categories in which we have limited experience, including flatware, dinnerware, glassware, crystal, serveware and tabletop accessories as well as home décor. Although the businesses acquired from Pfaltzgraff, Salton and Syratech are related to our existing categories of business, we only have brief experience operating in the Tabletop and Home Décor categories in which the newly acquired businesses operate. We may encounter delays or difficulties in transitioning these brands and product lines and may not achieve the expected growth or cost savings, and it is not possible to predict the success of cross-selling our other product categories under the brands acquired from Pfaltzgraff, Salton or Syratech or selling our other higher-end brands to their respective upscale retail customers. In particular, sales of the Tabletop and Home Décor businesses tend to rely significantly more on the appeal to consumers of the aesthetic design of the products than our other products lines whose sales tend to depend more upon product functionality. Additionally, under their previous ownership, the recently acquired Pfaltzgraff, Salton and Syratech businesses suffered material operating losses. We cannot assure Noteholders that we can restore their respective product lines to profitability or that there will not be delays in doing so.

Loss of key employees may negatively impact our success.

Our success depends on our ability to identify, hire and retain skilled personnel. Our industry is characterized by a high level of employee mobility and aggressive recruiting among competitors for personnel with track records of success. We may not be able to attract and retain skilled personnel or may incur significant costs in order to do so. If Jeffrey Siegel, our Chairman, President and Chief Executive Officer, would leave us, it would have a materially adverse effect on us.

We may compete with our customers' internal efforts to design and manufacture products similar to ours.

Some of our existing and potential customers continuously evaluate whether to design and manufacture their own products or purchase them directly from outside vendors and distribute them under their own brand names. Although, based on our past experience, such products usually target the lower-end market, if any of our customers or potential customers pursue such option, it may adversely affect our business.

High costs of raw materials and energy may result in increased operating expenses and adversely affect our results ofoperations and cash flow.

Significant variations in the costs and availability of raw materials and energy may negatively affect our results of operations. Our vendors purchase significant amounts of metal and plastic to manufacture our products. They also purchase significant amounts of electricity to supply the energy required in our production processes. The rising cost of fuel may also increase our transportation costs. The cost of these raw materials and energy, in the aggregate, represents a significant portion of our operating expenses. Our results of operations have been and could in the future be significantly affected by increases in these costs. Price increases increase our working capital needs and, accordingly, can adversely affect our liquidity and cash flow. Additionally, higher fuel prices may decrease the number of consumer shopping trips and lower demand for merchandise sold through our outlet stores.

If we fail to adequately protect or enforce our intellectual property rights, competitors may produce and market products similar to ours. In addition, we may be subject to intellectual property litigation and infringement claims by third parties.

The success of our products is inherently dependent on new and original designs which appeal to consumer tastes and trends at various price and prestige levels. Our trademarks, service marks, patents, trade dress rights, trade secrets and other intellectual property are valuable assets that are critical to our success. Although we attempt to protect our proprietary properties through a combination of trademark, patent and trade secret laws and non-disclosure agreements, these may be insufficient. Although we have trademarks and certain patents issued or licensed to us for our products, we may not always be able to successfully protect or enforce our trademarks and patents against competitors, or against challenges by others. We source substantially all of our products from foreign vendors, and the ability to protect our intellectual property rights in foreign countries may be far more difficult than in the United States. Many foreign jurisdictions provide less legal protection of intellectual property rights than the United States and it is difficult to even detect infringing products in such jurisdictions until they are already in widespread distribution. The costs of enforcing our intellectual property may adversely affect our operating results.

In addition, we may be subject to intellectual property litigation and infringement claims, which could cause us to incur significant expenses or prevent us from selling our products. A successful claim of trademark, patent or other intellectual property infringement against us could adversely affect our growth and profitability, in some cases materially. Others may claim that our proprietary or licensed products are infringing their intellectual property rights, and our products may infringe those intellectual property rights. We may be unaware of intellectual property rights of others that may cover some of our products. If someone claims that our products infringe their intellectual property rights, any resulting litigation could be costly and time consuming and would divert the attention of management and key personnel from other business issues. We also may be subject to significant damages or injunctions preventing us from manufacturing, selling or using some aspect of our products in the event of a successful claim of patent or other intellectual property infringement. Any of these adverse consequences could have a material adverse effect on our business and profitability.

If our products are found to be defective, our credibility and that of our brands may be harmed, market acceptance of our products may decrease and we may be exposed to liability in excess of our products liability insurance coverage.

The marketing of certain of our consumer products, such as tabletop cookware, involve an inherent risk of product liability claims or recalls or other regulatory or enforcement actions initiated by the U.S. Consumer Product Safety Commission, by state regulatory authorities or through private causes of action. Any defects in products we market could harm our credibility, adversely affect our relationship with our customers and decrease market acceptance of our products and the strength of the brand names under which we market such products. In addition, potential product liability claims may exceed the amount of our insurance coverage under the terms of our policy. In the event that we are held liable for a product liability claim for which we are not insured, or for damages exceeding the limits of our insurance coverage, such claim could materially damage our business and our financial condition.

We experience business risks as a result of our Internet business.

We compete with Internet businesses that handle similar lines of merchandise. These competitors have certain advantages, including the inapplicability of sales tax and the absence of retail real estate and related costs. As a result, increased Internet sales by our competitors could result in increased price competition and decreased margins adversely affecting our Internet, mail order catalog and retail outlet businesses as well as our wholesale business. Our Internet operations are subject to numerous risks, including reliance on third-party hosting and computer software and hardware providers and online security breaches and/or credit card fraud.

Our inability to effectively address these risks and any other risks that we face in connection with our Internet business could adversely affect the profitability of our Internet business.

Government regulation of the Internet and e-commerce is evolving and unfavorable changes could harm our business.

We are subject to general business regulations and laws, as well as regulations and laws specifically governing the Internet and e-commerce. Such existing and future laws and regulations may impede the growth of the Internet or other online services. These regulations and laws may cover taxation, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, the provision of online payment services, broadband residential Internet access, and the characteristics and quality of products and services. It is not clear how existing laws governing issues such as property ownership, sales and other taxes, and personal privacy apply to the Internet and e-commerce. Unfavorable resolutions of these issues would harm our business. This could, in turn, diminish the demand for our products on the Internet and increase our cost of doing business.

We may not be able to adapt quickly enough to changing customer requirements and e-commerce industry standards.

Technology in the e-commerce industry changes rapidly. We may not be able to adapt quickly enough to changing customer requirements and preferences and e-commerce industry standards. These changes and the emergence of new e-commerce industry standards and practices could render our existing websites obsolete.

Our business is subject to technological risks.

We rely on several different information technology systems for the operation of our principal business functions, including our financial reporting and control, warehouse management, inventory and re-ordering, point of sale and call center systems. In the case of our inventory forecast and re-ordering system, most of our orders are received directly through electronic connections with our largest customers. The failure of any one of these systems could have a material adverse effect on our business and results of operations.

Risks Related to the Notes

The Noteholder's right to receive payments on the Notes is effectively subordinated to the rights of our existing andfuture secured creditors.

The Notes are unsecured and therefore are effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. As a result, in the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding of our company, our assets will be available to satisfy obligations of our secured debt before any payment may be made on the Notes. To the extent that such assets cannot satisfy in full our secured debt, the holders of such debt would have a claim for any shortfall that would rank *pari passu* in right of payment with the Notes. Accordingly, we may not have sufficient assets remaining to pay amounts on any or all of the Notes.

As of September 21, 2006, we had $14.4 million of letters of credit, $32.0 million of short-term borrowings and $5.0 million of long-term debt outstanding, all of which was secured indebtedness, which would effectively rank senior in right of payment to the Notes.

In addition, the Notes are not guaranteed by any of our existing or future subsidiaries. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due with respect to the Notes or to make any funds available therefor, whether by dividends, loans or other payments. Although substantially all of our borrowings have been incurred by Lifetime Brands, Inc., the Notes rank junior in right of payment to all existing and future debt and other liabilities (including trade payables) of our subsidiaries.

The agreements and instruments governing our Credit Facility contain restrictions and limitations that could significantly impact our ability to operate our business and adversely affect the Noteholders.

Our amended and restated credit facility with the Bank of New York, HSBC Bank USA, Citibank, N.A. and Wachovia Bank, N.A., initially dated as of July 28, 2004 (which we refer to as the "Credit Facility") contains covenants that, among other things, restrict our ability to:

- dispose of assets;
- incur additional indebtedness, including guarantees;
- prepay other indebtedness or amend other debt instruments;
- pay dividends or make investments, loans or advances;
- create liens on assets;
- enter into sale and leaseback transactions;
- engage in mergers, acquisitions or consolidations;
- change the business conducted by us; and
- engage in transactions with affiliates.

In addition, we are required to maintain specified interest coverage and leverage ratios. The breach of any of these covenants or restrictions could result in a default under the Credit Facility which would permit the lenders to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest. In any such case, we may be unable to pay the amounts due under the Credit Facility. This could have serious consequences to our financial condition and results of operations and could cause us to become bankrupt or insolvent. In addition, a default under the Credit Facility would likely result in an event of default under the Notes and we may be unable to meet our payment obligations under the Notes in such circumstances.

We may not be able to generate sufficient cash flow to meet our debt service obligations.

Our ability to generate sufficient cash flow from operations to make scheduled payments on our debt obligations will depend on our future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside our control. If we do not generate sufficient cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. The terms of our Credit Facility contain limitations on our ability to incur additional indebtedness. As of September 21, 2006, we had $48.6 million of borrowing capacity available under our Credit Facility. We cannot assure Noteholders that any refinancing would be possible, that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds realized from those sales, or that additional financing could be obtained on acceptable terms, if at all, or would be permitted under the terms of our various debt instruments then in effect. In the six months ended June 30, 2006, our earnings were insufficient to cover fixed charges by approximately $1.0 million.

The market price of our common stock may be volatile, which could cause the value of a Noteholder's investment in the Notes to decline.

The Notes are convertible into shares of our common stock, or cash or a combination of cash and shares of our common stock based on the last reported sale price of our common stock on each trading day in the conversion period, and therefore we expect that the trading price of our common stock will significantly affect the trading price of the Notes. The market price of our common stock historically has experienced and may continue to experience high volatility, and the broader stock market has experienced significant price and volume fluctuations in recent years. This volatility has affected the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the price of our common stock. Any of the following factors could affect the market price of our common stock:

- general market, political and economic conditions;
- our failure to meet financial analysts' performance expectations;
- changes in recommendations by financial analysts; and
- changes in market valuations of other companies in our industry.

Many of the risks described elsewhere in this "Risk Factors" section also could materially and adversely affect our stock price.

In addition, the trading price of our common stock could be affected by possible sales of our common stock by investors who view the Notes as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that may develop involving our common stock. The hedging or arbitrage could, in turn, affect the trading price of the Notes.

A Noteholder is not entitled to any rights with respect to our common stock, but is subject to all changes made withrespect to our common stock.

Noteholders are not entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but are subject to all changes affecting our common stock. Noteholders will only be entitled to rights on the common stock if and when we deliver shares of common stock to them upon conversion of their Notes and in limited cases under the adjustments to the conversion rate. For example, in the event that an amendment is proposed to our certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to delivery of the common stock, Noteholders will not be entitled to vote on the amendment, although they will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

We may not have the financial resources to repurchase the Notes for cash upon the occurrence of a fundamental change orto make a cash payment of principal if we have irrevocably elected to satisfy in cash our conversion obligation withrespect to the principal amount of the Notes.

In the event of a fundamental change, as defined in "Description of Notes—Redemption at Option of the Noteholder Upon a Fundamental Change," Noteholders may require us to repurchase all or a portion of their Notes for cash at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, including liquidated damages, if any, to, but excluding, the date of repurchase. In addition, at any time on or prior to the 26th trading day preceding the maturity date, we may irrevocably elect to satisfy in cash our conversion obligation with respect to the principal amount of the Notes to be converted after the date of such election, with any remaining amount to be satisfied in shares of our common stock. It is possible that we will not have, nor have access to, sufficient funds to repurchase the Notes at the time of any such fundamental change or to make a cash payment of principal upon the conversion of the Notes following such an irrevocable election. In addition, our ability to repurchase the Notes in cash in such event or to make a cash payment of principal upon their conversion may be limited by law, by the indenture, by the terms of other agreements relating to our outstanding debt (including the Credit Facility, under which a fundamental change would constitute an event of default under certain circumstances) and by debt and agreements that we may enter into, replace, supplement or amend from time to time. Furthermore, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not trigger our obligation to repurchase the Notes. See "Description of Notes—Redemption at Option of the Noteholder Upon a Fundamental Change."

Upon conversion of the Notes, Noteholders may receive less proceeds than expected because the value of our common stockmay decline after they exercise their conversion right.

A converting Noteholder will be exposed to fluctuations in the value of our common stock during the period from the date such Noteholder tenders Notes for conversion until the date we settle our conversion obligation. Under the Notes, if we elect to settle all or any portion of our conversion obligation in cash or if we make a cash payment of principal upon conversion, the conversion value that a Noteholder will receive upon conversion of its Notes will be in part determined by last reported sale prices of our common stock for each trading day in a 20-day trading period. As described under "Description of the Notes—Settlement Upon Conversion," this period begins after the date on which a Noteholder's Notes are tendered for conversion. Accordingly, if the price of our common stock decreases during this period, the conversion value Noteholders receive may be adversely affected.

Upon conversion of the Notes, we may pay cash in lieu of issuing shares of our common stock or a combination of cash and shares of our common stock. Therefore, Noteholders may receive no shares of our common stock or fewer shares than the number into which their Notes are convertible.

We have the right to satisfy our conversion obligation to Noteholders by issuing shares of our common stock into which the Notes are convertible, the cash value of the shares of our common stock into which the Notes are convertible, or a combination thereof. In addition, we have the right to irrevocably elect to satisfy our conversion obligation in cash with respect to the principal amount of the Notes to be converted after the date of such election. Accordingly, upon conversion of a Note, a Noteholder may not receive any shares of our common stock, or it might receive fewer shares of our common stock relative to the conversion value of the Note.

The additional shares of common stock payable on Notes converted in connection with certain fundamental changes may notadequately compensate Noteholders for the lost option time value of their Notes as a result of such fundamental changes.

If certain fundamental changes occur, we will in certain circumstances increase the conversion rate on Notes converted in connection with the fundamental change by a number of additional shares of common stock. The number of additional shares of common stock will be determined based on a Noteholder's conversion date and the price paid per share of common stock in the fundamental change transaction as described under "Description of Notes—Conversion Rights—Make Whole Amount." While the increase in the conversion rate upon conversion is designed to compensate the Noteholder for the lost option time value of its Notes as a result of the fundamental change, the increase is only an approximation of this lost value and may not adequately compensate the Noteholder for the loss. If the market price of our common stock on the relevant conversion date is less than $22.32 or greater than $65.00, the conversion rate will not be increased. In addition, if a Noteholder converts its Notes prior to the effective date of any such fundamental change, and the fundamental change does not occur, such Noteholder will not be entitled to an increased conversion rate in connection with such conversion.

The conversion rate of the Notes may not be adjusted for all dilutive events.

The conversion rate of the Notes is subject to adjustment for certain events, including but not limited to the issuance of dividends or distributions payable in our shares of common stock on our common stock, the issuance of certain rights to purchase our common stock at less than their current market price, and certain repurchases of our common stock described under "Description of Notes—Conversion Rights." The conversion rate will not be adjusted for other events that could adversely affect the trading price of the Notes or our shares of common stock into which the Notes may be converted. We cannot assure Noteholders that an event that adversely affects the value of the Notes or our common stock, but does not result in an adjustment to the conversion rate, will not occur.

A change in control of Lifetime Brands, Inc. may not constitute a "fundamental change" for purposes of the Notes.

The indenture contains no covenants or other provisions to afford protection to Noteholders in the event of a change in control of Lifetime Brands, Inc. except to the extent described under "Description of the Notes—Conversion Rights—Make Whole Amount" and "Description of the Notes—Fundamental Change Requires Us to Repurchase Notes at the Option of the Noteholder" upon the occurrence of a fundamental change. However, the term "fundamental change" is limited and may not include every change in control event that might cause the market price of the Notes to decline. As a result, a Noteholder's rights under the Notes upon the occurrence of a fundamental change may not preserve the value of the Notes in the event of a change in control of Lifetime Brands, Inc. In addition, any change in control of Lifetime Brands, Inc. may negatively affect the liquidity, value or volatility of our common stock, negatively impacting the value of the Notes.

The Notes are not protected by restrictive covenants.

The indenture governing the Notes does not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. In light of the absence of any of the foregoing restrictions, we may conduct our businesses in a manner that may cause the market price of our Notes and common stock to decline or otherwise restrict or impair our ability to pay amounts due on the Notes.

There currently exists no market for the Notes. We cannot assure Noteholders that an active trading market will develop for the Notes.

Until the registration statement of which this prospectus is a part became effective, the Notes had not been registered under the Securities Act and were subject to restrictions on transferability and resale. There presently is no established market for the Notes. Although the sole book-running manager for the private placement of the Notes is currently making a market in the Notes, it is not obligated to do so and any such market making may be discontinued at any time without notice. In addition, any market-making activity that currently exists is subject to the limits imposed by the Securities Act and the Securities Exchange Act of 1934, as amended (which we refer to as the "Exchange Act") and may be limited during the pendency of the registration statement of which this prospectus is a part. Accordingly, we cannot give Noteholders any assurance as to the development or liquidity of any market for the Notes. The Notes are eligible for trading by qualified institutional buyers in The PORTAL market. We do not intend to apply for listing of the Notes on any securities exchange or for quotation of the Notes through any national securities association.

To the extent any of the Notes are currently being traded, they may trade at a discount and Noteholders may be unable to resell their Notes or may be able to sell them only at a substantial discount. The liquidity of, and trading market for, the Notes also may be adversely affected by general declines in the market or by declines in the market for similar securities.

The Notes may not be rated or may receive a lower rating than anticipated.

The Notes are not currently rated and we do not intend to seek a rating on the Notes. However, if one or more rating agencies rates the Notes and assigns the Notes a rating lower than the rating expected by investors, or reduces their rating in the future, the market price of the Notes and our common stock could be harmed.

The transfer of the Notes and common stock issuable upon conversion of the Notes may be restricted.

If the registration statement of which this prospectus is a part does not remain effective, the liquidity and price of the Notes and the common stock issuable upon conversion of the Notes could be adversely affected.

Risks Related to our Common Stock

Certain provisions of our charter documents and Delaware law could discourage potential acquisition proposals and coulddeter, delay or prevent a change in control of our company that our stockholders consider favorable and could depress themarket value of our common stock.

Our certificate of incorporation grants our Board of Directors authority to issue shares of Series A and Series B preferred stock. The preferred stock, if issued, would have liquidation, dividend and other rights superior to the rights of our common stock. Potential issuances of preferred stock may delay or prevent a change in control of our company, discourage bids for the common stock, and adversely affect the market price and the voting and other rights of the holders of our common stock.

We are a Delaware corporation subject to the provisions of Section 203 of the Delaware General Corporation Law, an anti-takeover law. Generally, this statute prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which such person became an interested stockholder, unless the business combination is approved in a prescribed manner. A business combination includes a merger, asset sale or other transaction resulting in a financial benefit to the stockholder. We anticipate that the provisions of Section 203 may encourage parties interested in acquiring us to negotiate in advance with our board of directors because the stockholder approval requirement would be avoided if a majority of our directors then in office approve either the business combination or the transaction that results in the stockholder becoming an interested stockholder.

Our operating and financial performance in any given period might not meet the guidance that we have provided to the public.

We provide public guidance on our expected annual financial results for future periods. Although we believe that this guidance fosters confidence among investors and analysts and is useful to our stockholders and potential stockholders, such guidance is based on estimates and not on firm purchase orders and is comprised of forward-looking statements subject to the risks and uncertainties described in this prospectus and in our public filings and public statements. We cannot ensure that our guidance will be accurate. If in the future our operating or financial results for a particular period do not meet our guidance or the expectations of investment analysts, the market price of our common stock could decline.

Future sales of our common stock could depress our market price and diminish the value of your investment.

Future sales of shares of our common stock could adversely affect the market price of our common stock. If our principal stockholders sell a large number of shares, or if we issue a large number of shares, the market price of our common stock could significantly decline. Moreover, the perception in the public market that our principal stockholders might sell shares of common stock could depress the market for our common stock.

Under our Long-Term Incentive Plan, up to 2,500,000 shares of common stock may be granted in the form of stock options or other equity-based awards to directors, officers, employees, consultants, and service providers to us and our affiliates. As of September 21, 2006, options to purchase 1,416,900 shares were outstanding under the plan and 673,575 shares were available for additional grants under the plan. To the extent that any of such options which have been granted are or become exercisable, and the holders exercise such options and sell the underlying shares of our common stock, the market price of our common stock could significantly decline, and since many of such option shares would have been acquired and sold by key members of our senior management team, the perception in the public market could be adverse to the market value of our common stock.

In April 2006, as part of the purchase price for the acquisition of assets from Syratech, we issued to Syratech an aggregate of 439,676 Consideration Shares. 193,458 Consideration Shares were issued directly to Syratech and 246,218 Consideration Shares are being held in escrow by the escrow agent appointed pursuant to the asset purchase agreement as a holdback to cover working capital adjustments and indemnity claims. Pursuant to the terms of the asset purchase agreement, we agreed to file a registration statement for the registration of the Consideration Shares for public sale by Syratech. Filing the registration statement for the Consideration Shares could be adverse to the market value of our common stock.

In June 2006, we completed the private placement of $75 million principal amount of 4.75% Convertible Senior Notes due 2011 pursuant to Rule 144A under the Securities Act. Noteholders may convert their Notes into shares of our common stock at an initial conversion rate of 35.7143 shares of our common stock per $1,000 principal amount of Notes (or an aggregate of 2,678,571 shares) at any time prior to the close of business on the business day prior to the maturity date. We have agreed to file the registration statement of which this prospectus is a part with the Securities and Exchange Commission, at our expense, covering resales of the Notes and of common stock issuable upon conversion of the Notes. While the registration statement of which this prospectus is a part is effective, the Noteholders may convert their Notes into shares of our common stock and subsequently publicly sell their shares, which could be adverse to the market value of our common stock.

Although, in connection with the Notes offering, we, our executive officers and directors and certain other officers entered into lock-up agreements with Citigroup Global Markets, Inc. (which we refer to as “Citigroup”), whereby we and such individuals will not offer, sell, contract to sell, pledge, grant or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for shares of our common stock, with certain exceptions, until September 19, 2006, without the prior written consent of Citigroup, we or any of these persons may be released from this obligation, in whole or in part, by Citigroup in its sole discretion at any time with or without notice.

Consummating additional acquisitions could require us to raise additional funds through additional equity or debt financing. Additional equity financing could depress the market price of our common stock and additional debt financing could require us to accept covenants that limit our ability to continue to pay dividends.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements" as defined by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include information concerning our plans, objectives, goals, strategies, future events, future revenues, performance, financing needs and other information that is not historical information. When used in this prospectus, the words "estimates," "expects," "anticipates," "plans," "intends," "believes" and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, our examination of historical operating trends, are based upon our current expectations and various assumptions. We believe there is a reasonable basis for our expectations and assumptions, but we cannot assure Noteholders that we will realize our expectations or that our assumptions will prove correct.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this prospectus. Important factors that could cause our actual results to differ materially from those expressed as forward-looking statements are set forth in this prospectus, including under the heading "Risk Factors." As described in this prospectus, such risks, uncertainties and other important factors include, among others:

- our relationship with key customers;
- our relationship with key licensors;
- our dependence on foreign sources of supply and foreign manufacturing;
- the level of competition in our industry;
- changes in demand for our products and the success of new products;
- changes in general economic and business conditions which could affect customer payment practices or consumer spending;
- industry trends;
- increases in costs relating to manufacturing and transportation of products;
- the seasonal nature of our business;
- departure of key personnel;
- the timing of orders received from customers;
- fluctuations in costs of raw materials;
- encroachments on our intellectual property;
- product liability claims or product recalls;
- the increased size of our direct-to-consumer retail business; and
- future acquisitions and integration of acquired businesses.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this prospectus and are expressly qualified in their entirety by the cautionary statements included in this prospectus and in our other filings with the SEC. Except as may be required by law, we undertake no obligation to publicly update or revise forward-looking statements which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

USE OF PROCEEDS

The Selling Securityholders will receive all of the proceeds from the sale of the Notes or the common stock, as the case may be, offered by this prospectus. We will not receive any of the proceeds from the sale of the Notes or the shares of common stock by the Selling Securityholders, but have agreed to bear certain expenses associated with registering such securities under federal and state securities laws. We are registering the securities for sale to provide the Selling Securityholders with freely tradeable securities, but the registration of such securities does not necessarily mean that any of such securities will be offered or sold by the Selling Securityholders.

SELLING SECURITYHOLDERS

We originally issued the Notes in a private placement in June 2006. The Notes were resold by the initial purchasers to persons they reasonably believed to be qualified institutional buyers within the meaning of Rule 144A under the Securities Act in transactions exempt from registration under the Securities Act. The Notes and the shares of common stock issuable upon conversion of the Notes that may be offered pursuant to this prospectus will be offered by the Selling Securityholders, which includes their transferees, distributees, pledgees or donees or their successors. The following table sets forth certain information we have received as of , 2006, concerning the principal amount of Notes beneficially owned by each Selling Securityholder and the number of conversion shares that may be offered from time to time pursuant to this prospectus.

The number of conversion shares shown in the table below assumes conversion of the full amount of Notes held by each Selling Securityholder at the initial conversion rate of 35.7143 shares per $1,000 principal amount at maturity of Notes. This conversion rate is subject to certain adjustments. Accordingly, the number of shares of common stock issuable upon conversion of the Notes may increase or decrease from time to time. Under the terms of the indenture governing the Notes, fractional shares will not be issued upon conversion of the Notes. Cash will be paid instead of fractional shares, if any.

Name	Principal Amount of Notes Beneficially Owned and Offered	Percentage of Notes Outstanding	Shares of Common Stock Beneficially Owned Before Offering[1]	Conversion Shares of Common Stock Offered	Common Stock Owned Upon Completion of the Offering Number of Shares[2] Percentage
Totals	_____(2)			_____(2)	

(1) Figures in this column do not include the shares of common stock issuable upon conversion of the Notes listed in the column to the right.

(2) Assumes the sale of all the Notes and all of the shares of common stock offered pursuant to this prospectus.

(3) Amounts in these columns may exceed the aggregate amount of Notes and shares of common stock offered by this prospectus as a result of the Selling Securityholders identified above having sold, transferred or otherwise disposed of some or all of their Notes since the date on which the information in the preceding table is presented in transactions exempt from the registration requirements of the Securities Act without informing us of such sale(s). In no event will the aggregate principal amount of Notes offered by this prospectus exceed $75,000,000, nor will the number of shares offered hereby exceed 2,678,571. If, pursuant to the indenture governing the Notes, the number of shares into which the Notes may be converted increases, we will file a post-effective amendment to the registration statement of which this prospectus is a part in order to register such additional shares.

The preceding table has been prepared based upon the information furnished to us as of , 2006 by the Selling Securityholders named above. The Selling Securityholders identified above may have sold, transferred or otherwise disposed of some or all of their Notes since the date on which the information in the preceding table is presented in transactions exempt from the registration requirements of the Securities Act. Information concerning the Selling Securityholders may change from time to time and, if necessary, we will supplement this prospectus accordingly. We cannot give an estimate as to the amount of the Notes or number of conversion shares that will be held by the Selling Securityholders upon the termination of this offering because the Selling Securityholders may offer some or all of their Notes or conversion shares pursuant to the offering contemplated by this prospectus. See “Plan of Distribution.”

None of the Selling Securityholders has had any position, office or other material relationship with us or our affiliates within the past three years.

DESCRIPTION OF NOTES

The Notes were issued under an indenture dated as of June 27, 2006 between us and HSBC Bank USA, National Association, as trustee. The Notes and the shares of common stock issuable upon conversion of the Notes are covered by a registration rights agreement between us and the initial purchaser. Noteholders may request copies of the indenture, the Notes and the registration rights agreement from the trustee. We have summarized the material portions of the indenture and the registration rights agreement below. This summary is not complete and is subject to, and qualified by reference to, all of the provisions of the indenture, the Notes and the registration rights agreement. We urge all Noteholders to read the indenture and the registration rights agreement because these documents define their rights as a Noteholder. In this section, "we," "our" and "us" each refers only to Lifetime Brands,Inc. and not to any existing or future subsidiary.

General

The Notes are our general unsecured and unsubordinated (except with respect to our debt to the extent secured by our assets) obligations and are convertible into our common stock as described under "—Conversion Rights" below. The Notes are limited initially to an aggregate principal amount of $75,000,000 and will mature on July 15, 2011, unless earlier converted or repurchased.

The Notes bear interest at the rate of 4.75% per year on the principal amount from the date of original issuance of the Notes, or from the most recent date to which interest had been paid or provided for. Interest is payable semi-annually in arrears on January 15 and July 15 of each year, commencing January 15, 2007, to Noteholders of record at the close of business on the preceding January 1 and July 1, respectively. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months. In the event of the maturity, conversion or repurchase by us at the option of the Noteholder, interest ceases to accrue on the Note under the terms of and subject to the conditions of the indenture.

Principal is payable, and Notes may be presented for conversion, registration of transfer and exchange, without service charge, at our office or agency in New York, New York, which is initially the office or agency of the trustee in New York, New York. See "—Form, Denomination and Registration." If a Noteholder converts Notes, we will pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of our common stock upon the conversion (except for any taxes with respect to cash paid in lieu of fractional shares) unless the tax is due because the Noteholder requests the shares to be issued or delivered to a person other than the Noteholder, in which case the Noteholder will pay that tax.

The indenture does not contain any financial covenants or any restrictions on the payment of dividends, the making of investments, the incurrence of indebtedness, the granting of liens or mortgages, or the issuance or repurchase of securities by us. The indenture does not contain any covenants or other provisions to protect Noteholders in the event of a highly leveraged transaction or a fundamental change, except to the extent described under "—Conversion Rights—Make Whole Amount" and "—Fundamental Change Requires Us to Repurchase Notes at the Option of the Noteholder" below. The Notes are not and will not be obligations of, or guaranteed by, any of our existing or future subsidiaries.

We may, without the consent of the Noteholders, reopen the indenture and issue additional Notes under the indenture with the same terms and with the same CUSIP number as the Notes offered hereby in an unlimited aggregate principal amount, provided that no such additional Notes may be issued unless fungible with the Notes offered hereby for U.S. federal income tax purposes. We may also from time to time repurchase the Notes in open market purchases or negotiated transactions without prior notice to Noteholders.

The Notes are not subject to a sinking fund provision and are not subject to defeasance or covenant defeasance under the indenture.

Ranking

The Notes are our general unsecured obligations and rank senior in right of payment to all of our existing and future indebtedness that is expressly subordinated in right of payment to the Notes. The Notes rank equally in right of payment with all of our existing and future liabilities that are not so subordinated. The Notes effectively rank junior to any of our secured indebtedness, to the extent of the assets securing such indebtedness, and are structurally subordinated to all liabilities of our subsidiaries. In the event of bankruptcy, liquidation, reorganization or other winding up of our company, our assets that secure secured indebtedness will be available to pay obligations on the Notes only after all such secured indebtedness has been repaid in full from such assets. We advise Noteholders that there may not be sufficient assets remaining to pay amounts due on any or all of the Notes then outstanding. As of September 21, 2006, we had $14.4 million of letters of credit, $32.0 million of

short-term borrowings and $5.0 million of long-term debt that would be pari passu with the Notes, all of which was secured indebtedness outstanding under our Credit Facility.

Conversion Rights

General

Unless the Notes are previously repurchased, Noteholders may convert their Notes into shares of our common stock at an initial conversion rate of 35.7143 shares of our common stock per $1,000 principal amount of Notes at any time prior to the close of business on the business day prior to the maturity date. The conversion rate is equivalent to an initial conversion price of $28.00 per share. Notwithstanding the foregoing, if, at the time a Noteholder tenders Notes for conversion, there exists a registration default with respect to the common stock, as defined below under " —Registration Rights of Noteholders," we will increase the conversion rate by 3% in lieu of paying any liquidated damages on the shares issuable upon conversion. In addition, as described below under "—Settlement Upon Conversion," we may choose to deliver either shares of our common stock, cash or a combination of cash and shares of our common stock upon conversion of the Notes.

The conversion rate (including any adjustments as described below under "—Make Whole Amount" and "—Registration Rights") and the equivalent conversion price in effect at any given time are referred to as the "applicable conversion rate" and the "applicable conversion price," respectively, and will be subject to adjustment as set forth in " —Conversion Rate Adjustments" below. A Noteholder may convert fewer than all of such Noteholder 's Notes so long as the Notes converted are a multiple of $1,000 principal amount.

Upon conversion of a Note, a Noteholder will not receive any cash payment of interest (unless such conversion occurs between a regular record date and the interest payment date to which it relates) and we will not adjust the conversion rate to account for accrued and unpaid interest. We are not required to issue fractional shares of common stock upon conversion of Notes and, in lieu of fractional shares, we will make a cash payment based upon the last reported sale price of the common stock on the last trading day prior to the date of conversion. Our delivery to the Noteholder of the full number of shares of our common stock into which the Note is convertible and cash in lieu of any fractional shares will satisfy our obligation with respect to such Note. Accordingly, any accrued but unpaid interest will be deemed to be paid in full upon conversion, rather than cancelled, extinguished or forfeited.

Noteholders at the close of business on a regular record date will receive payment of interest payable on the corresponding interest payment date notwithstanding the conversion of such Notes at any time after the close of business on the applicable regular record date. Notes surrendered for conversion by a Noteholder after the close of business on any regular record date but prior to the next interest payment date must be accompanied by payment of an amount equal to the interest that the Noteholder is to receive on the Notes; provided, however, that no such payment need be made (1) if we have specified a repurchase date following a fundamental change that is after a record date and on or prior to the next interest payment date, (2) only to the extent of overdue interest, if any overdue interest exists at the time of conversion with respect to such Note or (3) the Notes are surrendered for conversion on or after July 1, 2011. No other payments or adjustments for interest, or any dividends with respect to our common stock, will be made upon conversion.

Holders of our common stock issued upon conversion will not be entitled to receive any dividends payable to holders of our common stock as of any record time or date before we deliver shares of common stock to Noteholders upon conversion of their Notes.

If a Noteholder wishes to exercise its conversion right, such Noteholder must deliver an irrevocable duly completed conversion notice, together, if the Notes are in certificated form, with the certificated security, to the conversion agent along with appropriate endorsements and transfer documents, if required, and pay any interest and transfer or similar tax, in each case, if required. We refer to the date a Noteholder satisfies these requirements as the "conversion date." The conversion agent will, on the Noteholder's behalf, convert the Notes into shares of our common stock. Noteholders may obtain copies of the required form of the conversion notice from the conversion agent.

If a Noteholder has already delivered a repurchase notice as described under "—Fundamental Change Requires Us to Repurchase Notes at the Option of the Noteholder" with respect to a Note, however, the Noteholder may not surrender that Note for conversion until the Noteholder has withdrawn the repurchase notice in accordance with the indenture.

A certificate, or a book-entry transfer through The Depository Trust Company, New York, New York, or DTC, for the number of full shares of our common stock into which any Notes are converted, together with a cash payment for any fractional

shares, will be delivered through the conversion agent as soon as practicable, but no later than the third business day, following the conversion date. The trustee will initially act as the conversion agent.

Settlement Upon Conversion

Except to the extent we have irrevocably elected to make a cash payment of principal upon conversion as described below, we may elect to deliver either shares of our common stock, cash or a combination of cash and shares of our common stock in satisfaction of our obligations upon conversion of Notes.

Except to the extent we have irrevocably elected to make a cash payment of principal upon conversion, we will inform the Noteholders through the trustee of the method we choose to satisfy our obligation upon conversion:

- in respect of Notes to be converted during the period beginning 25 trading days preceding the maturity date and ending one trading day preceding the maturity date, 26 trading days preceding the maturity date; and

- in all other cases, no later than two trading days following the conversion date.

If we choose to satisfy any portion of our conversion obligation by delivering cash, the portion to be satisfied by the delivery of cash will be a fixed dollar amount that we specify. We will treat all Noteholders converting on the same trading day in the same manner. We will not, however, have any obligation to satisfy our conversion obligations arising on different trading days in the same manner. That is, we may choose on one trading day to satisfy our conversion obligation by delivering shares of our common stock only and choose on another trading day to satisfy our conversion obligation by delivering cash or a combination of cash and shares of our common stock. We may also choose to satisfy our conversion obligation for different combinations of cash and shares of our common stock on different trading days.

Noteholders may exercise conversion rights at any time prior to the close of business on the business day prior to the final maturity date of the Notes. If we elect to satisfy any portion of our conversion obligation in cash (other than cash in lieu of fractional shares, if applicable), Noteholders may retract their conversion notice at any time during the two trading-day period beginning on the trading day after we have notified the trustee and the Noteholders of our method of settlement. We refer to this period as the “conversion retraction period,” and we refer to the last trading day in the conversion retraction period as the “retraction date.” However, a Noteholder cannot retract its conversion notice if:

- we irrevocably elected to make a cash payment of principal upon conversion before such Noteholder delivered its conversion notice;

- a Noteholder is converting its Notes during the period beginning 25 trading days preceding the maturity date and ending one trading day preceding the maturity date; or

- we do not elect to satisfy any portion of our conversion obligation in cash.

Settlement in shares of our common stock only will occur as soon as reasonably practicable after the third trading day following the conversion date. Settlement in cash or cash and shares of our common stock will occur on the third trading day following the final trading day of the conversion period (as defined below).

The settlement amount will be computed as follows:

(1) If we elect to satisfy the entire conversion obligation in common stock, we will deliver to the Noteholder for each $1,000 principal amount of Notes converted a number of shares of our common stock equal to the conversion rate then in effect (plus cash in lieu of fractional shares, if applicable).

(2) If we elect to satisfy the entire conversion obligation in cash, we will deliver to the Noteholder for each $1,000 principal amount of Notes converted cash in an amount equal to the conversion value.

(3) If we elect to satisfy the conversion obligation in a combination of cash and common stock, we will deliver to the Noteholder:

- an amount in cash equal to the dollar amount per share of the Note to be converted specified in the notice regarding our chosen method of settlement (which we refer to as the "specified dollar amount"); and

- a number of whole shares for each Note to be converted equal to the sum of the daily share amounts for each of the trading days in the conversion period (provided that we will deliver cash in lieu of fractional shares).

The "conversion period" means, in respect of a conversion date, the 20 consecutive trading day period beginning on the trading day following the retraction date.

The "conversion value" per Note will be an amount equal to the sum of the daily conversion value amounts, as defined below, for each of the trading days in the conversion period.

The "daily conversion value amount" means, for each trading day of the conversion period and for each Note, the amount equal to the last reported sale price of our common stock on such trading day multiplied by the conversion rate in effect on such trading day divided by 20.

The "daily share amount" means, for each trading day of the conversion period and for each Note, a number of shares (but in no event less than zero) determined by the following formula:

$$\frac{(\text{last reported sale price on such trading day} \times \text{applicable conversion rate}) - \text{specified dollar amount}}{\text{last reported sale price on such trading day} \times 20}$$

The "last reported sale price" of our common stock on any date means the closing sale price per share (or if no closing sale price is reported, the average of the bid and asked prices or, if more than one in either case, the average of the average bid and the average asked prices) on that date as reported by the NASDAQ Global Market or, if our common stock is not listed on the NASDAQ Global Market, as reported in composite transactions for the principal U.S. securities exchange on which our common stock is traded. If our common stock is not reported by the NASDAQ Global Market or otherwise listed for trading on a United States national or regional securities exchange on the relevant date, the "last reported sale price" will be the last quoted bid price for our common stock in the over-the-counter market on the relevant date as reported by the Pink Sheets LLC or similar organization. If our common stock is not so quoted, the "last reported sale price" will be the average of the mid-point of the last bid and asked prices of our common stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose, or, if such prices are not available, the market value of our common stock on the relevant date as determined by a nationally recognized independent investment banking firm selected by us for this purpose.

If an event requiring an anti-dilution adjustment occurs subsequent to any trading day and prior to delivery of the daily share amount for such share upon settlement, such daily share amount will be appropriately adjusted.

Our Right to Irrevocably Elect Cash Payment of Principal Upon Conversion

At any time on or prior to the 26th trading day preceding the maturity date, we may irrevocably elect to satisfy in cash our conversion obligation with respect to the principal amount of the Notes to be converted after the date of such election, with any remaining amount to be satisfied in shares of our common stock. This election would be in our sole discretion without the consent of the Noteholders. If we make this election, we will notify the trustee and the Noteholders at their addresses shown in the register of the registrar.

The settlement amount will be computed as described under clause (3) above, using the lesser of (i) $1,000 or (ii) the conversion value as the fixed dollar amount per $1,000 principal amount of Notes of the conversion obligation to be satisfied in cash.

Make Whole Amount

If:

- the effective date or anticipated effective date of a transaction described in clause (2) of the definition of change of control (as set forth under "—Fundamental Change Requires Us to Repurchase Notes at the Option of the Noteholder") occurs on or prior to the maturity date of the Notes, and a Noteholder elects to convert its Notes

during the period commencing 30 days prior to the anticipated effective date of such transaction and ending 30 days following the actual effective date of such transaction (but in any event prior to the close of business on the business day prior to the maturity date); or

- the effective date of a termination of trading (as defined under "—Fundamental Change Requires Us to Repurchase Notes at the Option of the Noteholder") occurs on or prior to the maturity date of the Notes, and a Noteholder elects to convert its Notes during the period commencing on such effective date and ending 30 days following the actual effective date (but in any event prior to the close of business on the business day prior to the maturity date);

then, in each case, we will increase the applicable conversion rate for the Notes surrendered for conversion by a number of additional shares of common stock (which we refer to as the "additional shares"), as described below. We will notify Noteholders of any such make-whole event and the anticipated effective date and issue a press release no later than 35days prior to such transaction's anticipated effective date, unless such make-whole event is a termination of trading, in which case we will notify Noteholders and issue a press release no later than five days following the effective date of such make-whole event.

The number of additional shares will be determined by reference to the table below and is based on the conversion date and the sale price of our common stock, or the reference property, as applicable, on the conversion date (which we refer to as the "stock price"). The stock prices set forth in the first row of the table (i.e., the column headers), will be adjusted as of any date on which the conversion rate of the Notes is adjusted. The adjusted stock prices will equal the stock prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the conversion rate immediately prior to such adjustment and the denominator of which is the conversion rate as so adjusted. The number of additional shares to be added to the conversion rate will be subject to adjustment in the same manner as the conversion rate as set forth under "—Conversion Rate Adjustments."

The following table sets forth the number of additional shares per $1,000 principal amount of Notes:

Conversion Date	**Stock Price**									
	$22.32	**$25.00**	**$28.00**	**$31.00**	**$35.00**	**$40.00**	**$45.00**	**$50.00**	**$55.00**	**$65.00**
September 25, 2006	9.0886	6.7450	4.9240	3.6632	2.5381	1.6728	1.1540	0.8289	0.6193	0.3890
July 15, 2007	9.0658	6.5648	4.6547	3.3568	2.2247	1.3842	0.9030	0.6180	0.4421	0.2609
July 15, 2008	9.0180	6.3098	4.2752	2.9315	1.8093	1.0284	0.6146	0.3890	0.2606	0.1483
July 15, 2009	8.8875	5.9265	3.7566	2.4019	1.3109	0.6187	0.3124	0.1749	0.1104	0.0590
July 15, 2010	8.7075	5.2938	2.8917	1.5040	0.5837	0.1742	0.0508	0.0179	0.0102	0.0076
July 14, 2011	9.0886	4.2857	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The exact stock price and conversion date may not be set forth on the table, in which case:

- if the stock price is between two stock prices in the table or the conversion date is between two conversion dates in the table, the number of additional shares will be determined by a straight-line interpolation between the number of additional shares set forth for the higher and lower stock prices and the two conversion dates, as applicable, based on a 365-day year;

- if the stock price is in excess of $65.00per share, subject to adjustment, we will not increase the conversion rate by any additional shares; and

- if the stock price is less than $22.32per share, subject to adjustment, we will not increase the conversion rate by any additional shares.

Notwithstanding the foregoing, in no event will the total number of shares issuable upon conversion of a Note exceed 44.8028 per $1,000 principal amount of Notes, subject to adjustment in the same manner as the conversion rate as set forth under "—Conversion Rate Adjustments."

Settlement of Conversions in a Fundamental Change

As described below under "—Conversion Rate Adjustments," upon effectiveness of any fundamental change, the Notes will be convertible into the kind and amount of shares or stock, other securities or other property or assets (including cash or any

combination thereof) that a Noteholder of a number of shares of common stock equal to the applicable conversion rate prior to such transaction would have owned or been entitled to receive (which we refer to as the "reference property") (to the extent that we elect to settle any conversion hereunder by delivering solely shares of our common stock), cash or a combination of cash and reference property, as applicable (if we elect to deliver cash to converting Noteholders in respect of some or all of our conversion obligation or if we have irrevocably elected to make a cash payment of principal upon conversion).

If, as described above under "—Make Whole Amount," we are required to increase the conversion rate by the additional shares as a result of the fundamental change, and we do not elect to deliver cash to settle any portion of our conversion obligation, and we have not irrevocably elected to make a cash payment of principal upon conversion, Notes surrendered for conversion will be settled as follows:

- If the date on which Notes are surrendered for conversion is prior to the third trading day preceding the effective date of the fundamental change (which we refer to as the "cut-off date"), we will settle such conversion by delivering the number of shares of our common stock (based on the conversion rate without regard to the number of additional shares to be added to the conversion rate as described above) on the third trading day immediately following the cut-off date. In addition, as soon as practicable following the effective date of the fundamental change (but in any event within three trading days of such effective date), we will deliver the number of additional shares to be added to the conversion rate as described above, if any, or the equivalent of such shares in reference property, as applicable.

- If the date on which Notes are surrendered for conversion is on or following the cut-off date, we will settle such conversion (based on the conversion rate as increased by the additional shares described above) on the third trading day immediately following the conversion date by delivering the number of shares of our common stock (based on the conversion rate without regard to the number of additional shares to be added to the conversion rate as described above) plus the number of additional shares to be added to the conversion rate as described above, if any, or the equivalent of such shares in reference property, as applicable.

If we are required to increase the conversion rate by the additional shares as a result of the fundamental change, and we elect to deliver cash in respect of all or a portion or our conversion obligation or we have irrevocably elected to make a cash payment of principal upon conversion, Notes surrendered for conversion will be settled as follows:

- If the last day of the applicable conversion period related to Notes surrendered for conversion is prior to the cut-off date, we will settle such conversion as described under "—Settlement Upon Conversion" above by delivering the amount of cash and the number of shares of our common stock, if any (based on the conversion rate without regard to the number of additional shares to be added to the conversion rate as described above), on the third trading day immediately following the last day of the applicable conversion period. In addition, as soon as practicable following the effective date of the fundamental change (but in any event within three trading days of such effective date), we will deliver the increase in such amount of cash and the number of additional shares (or the equivalent in reference property, if applicable), if any, as if the conversion rate had been increased by such number of additional shares during the related conversion period (and based upon the related conversion value). If such increased amount results in an increase to the amount of cash to be paid to Noteholders, we will pay such increase in cash, and if such increased settlement amount results in an increase to the number of shares of our common stock to be paid to Noteholders, we will deliver such increase by delivering shares of our common stock (or, if applicable, reference property based on such increased number of shares).

- If the last day of the applicable conversion period related to Notes surrendered for conversion is on or following the cut-off date, we will settle such conversion as described under "—Settlement Upon Conversion" above (based on the conversion rate as increased by the additional shares described above) on the later to occur of (i) the effective date of the transaction and (ii) the third trading day immediately following the last day of the applicable conversion period.

Conversion Rate Adjustments

The initial conversion rate will be adjusted for certain events, as described below, except that we will not make any adjustments to the conversion rate if Noteholders participate, as a result of holding the Notes, in any of the transactions described below without having to convert their Notes:

(1) the issuance of our common stock as a dividend or distribution on our common stock, or if we effect a stock split or stock combination, in which event the conversion rate will be adjusted based on the following formula:

$$CR^1 = CR_0 \times \frac{OS^1}{OS_0}$$

where,

CR_0	=	the conversion rate in effect at the close of business on the ex-dividend date
CR^1	=	the conversion rate in effect immediately after the ex-dividend date
OS_0	=	the number of shares of our common stock outstanding at the close of business on the ex-dividend date
OS^1	=	the number of shares of our common stock outstanding immediately after such event

(2) the issuance to all holders of our common stock of certain rights or warrants to purchase our common stock for a period expiring 45 calendar days or less from the date of issuance of such rights or warrants at less than the current market price of our common stock on the business day immediately preceding the announcement of such issuance, in which event the conversion rate will be adjusted based on the following formula (provided that the conversion rate will be readjusted to the extent that such rights or warrants are not exercised prior to the expiration):

$$CR^1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR_0	=	the conversion rate in effect at the close of business on the ex-dividend date
CR^1	=	the conversion rate in effect immediately after the ex-dividend date
OS_0	=	the number of shares of our common stock outstanding at the close of business on the ex-dividend date
X	=	the total number of shares of our common stock issuable pursuant to such rights
Y	=	the number of shares of our common stock equal to the aggregate price payable to exercise such rights divided by the average of the last reported sale prices of our common stock for the ten consecutive trading days prior to the business day immediately preceding the announcement of the issuance of such rights

(3) the dividend or other distribution to all holders of our common stock of shares of our capital stock (other than common stock) or evidences of our indebtedness or our assets to all holders of our common stock (excluding (A)any dividend, distribution or issuance covered by clause (1) or (2) above and (B) any dividend or distribution paid exclusively in cash), in which event the conversion rate will be adjusted based on the following formula:

$$CR^1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR_0	=	the conversion rate in effect at the close of business on the ex-dividend date
CR^1	=	the conversion rate in effect immediately after the ex-dividend date
SP_0	=	the current market price
FMV	=	the fair market value (as determined by our board of directors) of the shares of capital stock, evidences of indebtedness, assets or property distributed with respect to each outstanding share of our common stock on the ex-dividend date for such distribution

With respect to an adjustment pursuant to this clause (3), where there has been a payment of a dividend or other distribution on our common stock of shares of capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, the conversion rate will be adjusted based on the following formula:

$$CR^1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR_0 = the conversion rate in effect at the close of business on the ex-dividend date
CR^1 = the conversion rate in effect immediately after the ex-dividend date
FMV_0 = the average of the sale prices of the capital stock or similar equity interest distributed to holders of our common stock applicable to one share of our common stock over the 10 trading days commencing on and including the fifth trading day after the ex-dividend date

MP_0 = the average of the last reported sale prices of our common stock over the 10 trading days commencing on and including the fifth trading day after the ex-dividend date

(4) dividends or other distributions consisting exclusively of cash to all holders of our common stock (excluding quarterly cash dividends on our common stock to the extent the aggregate cash dividend per share of common stock in any fiscal quarter does not exceed $0.0625 (which we refer to as the "dividend threshold amount")), in which event the conversion rate will be adjusted based on the following formula:

$$CR^1 = CR_0 \times \frac{SP^0}{SP_0 - C}$$

where,

CR_0 = the conversion rate in effect at the close of business on the ex-dividend date
CR^1 = the conversion rate in effect immediately after the ex-dividend date
SP_0 = the current market price
C = the amount in cash per share we distribute to holders of our common stock that is in excess of the dividend threshold amount (and for which no adjustment has been made)

For purposes of this clause (4), the dividend threshold amount is subject to adjustment in a manner inversely proportionate to adjustments made to the conversion rate (other than for adjustments due to cash dividends).

(5) we or one or more of our subsidiaries make purchases of our common stock pursuant to a tender offer or exchange offer by us or one of our subsidiaries for our common stock to the extent that the cash and value of any other consideration included in the payment per share of our common stock exceeds the current market price per share of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (which we refer to as the "expiration date"), in which event the conversion rate will be adjusted based on the following formula:

$$CR^1 = CR_0 \times \frac{FMV + (SP^1 \times OS^1)}{OS_0 \times SP^1}$$

where,

CR_0 = the conversion rate in effect on the expiration date
CR^1 = the conversion rate in effect immediately after the expiration date
FMV = the fair market value (as determined by our board of directors) of the aggregate value of all cash and any other consideration paid or payable for shares validly tendered or exchanged and not withdrawn as of the expiration date (which we refer to as the "purchased shares")

OS^1 = the number of shares of our common stock outstanding immediately after the expiration date less any purchased shares

OS_0 = the number of shares of our common stock outstanding immediately after the expiration date, including any purchased shares

SP^1 = the last reported sale price of our common stock on the trading day next succeeding the expiration date

(6) Someone other than us or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer in which, as of the expiration date, our board of directors is not recommending rejection of the offer, in which event the conversion rate will be adjusted based on the following formula:

$$CR^1 = CR_0 \times \frac{FMV + (SP^1 \times OS^1)}{OS_0 \times SP^1}$$

where,

CR_0 = the conversion rate in effect on the expiration date

CR_1 = the conversion rate in effect immediately after the expiration date

FMV = the fair market value (as determined by our board of directors) of the aggregate consideration payable to our shareholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the expiration date

OS^1 = the number of shares of our common stock outstanding immediately after the expiration date less any purchased shares

OS_0 = the number of shares of our common stock outstanding immediately after the expiration date, including any purchased shares

SP^1 = the last reported sale price of our common stock on the trading day next succeeding the expiration date

The adjustment referred to in this clause (6) will only be made if:

- the tender offer or exchange offer is for an amount that increases the offeror's ownership of common stock to more than 25% of the total shares of common stock outstanding; and

- the cash and value of any other consideration included in the payment per share of common stock exceeds the last reported sale price of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to the tender or exchange offer.

However, the adjustment referred to in this clause(6) will generally not be made if as of the closing of the offer, the offering documents disclose a plan or an intention to cause us to engage in a consolidation or merger or a sale of the consolidated assets of us and our subsidiaries substantially as an entirety.

"Current market price" of our common stock on any day means the average of the last reported sale price of our common stock for each of the 10 consecutive trading days ending on the earlier of the day in question and the day before the "ex-dividend date" with respect to the issuance or distribution requiring such computation. For purposes of this paragraph, "ex-dividend date" means the first date on which the shares of our common stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive such issuance or distribution.

To the extent that we have a shareholder rights plan in effect upon conversion of the Notes into common stock, Noteholders will receive, in addition to the common stock, the rights under the rights plan, unless prior to any conversion, the rights have separated from the common stock, in which case the conversion rate will be adjusted at the time of separation as if we distributed, to all holders of our common stock, shares of our capital stock, evidences of indebtedness or assets as described above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

Except as stated above, the conversion rate will not be adjusted for the issuance of our common stock or any securities convertible into or exchangeable for our common stock or carrying the right to purchase any of the foregoing.

We may from time to time, to the extent permitted by law and subject to applicable rules of The NASDAQ Global Market, increase the conversion rate of the Notes by any amount for any period of at least 20 calendar days. In that case we will give at least 15 calendar days' notice of such increase. We may make such increases in the conversion rate, in addition to those set forth above, as our board of directors deems advisable to avoid or diminish any income tax to holders of our common stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

As a result of any adjustment of the conversion rate, the Noteholders may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal income tax as a dividend. In certain other circumstances, the absence of an adjustment may result in a taxable dividend to the holders of common stock.

Recapitalizations, Reclassifications and Changes of our Common Stock

In the case of any recapitalization, reclassification or change of our common stock (other than changes resulting from a subdivision or combination), a consolidation, merger or combination involving us, a sale, lease or other transfer to a third party of our consolidated assets substantially as an entirety, or any statutory share exchange, in each case as a result of which our common stock would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof), then, at the effective time of the transaction, the right to convert a Note will be changed into a right to convert it into the kind and amount of shares or stock, other securities or other property or assets (including cash or any combination thereof) that a Noteholder of a number of shares of common stock equal to the applicable conversion rate prior to such transaction would have owned or been entitled to receive upon such transaction. In the event holders of our common stock have the opportunity to elect the form of consideration to be received in such transaction, the reference property will be the weighted average of the forms and amount of consideration received by the holders of our common stock that affirmatively make an election. This provision does not limit the rights of the Noteholders in the event of a fundamental change, including our obligation in certain cases to increase the conversion rate by the additional number of shares in connection with a conversion of the Notes.

If we elect to settle all or any portion of our conversion obligation in cash or if we irrevocably elect to make a cash payment of principal upon conversion, Noteholders will receive in connection with any conversion:

- cash in an amount equal to the portion of our conversion obligation that we have elected to settle with cash (or up to the aggregate principal amount of Notes to be converted if we have irrevocably elected net share settlement upon conversion); and

- in lieu of the shares of our common stock otherwise deliverable, if any, reference property.

If we elect to settle any conversion in whole or in part by delivering cash in respect of our conversion obligation or if we irrevocably elect to make a cash payment of principal upon conversion, the amount of cash and any reference property a Noteholder receives will be based on the daily conversion value amounts of reference property and the applicable conversion rate, as described above.

Fundamental Change Requires Us to Repurchase Notes at the Option of the Noteholder

If a fundamental change occurs at any time prior to maturity of the Notes, each Noteholder will have the right to require us to repurchase some or all of that Noteholder’s Notes on a repurchase date that is not less than 20 nor more than 35 business days after the date of our notice of the fundamental change. We will repurchase such Notes at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid interest (including liquated damages, if any) to but excluding the fundamental change repurchase date, unless such fundamental change repurchase date falls after a record date and on or prior to the corresponding interest payment date, in which case we will pay the full amount of accrued and unpaid interest (including liquated damages, if any) payable on such interest payment date to the Noteholder of record at the close of business on the corresponding record date. Notes will be repurchased only in integral multiples of $1,000 of principal amount (or the entire principal amount of the Notes held by the Noteholder).

Within 15 calendar days after the occurrence of a fundamental change, we are required to give notice to all Noteholders of the occurrence of the fundamental change and of their resulting repurchase right and the fundamental change repurchase date. We must also deliver a copy of our notice to the trustee. To exercise the repurchase right, a Noteholder must deliver, on or before the fundamental change repurchase date specified in our notice, written notice to the trustee of the Noteholder’s exercise of its repurchase right, together with the Notes, including necessary endorsements, if certificated, with respect to which the right is being exercised.

Noteholders may withdraw any written repurchase notice by delivering a written notice of withdrawal to the paying agent prior to the close of business on the repurchase date. The withdrawal notice must state:

- the principal amount of the withdrawn Notes;

- if certificated Notes have been issued, the certificate number of the withdrawn Notes (or, if a Noteholder’s Notes are not certificated, such withdrawal notice must comply with appropriate DTC procedures); and

- the principal amount, if any, that remains subject to the repurchase notice.

Payment of the repurchase price for a Note for which a repurchase notice has been delivered and not withdrawn is conditioned upon book-entry transfer or delivery of the Note, together with necessary endorsements, to the paying agent at its corporate trust office in the Borough of Manhattan, The City of New York, or any other office of the paying agent, at any time after delivery of the repurchase notice. Payment of the repurchase price for the Note will be made promptly following the later of the fundamental change repurchase date and the time of book-entry transfer or delivery of the Note. If the paying agent holds money sufficient to pay the repurchase price of the Note on the repurchase date, then, immediately after the repurchase date:

- the Note will cease to be outstanding;
- interest will cease to accrue; and
- all other rights of the Noteholder will terminate, other than the right to receive the repurchase price upon delivery of the Note.

This will be the case whether or not book-entry transfer of the Note has been made or the Note has been delivered to the paying agent.

A “fundamental change” will be deemed to have occurred upon a change of control or a termination of trading.

A “change of control” will be deemed to have occurred at such time after the original issuance of the Notes when the following has occurred:

(1) a “person” or “group” within the meaning of Section13(d) of the Exchange Act other than us, our subsidiaries or our or their employee benefit plans, files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of our common stock representing more than 50% of the voting power of our common stock entitled to vote generally in the election of directors;

(2) consummation of any transaction or event (whether by means of a liquidation, share exchange, tender offer, consolidation, recapitalization, reclassification, merger of us or any sale, lease or other transfer of 90% or more of our consolidated assets) or a series of related transactions or events pursuant to which our common stock is exchanged for, converted into or constitutes the right to receive cash, securities or other property; or

(3) continuing directors (as defined below in this section) cease to constitute at least a majority of our board of directors.

“Continuing director” means a director who either was a member of our board of directors on June 27, 2006 or who becomes a member of our board of directors subsequent to that date and whose appointment, election or nomination for election by our shareholders is duly approved by a majority of the continuing directors on our board of directors at the time of such approval, either by a specific vote or by approval of the proxy statement issued by us on behalf of the board of directors in which such individual is named as nominee for director.

The beneficial owner shall be determined in accordance with Rule 13d-3 promulgated by the SEC under the Exchange Act. The term “person” includes any syndicate or group which would be deemed to be a “person” under Section13(d)(3) of the Exchange Act.

A “termination of trading” will be deemed to have occurred if our common stock (or other common stock into which the Notes are then convertible) is neither listed for trading on the New York Stock Exchange nor approved for trading on the NASDAQ Global Market.

Rule 13e-4 under the Exchange Act, as amended, requires the dissemination of certain information to security holders if an issuer tender offer occurs and may apply if the repurchase option becomes available to Noteholders. We will comply with this rule to the extent applicable at that time. We may, to the extent permitted by applicable law, at any time purchase the Notes in the open market or by tender at any price or by private agreement. Any Note so purchased by us may, to the extent permitted by applicable law, be reissued or resold or may be surrendered to the trustee for cancellation. Any Notes surrendered to the trustee may not be reissued or resold and will be canceled promptly.

The foregoing provisions would not necessarily protect Noteholders if highly leveraged or other transactions involving us occur that may adversely affect Noteholders. Our ability to repurchase Notes upon the occurrence of a fundamental change is subject to important limitations. Under certain circumstances, a fundamental change will constitute an event of default under the Credit Facility, thereby potentially limiting the financial resources we have to satisfy any cash obligations in respect of the Notes and also resulting in an event of default with respect to the Notes. In addition, any future credit agreements or other agreements relating to our indebtedness may contain provisions prohibiting repurchase of the Notes under certain circumstances, or expressly prohibit our repurchase of the Notes upon a fundamental change or may provide that a fundamental change constitutes an event of default under that agreement. If a fundamental change occurs at a time when we are prohibited from repurchasing Notes, we could seek the consent of our lenders to repurchase the Notes or attempt to refinance this debt.

If we do not obtain consent, we would not be permitted to repurchase the Notes. Our failure to repurchase tendered Notes would constitute an event of default under the indenture, which might constitute a default under the terms of our other indebtedness. No Notes may be repurchased by us at the option of the Noteholders upon a fundamental change if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date.

The fundamental change repurchase feature of the Notes may in certain circumstances make it more difficult or discourage a takeover of our company. The fundamental change repurchase feature, however, is not the result of our knowledge of any specific effort to accumulate shares of our common stock, to obtain control of us by means of a merger, tender offer solicitation or otherwise, or by management to adopt a series of anti-takeover provisions. Instead, the fundamental change repurchase feature is a standard term contained in securities similar to the Notes, is limited to specified transactions and may not include other events that might adversely affect our financial condition or results of operations.

Consolidation, Merger and Sale of Assets

We may, without the consent of the Noteholders, consolidate with, merge into or sell, lease or otherwise transfer in one transaction or a series of related transactions the consolidated assets of ours and our subsidiaries substantially as an entirety to any corporation, limited liability company, partnership or trust organized under the laws of the United States or any of its political subdivisions provided that:

- we are the surviving entity, or the surviving entity, if other than us, assumes all our obligations under the indenture and the Notes;
- if as a result of such transaction the Notes become convertible into common stock or other securities issued by a third party, such third party fully and unconditionally guarantees all obligations of Lifetime Brands,Inc. or such successor under the Notes and the indenture;
- immediately after such transaction, no event of default, and no event which, after notice or lapse of time, would become an event of default, shall have happened and be continuing; and
- an officers' certificate and an opinion of counsel, each stating that the consolidation, merger or transfer complies with the provisions of the indenture have been delivered to the trustee.

Under any consolidation, merger, sale, lease or other transfer of our assets as described in the preceding paragraph, the successor company will be our successor and shall succeed to, and be substituted for, and may exercise every right and power of, Lifetime Brands,Inc. under the indenture. If we are still in existence after the transaction, we will be released from our obligations and covenants under the indenture and the Notes.

Events of Default

Each of the following constitutes an event of default under the indenture:

- our failure to pay when due the principal on any of the Notes at maturity or exercise of a repurchase right or otherwise;
- our failure to pay any interest on any of the Notes for 30 calendar days after the date when due;

- our failure to deliver shares of our common stock, together with cash in lieu thereof in respect of any fractional shares, cash or cash and shares of our common stock upon conversion of a Note, and that failure continues for 10 calendar days;

- our failure to perform or observe any other term, covenant or agreement contained in the Notes or the indenture for a period of 60 consecutive calendar days after written notice of such failure, requiring us to remedy the same, shall have been given to us by the trustee or to us and the trustee by the Noteholders of at least 25% in aggregate principal amount of the Notes then outstanding;

- our failure to make any payment by the end of the applicable grace period, if any, after the maturity of any indebtedness for borrowed money in an amount in excess of $5 million, or if there is an acceleration of indebtedness for borrowed money in an amount in excess of $5 million because of a default with respect to such indebtedness without such indebtedness having been discharged or such acceleration having been withdrawn, cured, waived, rescinded or otherwise annulled, in either case, for a period of 30 calendar days after written notice to us by the trustee or to us and the trustee by Noteholders of at least 25% in aggregate principal amount of the Notes then outstanding;

- our failure to give notice of a fundamental change within the time period specified for doing so; and

- certain events of our bankruptcy, insolvency or reorganization or any significant subsidiary of ours.

"Significant subsidiary" has the meaning set forth in the definition thereof in RegulationS-X under the Securities Act.

If an event of default specified in the seventh bullet point above occurs and is continuing, then the principal of all the Notes and the interest thereon shall automatically become immediately due and payable. If an event of default shall occur and be continuing, other than an event of default specified in the seventh bullet point above, the trustee or the Noteholders of at least 25% in aggregate principal amount of the Notes then outstanding may declare the Notes due and payable at their principal amount together with accrued interest, and thereupon the trustee may, at its discretion, proceed to protect and enforce the rights of the Noteholders by appropriate judicial proceedings. Such declaration may be rescinded and annulled with the written consent of the Noteholders of a majority in aggregate principal amount of the Notes then outstanding on behalf of all Noteholders, subject to the provisions of the indenture.

The Noteholders of a majority in aggregate principal amount of Notes at the time outstanding through their written consent, or the Noteholders of a majority in aggregate principal amount of Notes then outstanding represented at a meeting at which a quorum is present by a written resolution, may waive any existing default or event of default and its consequences except any default or event of default:

- in any payment on the Notes;

- in respect of the failure to convert the Notes; or

- in respect of the covenants or provisions in the indenture that may not be modified or amended without the consent of the Noteholders affected as described in "—Modification, Waiver and Meetings" below.

Noteholders of a majority in aggregate principal amount of the Notes then outstanding through their written consent, or the Noteholders of a majority in aggregate principal amount of the Notes then outstanding represented at a meeting at which a quorum is present by a written resolution, may direct on behalf of all Noteholders the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred upon the trustee, subject to the provisions of the indenture. The indenture contains a provision entitling the trustee, subject to the duty of the trustee during a default to act with the required standard of care, to be indemnified by the Noteholders before proceeding to exercise any right or power under the indenture at the request of such Noteholders. The rights of Noteholders to pursue remedies with respect to the indenture and the Notes are subject to a number of additional requirements set forth in the indenture.

The indenture provides that the trustee shall, within 90 calendar days of the occurrence of a default, give to the registered Noteholders notice of all uncured defaults known to it, but the trustee shall be protected in withholding such notice if it, in good faith, determines that the withholding of such notice is in the best interest of such registered Noteholders, except in

the case of a default in the payment of the principal of, or premium, if any, or interest on, any of the Notes when due or in the payment of any conversion or repurchase obligation.

We are required to furnish annually to the trustee a statement as to the fulfillment of our obligations under the indenture. In addition, we are required to file with the trustee a written notice of the occurrence of any default or event of default within five business days of our becoming aware of the occurrence of any default or event of default.

Modification, Waiver and Meetings

The indenture contains provisions for convening meetings of the Noteholders to consider matters affecting their interests.

The indenture (including the terms and conditions of the Notes) may be modified or amended by us and the trustee, without the consent of the Noteholder, for the purposes of, among other things:

- adding to our covenants for the benefit of the Noteholder;
- reopening the indenture and the issuance of additional Notes as described in the fifth paragraph under "--General";
- surrendering any right or power conferred upon us;
- providing for conversion rights of Noteholders if any reclassification or change of our common stock or any consolidation, merger or sale of the consolidated assets of us and our subsidiaries substantially as an entirety occurs;
- increasing the conversion rate in the manner described in the indenture, provided that the increase will not adversely affect the interests of Noteholders in any material respect;
- complying with the requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act of 1939, as amended;
- making any changes or modifications to the indenture necessary in connection with the registration of the Notes under the Securities Act, as contemplated by the registration rights agreement, provided that this action does not adversely affect the interests of the Noteholders in any material respect;
- irrevocably electing to satisfy solely in shares our conversion obligation with respect to the Notes to be converted after the date of such election;
- curing any ambiguity or correcting or supplementing any defective provision contained in the indenture; provided that such modification or amendment does not, in the good faith opinion of our board of directors and the trustee, adversely affect the interests of the Noteholders in any material respect; provided further that any amendment made solely to conform the provisions of the indenture to the description of the Notes in the offering memorandum dated June 27, 2006 will not be deemed to adversely affect the interests of the Noteholders; or
- adding or modifying any other provisions which we and the trustee may deem necessary or desirable and which will not adversely affect the interests of the Noteholders.

Modifications and amendments to the indenture or to the terms and conditions of the Notes may also be made, and noncompliance by us with any provision of the indenture or the Notes may be waived, in each case, on behalf of all Noteholders either:

- with the written consent of the Noteholders of at least a majority in aggregate principal amount of the Notes at the time outstanding; or
- by the adoption of a resolution at a meeting of Noteholders at which a quorum is present by at least a majority in aggregate principal amount of the Notes represented at such meeting.

However, no such modification, amendment or waiver may, without the written consent or the affirmative vote of the Noteholders affected:

- change the maturity of the principal of or any installment of interest on any Note (including any payment of liquidated damages, if any);
- reduce the principal amount of, or any premium, if any, on any Note;
- reduce the interest rate or amount of interest (including any liquidated damages, if any) on any Note;
- change the currency of payment of principal of, premium, if any, or interest on any Note;
- impair the right of a Noteholder to institute suit for the enforcement of any payment on or with respect to, or the conversion of, any Note;
- except as otherwise permitted or contemplated by provisions of the indenture concerning specified reclassifications or corporate reorganizations, impair or adversely affect the conversion rights of Noteholders;
- adversely affect any repurchase option of Noteholders;
- reduce the percentage in aggregate principal amount of Notes outstanding necessary to modify or amend the indenture or to waive any past default; or
- reduce the percentage in aggregate principal amount of Notes outstanding required for any other waiver under the indenture.

The quorum at any meeting called to adopt a resolution will be persons holding or representing a majority in aggregate principal amount of the Notes at the time outstanding.

Form, Denomination and Registration

The Notes have been issued in fully registered form, without interest coupons, in denominations of $1,000 principal amount and whole multiples of $1,000.

Global Notes: Book-Entry Form

The Notes are evidenced by one or more global Notes deposited with the trustee as custodian for DTC, and registered in the name of Cede& Co., as DTC's nominee. Record ownership of the global Notes may be transferred, in whole or in part, only to another nominee of DTC or to a successor of DTC or its nominee, except as set forth below.

Ownership of beneficial interests in a global Note is limited to persons that have accounts with DTC or its nominee (which we refer to as "participants") or persons that may hold interests through participants. Transfers between direct DTC participants will be effected in the ordinary way in accordance with DTC's rules and will be settled in same day funds. Noteholders may also beneficially own interests in the global Notes held by DTC through certain banks, brokers, dealers, trust companies and other parties that clear through or maintain a custodial relationship with a direct DTC participant, either directly or indirectly. So long as Cede& Co., as nominee of DTC, is the registered owner of the global Notes, Cede& Co. for all purposes is considered the sole Noteholder of the global Notes. Except as provided below, owners of beneficial interests in the global Notes are not entitled to have individual Notes registered in their names, will not receive or be entitled to receive physical delivery of individual Notes in definitive form, and will not be considered holders thereof. The laws of some states require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer a beneficial interest in the global Notes to such persons may be limited.

We will wire, through the facilities of the trustee, principal, premium, if any, and interest payments on the global Notes to Cede& Co., the nominee for DTC, as the registered owner of the global Notes. We, the trustee and any paying agent will have no responsibility or liability for paying amounts due on the global Notes to owners of beneficial interests in the global Notes.

It is DTC's current practice, upon receipt of any payment of principal of and premium, if any, and interest on the global Notes, to credit participants' accounts on the payment date in amounts proportionate to their respective beneficial interests in the Notes represented by the global Notes, as shown on the records of DTC, unless DTC believes that it will not receive payment on the payment date. Payments by DTC participants to owners of beneficial interests in Notes represented by the global Notes held through DTC participants will be the responsibility of DTC participants, as is now the case with securities held for the accounts of customers registered in "street name."

If a Noteholder would like to convert Notes into common stock pursuant to the terms of the Notes, the Noteholder should contact the Noteholder's broker or other direct or indirect DTC participant to obtain information on procedures, including proper forms and cut-off times, for submitting those requests.

Because DTC can only act on behalf of DTC participants, who in turn act on behalf of indirect DTC participants and other banks, a Noteholder's ability to pledge the Noteholder's interest in the Notes represented by global Notes to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate.

Neither we nor the trustee (nor any registrar, paying agent or conversion agent under the indenture) will have any responsibility for the performance by DTC or direct or indirect DTC participants of their obligations under the rules and procedures governing their operations. DTC has advised us that it will take any action permitted to be taken by a Noteholder, including, without limitation, the presentation of Notes for conversion as described below, only at the direction of one or more direct DTC participants to whose account with DTC interests in the global Notes are credited and only for the principal amount of the Notes for which directions have been given.

DTC has advised us as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section17A of the Exchange Act. DTC was created to hold securities for DTC participants and to facilitate the clearance and settlement of securities transactions between DTC participants through electronic book-entry changes to the accounts of its participants, thereby eliminating the need for physical movement of Notes. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations such as the initial purchasers of the Notes. Certain DTC participants or their representatives, together with other entities, own DTC. Indirect access to the DTC system is available to others, such as banks, brokers, dealers and trust companies, that clear through, or maintain a custodial relationship with, a participant, either directly or indirectly.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the global Notes among DTC participants, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. If DTC is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by us within 90 calendar days, we will cause Notes to be issued in definitive registered form in exchange for the global Notes. None of us, the trustee or any of our or its respective agents will have any responsibility for the performance by DTC or direct or indirect DTC participants of their obligations under the rules and procedures governing their operations, including maintaining, supervising or reviewing the records relating to, or payments made on account of, beneficial ownership interests in global Notes.

According to DTC, the foregoing information with respect to DTC has been provided to its participants and other members of the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Certificated Notes

We will issue the Notes in definitive certificated form if DTC notifies us that it is unwilling or unable to continue as depositary or DTC ceases to be a clearing agency registered under the Exchange Act and a successor depositary is not appointed by us within 90 calendar days. In addition, beneficial interests in a global Note may be exchanged for definitive certificated Notes upon request by or on behalf of DTC in accordance with customary procedures. The indenture permits us to determine at any time and in our sole discretion that Notes shall no longer be represented by global Notes. DTC has advised us that, under its current practices, it would notify its participants of our request, but will only withdraw beneficial interests from the global Notes at the request of each DTC participant. We would issue definitive Notes in exchange for any such beneficial interests withdrawn.

Any Note that is exchangeable pursuant to the preceding sentence is exchangeable for Notes registered in the names which DTC will instruct the trustee. It is expected that DTC's instructions may be based upon directions received by DTC from

its participants with respect to ownership of beneficial interests in that global Note. Subject to the foregoing, a global Note is not exchangeable except for a global Note or global Notes of the same aggregate denominations to be registered in the name of DTC or its nominee.

Notices

Except as otherwise provided in the indenture, notices to Noteholders will be given by mail to the addresses of Noteholders as they appear in the Note register.

Registration Rights of Noteholders

We have agreed to file with the SEC, at our expense, the registration statement of which this prospectus is a part covering resales by Noteholders of all Notes and the common stock issuable upon conversion of the Notes. Under the terms of the registration rights agreement, we have agreed to use our reasonable best efforts to:

- cause the registration statement of which this prospectus is a part to become effective as promptly as is practicable, but in no event later than December 24, 2006; and

- keep the registration statement of which this prospectus is a part effective for a period (which we refer to as the "registration period") from the date the registration statement of which this prospectus is a part is declared effective by the SEC until such date that is the earlier of (1) the date as of which all the Notes or the common stock issuable upon conversion of the Notes have been sold either under Rule 144 under the Securities Act (or any similar provision then in force) or pursuant to the registration statement of which this prospectus is a part; (2) the date as of which all the Notes or the common stock issuable upon conversion of the Notes held by non-affiliates are eligible to be sold to the public pursuant to Rule 144(k) under the Securities Act or any successor provision; or (3) the date on which there are no outstanding registrable securities.

We have also agreed to provide to each registered Noteholder copies of this prospectus, to notify each registered Noteholder when the registration statement of which this prospectus is a part has become effective, and to take certain other actions as are required to permit unrestricted resales of the Notes and the common stock issuable upon conversion of the Notes. A Noteholder who sells securities pursuant to the registration statement of which this prospectus is a part generally will be required to be named as a Selling Securityholder in this prospectus and to deliver this prospectus to purchasers and will be bound by the provisions of the registration rights agreement, which are applicable to that Noteholder (including certain indemnification provisions). If a registration statement covering these securities is not effective, they may not be sold or otherwise transferred except pursuant to an exemption from registration under the Securities Act and any other applicable securities laws or in a transaction not subject to those laws.

We may suspend the Noteholder's use of this prospectus for a maximum of 45 calendar days in any 90-calendar day period, and not to exceed an aggregate of 90 calendar days in any 12-month period, if (i) we, in our reasonable judgment, believe we may possess material non-public information the disclosure of which would be seriously detrimental to us and our subsidiaries taken as a whole or (ii) this prospectus would, in our judgment, contain a material misstatement or omission as a result of an event that has occurred or is continuing. However, if the disclosure relates to a proposed or pending material business transaction, the disclosure of which we determine in good faith would be reasonably likely to impede our ability to consummate such transaction, or would otherwise be seriously detrimental to us and our subsidiaries taken as a whole, we may extend the suspension period from 45 calendar days to 60 calendar days. We will not specify the nature of the event giving rise to a suspension in any notice to Noteholders of the existence of such a suspension.

Each of the following is a registration default (provided that a registration default shall occur with respect to the Notes only if any of the following events affects the portion of the registration statement of which this prospectus is a part, this prospectus or any prospectus supplement pertaining to the Notes, and a registration default shall occur with respect to the shares of common stock issuable upon conversion of the Notes only if any of the following events affects the portion of the registration statement of which this prospectus is a part, this prospectus or any prospectus supplement pertaining to such shares of common stock):

- the registration statement of which this prospectus is a part has not been declared effective by December 24, 2006; or

- prior to or on the 45th, 60th, 90th or 180th calendar day, as the case may be, of any period that this prospectus has been suspended as described in the preceding paragraph (in each case except as the result of filing of a post-effective amendment solely to add additional selling securityholders), such suspension has not been terminated.

If a registration default occurs with respect to the Notes, liquidated damages will accrue on the Notes, from and including the calendar day following the registration default to but excluding the earlier of (i) the calendar day after the end of the registration period and (ii) the calendar day on which the registration default has been cured. Liquidated damages will be paid semi-annually in arrears, with the first semi-annual payment due on the first interest payment date, as applicable, following the date on which such liquidated damages begin to accrue, and will accrue at a rate equal to:

- 0.25% per annum of the principal amount for the first 90 calendar days following such registration default; and
- 0.50% per annum of the principal amount from and after the 91st calendar day following such registration default.

In no event will liquidated damages accrue after June 27, 2008 or at a rate per year exceeding 0.50%. Liquidated damages will be computed on the basis of a 360-day year composed of twelve 30-day months.

If a Noteholder elects to convert some or all of its Notes into common stock when there exists a registration default with respect to the common stock, the Noteholder will not be entitled to receive liquidated damages on such common stock, and we will instead increase the conversion rate by 3% for each $1,000 principal amount of Notes. If a registration default with respect to the common stock occurs after a Noteholder has converted its Notes into common stock, such Noteholder will not be entitled to any compensation with respect to such common stock.

A Noteholder's right to liquidated damages or increase in the conversion rate, as the case may be, shall be its sole remedy in the event of a registration default.

We will give notice to all Noteholders of the filing and effectiveness of this registration statement by issuing a press release through PR Newswire. We have included as Annex A to this prospectus a form of notice and questionnaire to be completed and delivered by a Noteholder interested in selling its registrable securities pursuant to the registration statement of which this prospectus is a part.

In order to be named as a selling securityholder in this prospectus at the time of effectiveness of the registration statement, a Noteholder must complete and deliver the questionnaire, together with any other information we may reasonably request, to us on or prior to the tenth business day before the effectiveness of this registration statement. Upon receipt of a completed questionnaire, together with any other information we may reasonably request following the effectiveness, we will, within 15 business days of receipt, or within 15 business days of the end of any period during which we have suspended use of this prospectus, file any amendments to this registration statement or supplements to this prospectus as are necessary and permitted to allow Noteholders to deliver this prospectus to purchasers of registrable securities, provided that we will not be obligated to file more than one post-effective amendment in any 60-calendar day period. We will pay the predetermined liquidated damages described above to the Noteholder if we fail to make the filing in the time required or, if such filing is a post-effective amendment to this registration statement required to be declared effective under the Securities Act, if such amendment is not declared effective within 45 calendar days after the date such post-effective amendment is required to be filed. A Noteholder who elects to offer and sell any Notes or shares of common stock issuable upon conversion thereof pursuant to this registration statement will be subject to the civil liability provisions under the Securities Act.

If a Noteholder does not complete and deliver a questionnaire or provide the other information we may request, the Noteholder will not be named as a Selling Securityholder in this prospectus and will not be permitted to sell the Noteholder's registrable securities pursuant to this registration statement. This summary of the registration rights agreement is not complete. This summary is subject to, and is qualified in its entirety by reference to, all the provisions of the registration rights agreement.

Rule 144A Information Requirement

We have agreed that until June 27, 2008, during any period in which we are not subject to the reporting requirements of the Exchange Act, to make available to Noteholders, or beneficial owners of interests therein, or any prospective purchaser of the Notes, the information required by Rule 144A(d)(4) to be made available in connection with the sale of Notes or beneficial interests in the Notes.

Information Regarding the Trustee

HSBC Bank USA, National Association, as trustee under the indenture, has been appointed by us as paying agent, conversion agent, registrar and custodian with regard to the Notes. The trustee and its affiliates provide and may from time to time in the future provide banking and other services to us in the ordinary course of their business. An affiliate of the trustee is a lender under our Credit Facility and therefore received a portion of the proceeds of the initial offering.

Governing Law

The indenture, the Notes and the registration rights agreement are governed by, and will be construed in accordance with, the laws of the State of New York.

DESCRIPTION OF CAPITAL STOCK

General

Our certificate of incorporation authorizes 25,000,000 shares of common stock, $0.01 par value, 100 shares of Series A preferred stock and 2,000,000 shares of SeriesB preferred stock. The following description of capital stock is subject to and qualified by our certificate of incorporation and bylaws, which are incorporated by reference to the registration statement of which this prospectus is a part, and by the provisions of applicable Delaware law.

Common Stock

As of September 21, 2006 we had 13,480,805 shares of common stock issued and outstanding.

The holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. The holders of common stock are entitled to receive ratably any dividends that may be declared from time to time by the board of directors out of funds legally available for that purpose. In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock then outstanding. The common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable, and the shares of common stock to be issued upon the closing of this offering will be fully paid and nonassessable.

Preferred Stock

As of the date of this prospectus, we had no shares of preferred stock issued and outstanding.

Dividend Rights. The holders of SeriesA preferred stock will be entitled to receive, when, as and if declared by the board of directors and out of our assets which are legally available for the payment of dividends, cumulative preferential cash dividends in the amount of $700 per annum for each share of SeriesA preferred stock held, payable quarterly. Whenever dividends upon the issued and outstanding SeriesA preferred stock have been paid in full, the board of directors may declare cash dividends on the shares of SeriesB preferred stock at a rate to be established by the board of directors. Whenever dividends upon the issued and outstanding SeriesB preferred stock have been paid in full, the board of directors may declare cash dividends on the issued and outstanding shares of common stock. The Credit Facility contains restrictions on, and in some circumstances may prevent, the payment of dividends.

Redemption Rights. We may, at any time and from time to time, redeem all or part of any issued and outstanding shares of Series A preferred stock for a redemption price of $10,000 per share plus any accrued and unpaid dividends thereon and/or redeem all or any part of the issued and outstanding shares of Series B preferred stock for a redemption price equal to the par value of such shares plus any accrued and unpaid dividends thereon. We will be under an obligation to redeem all shares of Series A preferred stock on the eighth anniversary of the date of the original issuance of such shares.

Liquidation and Dissolution Rights. In the event of any liquidation, dissolution or winding up of our affairs, each issued and outstanding share of SeriesA preferred stock shall entitle its holder to payment at the rate of $10,000 per share plus all accrued and unpaid dividends. After payment in full of the SeriesA preferential amount, each issued and outstanding share of SeriesB preferred stock shall entitle its holder to payment at the rate of the par value per share plus all accrued and unpaid dividends. Thereafter, the remaining assets, if any, shall be distributed to the holders of common stock, ratably.

Voting Rights. Except as any provision of law may otherwise require, no SeriesA or SeriesB preferred share shall entitle the holder thereof to any voting power.

Anti-Takeover Provisions

Provisions of Delaware law could make the acquisition of our company through a tender offer, a proxy contest or other means more difficult and could make the removal of incumbent officers and directors more difficult. We expect these provisions to discourage coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of our company to first negotiate with our board of directors. We believe that the benefits provided by our ability to negotiate with the proponent of an unfriendly or unsolicited proposal outweigh the disadvantages of discouraging these proposals. We believe the negotiation of an unfriendly or unsolicited proposal could result in an improvement of its terms.

Effects of Some Provisions of Delaware Law. We are subject to Section203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- the stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (a) shares owned by persons who are directors and also officers, and (b) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- on or subsequent to the date of the transaction, the business combination is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66% of the outstanding voting stock which is not owned by the interested stockholder.

Generally, a "business combination" for these purposes includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. An "interested stockholder" for these purposes is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of a corporation's outstanding voting securities. We expect the existence of this provision to have an anti-takeover effect with respect to transactions our board of directors does not approve in advance. We also anticipate that Section203 may discourage attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is The Bank of New York Shareholder Relations, located at 101 Barclay Street, New York, NY 10286.

PLAN OF DISTRIBUTION

We will not receive any proceeds from the sale of the Notes and the underlying common stock offered by this prospectus. The Selling Securityholders and their successors, which include their transferees, distributees, pledgees or donees or their successors, may sell the Notes and the underlying common stock directly to purchasers or through underwriters, broker-dealers or agents. Underwriters, broker-dealers or agents may receive compensation in the form of discounts, concessions or commissions from the Selling Securityholders or the purchasers. These discounts, concessions or commissions may be in excess of those customary in the types of transactions involved.

The Notes and the underlying common stock may be sold in one or more transactions at:

- fixed prices;
- prevailing market prices at the time of sale;
- prices related to such prevailing market prices;
- varying prices determined at the time of sale; or
- negotiated prices.

The sales may be effected in transactions in the following manner (which may involve block transactions or transactions in which the same broker acts as agent on both sides of the transaction, known as crosses):

- on any national securities exchange or quotation service on which the Notes or the common stock may be listed or quoted at the time of sale;
- in the over-the-counter market;
- in transactions otherwise than on such exchanges or services or in the over-the-counter market;
- through the writing of options, whether such options are listed on an options exchange or otherwise; or
- through the settlement of short sales.

Selling Securityholders may enter into hedging transactions with broker-dealers or other financial institutions which may in turn engage in short sales of the Notes or the underlying common stock and deliver these securities to close out such short positions, or loan or pledge the Notes or the common stock into which the Notes are convertible to broker-dealers that in turn may sell these securities.

Selling Securityholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of Notes or underlying common stock subject to registration by this prospectus, which Notes or underlying common stock such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction). Broker-dealers engaged by the Selling Securityholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Securityholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with NASDR Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with NASDR IM-2440.

From time to time, one or more of the Selling Securityholders may distribute, devise, gift, pledge, hypothecate or grant a security interest in some or all of the securities owned by them. Any such distributees, devisees or donees will be deemed to be Selling Securityholders. Any such pledgees, secured parties or persons to whom the securities have been hypothecated will, upon foreclosure in the event of default, be deemed to be Selling Securityholders.

The aggregate proceeds to the Selling Securityholders from the sale of the Notes or underlying common stock will be the purchase price of the Notes or common stock less any discounts and commissions. A Selling Securityholder reserves the right to accept and, together with their agents, to reject, any proposed purchase of Notes or common stock to be made directly or through agents. We will not receive any of the proceeds from this offering.

Our outstanding common stock is listed for trading on the NASDAQ Global Market under the symbol "LCUT." We do not intend to list the Notes for trading on any national securities exchange or on the NASDAQ Global Market. The Notes are eligible for trading by qualified institutional buyers in The Portal Market. The sole book-running manager for the private placement of the Notes is currently making a market in the Notes; however, they are not obligated to do so and may discontinue any such market making activities at any time without notice. In addition, such market making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Therefore, we cannot guarantee that any trading market will develop for the Notes. Even if a market does develop, the market may not be maintained.

We have agreed to keep the registration statement of which this prospectus is a part effective until the earlier of (1) the date as of which all the registrable securities have been sold either under Rule 144 under the Securities Act (or any similar provision then in force) or pursuant to the registration statement; (2) the date as of which all of the of registrable securities held by non-affiliates are eligible to be sold to the public pursuant to Rule 144(k) under the Securities Act or any successor provision; or (3) the date on which there are no outstanding registrable securities.

The Notes and underlying common stock may be sold in some states only through registered or licensed brokers or dealers. The Selling Securityholders and any underwriters, broker-dealers or agents that participate in the sale of the Notes and common stock into which the Notes are convertible may be deemed to be underwriters within the meaning of Section 2(11) of the Securities Act. Any discounts, commissions, concessions or profit they earn on any resale of the Notes or the shares may be underwriting discounts and commissions under the Securities Act. Selling Securityholders who are underwriters within the meaning of Section 2(11) of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act. The Selling Securityholders have acknowledged that they understand their obligations to comply with the provisions of the Exchange Act and the rules thereunder relating to stock manipulation including, but not limited to, Regulation M, and have agreed that they will not engage in any transaction in violation of such provisions. To our knowledge, there are currently no plans, arrangements or understandings between the Selling Securityholders and any underwriter, broker, dealer or agent regarding the sale of the Notes or the underlying common stock by the Selling Securityholder. We will make copies of this prospectus available to the Selling Securityholders and inform them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale.

In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 or Rule 144A of the Securities Act may be sold under Rule 144 or Rule 144A rather than pursuant to this prospectus. A Selling Securityholder may not sell any Notes or common stock described herein and may not transfer, devise or gift such securities by means other than those described in this prospectus.

If required, the specific Notes or common stock to be sold, the names of the Selling Securityholders, the respective purchase prices and public offering prices, the names of any agent, dealer or underwriter, and any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to this prospectus.

Pursuant to the registration rights agreement filed as an exhibit to this registration statement, we and the Selling Securityholders will be indemnified by each other against certain liabilities, including certain liabilities under the Securities Act or will be entitled to contribution in connection with these liabilities.

We have agreed to pay substantially all of the expenses incidental to the registration, offering and sale of the Notes and underlying common stock to the public other than applicable transfer taxes and commissions, fees and discounts of underwriters, brokers, dealers and agents.

VALIDITY OF SECURITIES

The validity of the Notes and the common stock offered hereby will be passed upon for us by Troutman Sanders LLP, New York, New York.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with it, which means that we can disclose important business and financial information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and the information that we file with the SEC later will automatically update and supersede this information. We incorporate by reference the documents listed below and any filings that we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and until all the Notes and common stock covered by this prospectus are sold or the offering is otherwise terminated:

- Annual Report on Form 10-K for the fiscal year ended December 31, 2005;
- Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2006 and June 30, 2006;
- Current Reports on Form 8-K filed on February 1, 2006, March 3, 2006, March 8, 2006, May 3, 2006, May 8, 2006 (three separate filings), May 15, 2006, June 9, 2006, June 21, 2006, June 22, 2006, June 27, 2006, July 13, 2006, August 3, 2006, August 11, 2006 and August 16, 2006;
- Current Report on Form 8-K/A filed on July 12, 2006;
- Definitive Proxy Statement on Schedule14A, as amended, filed on May 4, 2006.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy materials that we have filed with the SEC at the SEC's public reference room at 100 F Street, NE, Room 1580, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC also maintains an Internet website at www.sec.gov that contains reports, proxy and information statements, and other information about registrants that file electronically with the SEC, including us. Our recent SEC filings are also available to the public free of charge at our website at www.lifetimebrands.com. Except for the documents described above, information on our web site is not incorporated by reference into this prospectus. You may request a copy of this information and any of the filings identified above, at no cost, by writing or telephoning us at:

Lifetime Brands, Inc.
One Merrick Avenue
Westbury, New York 11590
Attn: Investor Relations
(516) 683-6000

EXPERTS

The consolidated financial statements of Lifetime Brands, Inc, incorporated by reference in Lifetime Brands, Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2005 (including the schedule appearing therein), and Lifetime Brands, Inc. management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2005 incorporated by reference therein which did not include an evaluation of the internal control over financial reporting of The Pfaltzgraff Co. and Salton, Inc., acquired in 2005, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in its reports thereon, which as to the report on internal control over financial reporting contains an explanatory paragraph describing the above referenced exclusion of The Pfaltzgraff Co. and Salton, Inc., from the scope of management's assessment and such firm's audit therein, and incorporated herein by reference. Such financial statements and management's assessment have been incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

With respect to the unaudited condensed consolidated interim financial information of Lifetime Brands, Inc. for the three-month periods ended March 31, 2006 and March 31, 2005 and the three and six-month periods ended June 30, 2006 and June 30, 2005, incorporated by reference in this prospectus, Ernst & Young LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate reports dated May 2, 2006 and August 4, 2006, included in Lifetime Brands, Inc.'s Quarterly Report on From 10-Q for the quarters ended March 31, 2006 and June 30, 2006, and incorporated by reference herein, state that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such financial information should be restricted in light of the limited nature of the review process applied. Ernst &Young LLP is not subject to the liability provisions of Section 11 of the Securities Act for their reports on the unaudited interim financial information because those reports are not a "report" or a "part" of the registration statement prepared or certified by Ernst & Young LLP within the meaning of Sections 7 and 11 of the Securities Act.

PART II. INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 14. ***Other Expenses of Issuance and Distribution***

The following table sets forth the estimated expenses in connection with the issuance and distribution of the securities being registered hereby. All such expenses will be borne by the registrant; none shall be borne by the Selling Securityholders.

Securities and Exchange Commission Registration Fee	$ 8,025
Legal Fees and Expenses	25,000
Accounting Fees and Expenses	9,000
Miscellaneous	10,000
Total	$52,025

Item 15. ***Indemnification of Directors and Officers***

Section 145 of the Delaware General Corporation Law (which we refer to as the "DGCL") permits indemnification of our officers and directors under certain conditions and subject to certain limitations. Section 145 of the DGCL also provides that a corporation has the power to maintain insurance on behalf of its officers and directors against any liability asserted against such person and incurred by him or her in such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of Section 145 of the DGCL.

Article VII of our Bylaws provides for indemnification of our directors, officers and employees against liabilities and expenses in connection with any legal proceeding to which he/she may be made a party or with which he/she may become involved or threatened by reason of having been an officer, director or employee of us. The indemnification shall apply with respect to any matters which are disposed of by settlement, judgment or otherwise. Indemnification shall be made only if the board of directors determines by a majority vote of a quorum consisting of disinterested directors, that indemnification is proper in the circumstances because the person seeking indemnification has met applicable standards of conduct and that indemnification is not in violation of the DGCL. It must be determined that the director, officer or employee acted in good faith with the reasonable belief that his/her action was in or not opposed to our best interests and with respect to any criminal action or proceeding, he/she had no reasonable cause to believe that his/her conduct was unlawful.

As permitted by Section102(b)(7) of the DGCL, our Certificate of Incorporation provides that, pursuant to Delaware law, our directors shall not be personally liable for monetary damages for breach of the directors' fiduciary duty as directors to us and our stockholders. This provision in the Certificate of Incorporation does not eliminate the directors' fiduciary duty, and in appropriate circumstances equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law. In addition, pursuant to Section102(b)(7) of the DGCL, each director will continue to be subject to liability for breach of the director's duty of loyalty to us or our stockholders, for acts or omission not in good faith or involving intentional misconduct, for knowing violations of law, for actions leading to improper personal benefit to the director, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Section174 of the DGCL. The provision also does not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws.

We have entered into indemnification agreements with each of our directors and executive officers. Generally, the indemnification agreements attempt to provide the maximum protection permitted by Delaware law as it may be amended from time to time. Moreover, the indemnification agreements provide for certain additional indemnification. Under such additional indemnification provisions, however, an individual will not receive indemnification for judgments, settlements or expenses if he or she is found liable to us (except to the extent the court determines he or she is fairly and reasonably entitled to indemnity for expenses), for settlements not approved by us or for settlements and expenses if the settlement is not approved by the court. The indemnification agreements provide for us to advance to the individual any and all reasonable expenses (including legal fees and expenses) incurred in investigating or defending any such action, suit or proceeding. In order to receive an advance of expenses, the individual must submit to us copies of invoices presented to him or her for such expenses. Also, the individual must repay such advances upon a final judicial decision that he or she is not entitled to indemnification. We intend to enter into additional indemnification agreements with each of our directors and executive officers to effectuate these indemnity provisions.

At present, there is no pending litigation or proceeding involving a director, officer, employee or other agent of us in which indemnification is being sought, nor are we aware of any threatened litigation that may result in a claim for indemnification by any director, officer, employee or other agent of us.

We maintain directors and officers liability insurance policies which insure our directors and officers against loss arising from certain claims made against such directors or officers by reason of certain wrongful acts.

Item 16. ***Exhibits***

Exhibit Number	Description of Document
3.1	Restated Certificate of Incorporation of Lifetime Brands, Inc.(1)
3.2	Amendment dated June 9, 1994 to the Restated Certificate of Incorporation of Lifetime Brands, Inc.(1)
3.3	By-Laws of Lifetime Brands, Inc.(1)
4.1	Form of Note
4.2	Indenture dated June 27, 2006 between Lifetime Brands, Inc and HSBC Bank USA, National Association, as Trustee
4.3	Form of specimen certificate of common stock (1)
5.1	Opinion of Troutman Sanders LLP (to be filed by amendment)
10.1	Registration Rights Agreement dated June 27, 2006 between Lifetime Brands, Inc. and Citigroup Global Markets, Inc.
12.1	Computation of ratio of earnings to fixed charges
15.1	Letter of Ernst & Young LLP as to Unaudited Financial Information
23.1	Consent of Ernst & Young LLP Independent Registered Public Accounting Firm
23.2	Consent of Troutman Sanders LLP (included in Exhibit5.1)
24.1	Powers of Attorney (see signature page)
25.1	Form T-1 Statement of Eligibility and Qualification of Trustee (to be filed by amendment)

(1) Incorporated by reference

Item 17. ***Undertakings***

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to the registration statement of which this prospectus is a part:

(i) To include any prospectus required by Section10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in the volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (i), (ii) and (iii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Securities and Exchange Commission by the registrant pursuant to Section13 or Section15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) the portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(d) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Westbury, New York, on September 21, 2006.

LIFETIME BRANDS, INC.

/s/ Jeffrey Siegel

Jeffrey Siegel
Chairman of the Board of Directors,
Chief Executive Officer and President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Jeffrey Siegel, Ronald Shiftan and Robert McNally his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this registration statement and any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the SEC, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Exchange Act, 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 and President	September 21, 2006
/s/ Ronald Shiftan Ronald Shiftan	Vice Chairman, Chief Operating Officer and Director	September 21, 2006
/s/ Robert McNally Robert McNally	Vice-President - Finance and Treasurer (Principal Financial and Accounting Officer). Chief Financial Officer	September 21, 2006
/s/ Howard Bernstein Howard Bernstein	Director	September 21, 2006
/s/ Michael Jeary Michael Jeary	Director	September 21, 2006
/s/ Sheldon Misher Sheldon Misher	Director	September 21, 2006
/s/ Cherrie Nanninga Cherrie Nanninga	Director	September 21, 2006
/s/ Craig Phillips Craig Phillips	Director	September 21, 2006
/s/ William Westerfield William Westerfield	Director	September 21, 2006

EXHIBIT INDEX

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25.1	Form T-1 Statement of Eligibility and Qualification of Trustee (to be filed by amendment)

(1) Incorporated by reference

FORM OF NOTE

[FACE OF SECURITY]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO LIFETIME BRANDS, INC. (OR ITS SUCCESSOR) OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, CONVERSION OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.(1)

THIS SECURITY AND THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY, THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN OR THEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

BY ITS ACQUISITION HEREOF, THE HOLDER (I) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE LATER OF THE LAST ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH LIFETIME BRANDS (THE "COMPANY") OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE AND DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATES AND/OR OTHER INFORMATION SATISFACTORY TO THE COMPANY.(2)

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(1) This legend should be included only if the Security is issued in global form.

(2) This legend should only be included if the Security requires the Restricted Securities Legend.

LIFETIME BRANDS, INC.

4.75% CONVERTIBLE SENIOR NOTE DUE 2011

CUSIP NO. 53222QAA1

No. ____ Principal Amount $_____

LIFETIME BRANDS, INC., a Delaware corporation (the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ , or its registered assigns, the principal sum of _____ U.S. Dollars ($_____) on July 15, 2011, subject to adjustment as noted in the Schedule of Increases and Decreases of Global Security attached hereto.

Interest Payment Dates: January 15 and July 15, commencing January 15, 2007.

Regular Record Dates: January 1 and July 1 (whether or not a Business Day).

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Security to be duly executed manually or by facsimile by a duly authorized Officer.

Dated: _____

LIFETIME BRANDS, INC.

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 4.75% Convertible Senior Notes due 2011 described in the within-named Indenture.

HSBC BANK USA, NATIONAL ASSOCIATION,
as Trustee

By:_____
Authorized Officer
Name:
Title:

Dated: _____

[REVERSE OF SECURITY]

LIFETIME BRANDS, INC.

4.75% CONVERTIBLE SENIOR NOTE DUE 2011

Capitalized terms used herein but not defined shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. Principal and Interest. Lifetime Brands, Inc., a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Security at the Interest Rate from the most recent date to which interest has been paid or provided for, or if no interest has been paid or provided for, from the Issue Date until repayment at Maturity or repurchase. The Company shall pay interest on this Security semiannually in arrears on January 15 and July 15 of each year (each an "Interest Payment Date"), commencing January 15, 2007.

Interest on this Security shall be computed on the basis of a 360-day year of twelve 30-day months and for any period shorter than a full semiannual period for which interest is calculated, on the basis of a 30-day month and, for such periods of less than a month, the actual number of days elapsed over a 30-day month.

Subject to Section 2.17 of the Indenture, a Holder of any Security at the close of business on a Regular Record Date shall be entitled to receive interest on such Security on the corresponding Interest Payment Date. A Holder of any Security that is converted after the close of business on a Regular Record Date and prior to the corresponding Interest Payment Date shall be entitled to receive interest (including Liquidated Damages, if any) on the principal amount of such Security, notwithstanding the conversion of such Security prior to such Interest Payment Date. However, any such Holder that surrenders any such Security for conversion during the period between the close of business on such Regular Record Date and ending with the opening of business on the corresponding Interest Payment Date shall be required to pay the Company an amount equal to the interest (excluding Liquidated Damages, if any) on the principal amount of such Security so converted, that is payable by the Company to such Holder on such Interest Payment Date, at the time such Holder surrenders such Security for conversion; provided that no such payment need be made (a) if the Company has specified a Repurchase Date that is after such Regular Record Date and on or prior to the corresponding Interest Payment Date, (b) to the extent of any Defaulted Interest, if any exists at the time of conversion with respect to such Securities, or (c) the Securities are surrendered for conversion on or after July 1, 2011.

The Company shall pay Liquidated Damages in accordance with the terms of the Registration Rights Agreement.

If a Holder elects to convert some or all of its Securities into Common Stock during a Registration Default, the Conversion Rate will increase by 3%.

Any amount of Liquidated Damages shall be payable semiannually, in arrears, on each Interest Payment Date and shall cease to accrue on the earlier of (i) the day after the end of the Shelf Registration Period (as defined in the Registration Rights Agreement) and (ii) the date the Registration Default is cured. The Holder of this Security is entitled to the benefits of the Registration Rights Agreement.

2. Method of Payment. Interest on any Security that is payable, and is to be punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Principal of and interest on, Global Securities shall be payable to the Depositary in immediately available funds.

Principal of Physical Securities shall be payable at the office or agency of the Company maintained for such purpose, initially the Corporate Trust Office of the Trustee. Interest on Physical Securities shall be payable by (i) U.S. Dollar check drawn on a bank located in the city where the Corporate Trust Office of the Trustee is located mailed to the address of the Person entitled thereto as such address shall appear in the Register, or (ii) upon application to the Registrar not later than the relevant Record Date by a Holder of an aggregate principal amount of Securities in excess of $5,000,000, wire transfer in immediately available funds.

3. Paying Agent and Registrar. Initially, HSBC Bank USA, National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change the Paying Agent or Registrar without notice to any Holder.

4. Indenture. The Company issued this Security under an Indenture, dated as of June 27, 2006 (the "Indenture"), between the Company and HSBC Bank USA, National Association, as trustee (the "Trustee"). The terms of this Security include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended ("TIA").

This Security is subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of all such terms. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Security and the terms of the Indenture, the terms of the Indenture shall control.

5. [RESERVED]

6. Repurchase Rights. Repurchase Right Upon a Fundamental Change. If a Fundamental Change occurs at any time prior to Maturity of the Securities, the Holder of Securities, at the Holder's option, shall have the right, in accordance with the provisions of the Indenture, to require the Company to repurchase the Securities (or any portion of the principal amount hereof that is at least $1,000 or a multiple thereof; provided, however, that the portion of the principal amount of this Security to be Outstanding after such repurchase is at least equal to $1,000) at a repurchase price equal to 100% of the principal amount of the Securities to be repurchased, plus any accrued and unpaid interest (including Liquidated Damages, if any) to, but excluding, the Repurchase Date (the "Repurchase Price"); provided, however, that if the Repurchase Date falls after a Record Date and on or prior to the corresponding Interest Payment Date, the Company shall pay the full amount of any accrued and unpaid interest (including Liquated Damages, if any) payable on such Interest Payment Date to the Holder of record at the close of business on the corresponding Record Date; provided, further, that installments of interest on Securities whose Stated Maturity is prior to or on the Repurchase Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such on the relevant Record Date according to their terms and the provisions of Section 2.01 of the Indenture. Notwithstanding the foregoing, the Company shall not be obligated to repurchase any Securities pursuant to the exercise of a Repurchase Right if a declaration of acceleration has been made in accordance with the terms of the Indenture and not been rescinded in accordance with such terms.

A Company Notice shall be given by the Company to the Holders as provided in the Indenture. To exercise a Repurchase Right, a Holder must deliver to the Trustee a Fundamental Change Repurchase Notice as provided in the Indenture.

7. Conversion Rights. (a) Subject to and upon compliance with the provisions of the Indenture, the Holder of Securities shall be entitled, at such Holder's option, at any time before the close of business on the Business Day immediately preceding July 15, 2011, to convert the Holder's Securities (or any portion of the principal amount hereof that is $1,000 or a multiple thereof), at the principal amount thereof or of such portion thereof into duly authorized, fully paid and nonassessable shares of Common Stock of the Company at the Conversion Rate in effect at the time of conversion. In addition, the Holder of Securities is entitled to receive Additional Shares upon conversion in certain circumstances as more fully described in the Indenture. Notwithstanding the foregoing, if, at the time a Holder tenders Securities for conversion, there exists a Registration Default, the Conversion Rate shall be increased by 3%.

(b) If a Holder exercises its Repurchase Right with respect to a Security (or a portion thereof), such conversion right in respect of the Security (or portion thereof) shall expire at the close of business on the Business Day preceding the Repurchase Date.

(c) Each $1,000 principal amount of the Securities shall initially be convertible into 35.7143 shares of Common Stock (referred to as the "Conversion Rate") (which is equivalent to an initial Conversion Price for each $1,000 principal amount of the Securities of approximately $28.00 per share of Common Stock). The Conversion Rate shall be adjusted under certain circumstances as provided in the Indenture.

(d) Subject to subsection (b) above, regardless of anything else contained herein, Holders may surrender their Securities for conversion into shares of the Common Stock at any time prior to the close of business on the Business Day immediately preceding July 15, 2011.

(e) To exercise the conversion right, the Holder must surrender the Security (or portion thereof) duly endorsed or assigned to the Company or in blank, at the office of the Conversion Agent, accompanied by a duly

signed conversion notice to the Company. Any Security surrendered for conversion during the period between the close of business on any Regular Record Date and the opening of business on the corresponding Interest Payment Date shall be accompanied by payment of an amount equal to the accrued and unpaid interest (excluding Liquidated Damages, if any) payable on such Interest Payment Date by the Company on the principal amount of the Security being surrendered for conversion. However, no such payment need be made (1) if the Company has specified a Repurchase Date that is after such Regular Record Date and on or prior to the corresponding Interest Payment Date, (2) to the extent of any Defaulted Interest, if any exists at the time of conversion with respect to such Securities, or (3) the Securities are surrendered for conversion on or after July 1, 2011.

(f) No fractional shares of Common Stock shall be issued upon conversion of any Securities. Instead of any fractional share of Common Stock that would otherwise be issued upon conversion of such Securities, the Company shall pay a cash adjustment as provided in the Indenture.

8. [RESERVED]

9. Denominations; Transfer; Exchange. The Securities are issuable in registered form, without interest coupons, in denominations of $1,000 principal amount and whole multiples of $1,000 in excess thereof. A Holder may register the transfer or exchange of Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture.

In the event of conversion or repurchase of the Securities in part only, a new Security or Securities for the unredeemed, unconverted or unpurchased portion thereof shall be issued in the name of the Holder hereof.

10. Persons Deemed Owners. The registered Holder of this Security shall be treated as its owner for all purposes.

11. Unclaimed Money. The Trustee and the Paying Agent shall pay to the Company any money held by them for the payment of principal or interest that remains unclaimed for two years after the date upon which such payment shall have become due. After payment to the Company, Holders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person, and all liability of the Trustee and the Paying Agent with respect to such money shall cease.

12. [RESERVED]

13. Amendment; Supplement; Waiver. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Outstanding Securities (or such lesser amount as shall have acted at a meeting pursuant to the provisions of the Indenture). The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities at the time Outstanding, on behalf of the Holders of all the Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security or such other Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest (including Liquidated Damages, if any) on this Security at the times, places and rate, and in the coin or currency, herein prescribed or to convert this Security as provided in the Indenture.

14. Defaults and Remedies. The Indenture provides that an Event of Default with respect to the Securities occurs when any of the following occurs:

(a) the Company defaults in the payment of the principal on any of the Securities when it becomes due and payable at Maturity, upon exercise of a Repurchase Right or otherwise; or

(b) the Company defaults in the payment of interest (including Liquidated Damages, if any) on any of the Securities when it becomes due and payable and such default continues for a period of 30 days; or

(c) the Company fails to deliver shares of Common Stock, together with cash in lieu thereof in respect of any fractional shares, cash or cash and shares of the Common Stock (or Reference Property) upon conversion of a Security in accordance with Article 12, and such failure continues for 10 days; or

(d) the Company fails to perform or observe any other term, covenant or agreement contained in the Securities or the Indenture and such default continues for a period of 60 consecutive days after written notice of such failure is given as specified in the Indenture; or

(e)(i) the Company fails to make any payment by the end of the applicable grace period, if any, after the maturity of any Indebtedness for borrowed money in an amount in excess of $5,000,000, or (ii) there is an acceleration of any Indebtedness for borrowed money in an amount in excess of $5,000,000 because of a default with respect to such Indebtedness without such Indebtedness having been discharged or such acceleration having been withdrawn, cured, waived, rescinded or otherwise annulled, in the case of either clause (i) or (ii) above, for a period of 30 days after written notice is given to the Company as specified in the Indenture; or

(f) the Company fails to give to each Holder of Securities notice of a Fundamental Change pursuant to Section 11.01(b) of the Indenture; or

(g) there are certain events of bankruptcy, insolvency or reorganization of the Company or any Significant Subsidiary of the Company.

If an Event of Default shall occur and be continuing, the principal of all the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

15. Authentication. This Security shall not be valid until the Trustee (or authenticating agent) executes the certificate of authentication on the other side of this Security.

16. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and U/G/M/A (= Uniform Gifts to Minors Act).

17. Additional Rights of Holders of Registrable Securities. In addition to the rights provided to Holders under the Indenture, Holders of Registrable Securities (as defined in the Registration Rights Agreement) shall have all the rights set forth in the Registration Rights Agreement.

18. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on this Security and the Trustee may use CUSIP numbers in notices of exchange as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on this Security or as contained in any notice of exchange and reliance may be placed only on the other identification numbers placed thereon.

19. Governing Law. The Indenture and this Security shall be governed by, and construed in accordance with, the law of the State of New York.

20. Successor Corporation. In the event a successor corporation assumes all the obligations of the Company under this Security, pursuant to the terms hereof and of the Indenture, the Company shall be released from all such obligations.

ASSIGNMENT FORM

To assign this Security, fill in the form below and have your signature guaranteed: (I) or (we) assign and transfer this Security to:

_____
(Insert assignee's soc. sec. or tax ID. no.)

_____
(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Dated:

Your Name:

_____
(Print your name exactly as it appears on the face of this Security)

Your Signature:

_____
(Sign exactly as your name appears on the face of this Security)

SIGNATURE GUARANTEE*:

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

In connection with any transfer of this Security occurring prior to the end of the period referred to in Rule 144(k) under the Securities Act, the undersigned confirms that without utilizing any general solicitation or general advertising:

[Check One]

[_] (a) this Security is being transferred in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Rule 144A thereunder.

or

[_] (b) this Security is being transferred other than in accordance with (a) above and documents are being furnished that comply with the conditions of transfer set forth in this Security and the Indenture.

If none of the foregoing boxes is checked, the Trustee or other Registrar shall not be obligated to register this Security in the name of any Person other than the Holder hereof unless the conditions to any such transfer of registration set forth herein and in Sections 2.07, 2.08 and 2.09 of the Indenture shall have been satisfied.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within-mentioned instrument in every particular, without alteration or any change whatsoever.

Signature Guarantee:

_____

Signature must be guaranteed by a participant
in a recognized signature guaranty medallion program or
other signature guarantor acceptable to the Trustee.

TO BE COMPLETED BY PURCHASER IF (a) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion, in each case for investment and not with a view to distribution, and that it and any such account is a "Qualified Institutional Buyer" within the meaning of Rule 144A under the Securities Act of 1933 and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated:_____

NOTICE: To be executed by an executive officer

CONVERSION NOTICE

TO: LIFETIME BRANDS, INC.
One Merrick Avenue
Westbury, New York 11590
Attention: General Counsel

The undersigned registered owner of this Security hereby irrevocably exercises the option to convert this Security, or the portion hereof (which is $1,000 principal amount or a whole multiple thereof) below designated, into shares of Common Stock in accordance with the terms of the Indenture referred to in this Security, and directs that the shares issuable and deliverable upon such conversion, together with any check in payment for fractional shares and any Securities representing any unconverted principal amount hereof, be issued and delivered to the registered holder hereof unless a different name has been indicated below. If shares or any portion of this Security not converted are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. Any amount required to be paid to the undersigned on account of interest accompanies this Security.

Dated:

Your Name:

_____
(Print your name exactly as it
appears on the face of this Security)

Your Signature:

_____
(Sign exactly as your name
appears on the face of this Security)

Signature Guarantee*:

_____

Social Security or
other Taxpayer
Identification Number:

_____

Principal amount to be converted (if less than all): $_____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

Fill in for registration of shares (if to be issued) and Securities (if to be delivered) other than to and in the name of the registered holder:

_____
(Name)

_____
(Street Address)

_____
(City, State and Zip Code)

In connection with any conversion of this Security occurring prior to the end of the period referred to in Rule 144(k) under the Securities Act, if any shares of the Common Stock to be issued upon conversion of this Security are to be registered in a name other than that of the undersigned registered owner, the undersigned confirms that without utilizing any general solicitation or general advertising:

[Check One]

[_] (a) this Security and the shares of Common Stock to be issued upon conversion of this Security are being transferred in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Rule 144A thereunder.

or

[_] (b) this Security and the shares of Common Stock to be issued upon conversion of this Security are being transferred other than in accordance with above and documents are being furnished that comply with the conditions of transfer set forth in this Security and the Indenture.

If none of the foregoing boxes is checked, the Trustee or other Registrar shall not be obligated to register this Security or the shares of Common Stock to be issued upon conversion of this Security in the name of any Person other than the Holder hereof unless the conditions to any such transfer of registration set forth herein and in Sections 2.07, 2.08 and 2.09 of the Indenture shall have been satisfied.

TO BE COMPLETED BY TRANSFEREE IF (A) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion, in each case for investment and not with a view to distribution, and that it and any such account is a “Qualified Institutional Buyer” within the meaning of Rule 144A under the Securities Act of 1933 and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned’s foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: _____

Notice: To be executed by an executive officer

NOTICE OF EXERCISE OF REPURCHASE RIGHT

TO: LIFETIME BRANDS, INC.
One Merrick Avenue
Westbury, New York 11590
Attention: General Counsel

The undersigned registered owner of this Security hereby acknowledges receipt of a notice from Lifetime Brands, Inc. (the “COMPANY”) as to the occurrence of a Fundamental Change with respect to the Company and requests and instructs the Company to repay the entire principal amount of this Security, or the portion thereof (which is $1,000 principal amount or a multiple thereof) below designated, in accordance with the terms of the

Indenture referred to in this Security, together with any interest (including Liquidated Damages, if any) accrued and unpaid to, but excluding, such date, to the registered holder hereof, in cash.

Dated:

Your Name:

_____

(Print your name exactly as it
appears on the face of this Security)

Your Signature:

_____

(Sign exactly as your name
appears on the face of this Security)

Signature Guarantee*:

_____

Social Security or
other Taxpayer
Identification Number:

_____

Principal amount to be converted (if less than all): $_____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

Serial Number: _____

Certificate Number (if Physical Security): _____

SCHEDULE OF INCREASES AND DECREASES OF GLOBAL SECURITY(3)

Initial Principal Amount of Global Securities: _____U.S. Dollars
($_____)

The following increases or decreases in the principal amount of this Global Security have been made:

Date	Amount of Decrease In Principal Amount of its Global Security	Amount of Increase in Principal Amount of this Global Security	Principal Amount of this Global Security Following Such Decrease (or Increase)

Signature of Authorized Officer or Trustee

_____

(3) This schedule should be included only if the Security is issued in global form.

LIFETIME BRANDS, INC.,

as Issuer

and

HSBC BANK USA, NATIONAL ASSOCIATION

as Trustee

_____

INDENTURE

DATED AS OF JUNE 27, 2006

$75,000,000

4.75% CONVERTIBLE SENIOR NOTES DUE 2011

CROSS-REFERENCE TABLE

TIA SECTION	INDENTURE SECTION
310(a)(1)	5.11
(a)(2)	5.11
(a)(3)	n/a
(a)(4)	n/a
(a)(5)	5.11
(b)	5.03; 5.11
(c)	n/a
311(a)	5.12
(b)	5.12
(c)	n/a
312(a)	2.10
(b)	14.03
(c)	14.03
313(a)	5.07
(b)(1)	n/a
(b)(2)	5.07
(c)	5.07; 14.02
(d)	5.07
314 (a)(1),(2),(3)	9.04; 14.06
(a)(4)	9.04; 9.05; 14.06
(b)	n/a
(c)(1)	14.05
(c)(2)	14.05
(c)(3)	n/a
(d)	n/a
(e)	14.06
(f)	n/a
315(a)	5.01(a)
(b)	5.06; 14 02
(c)	5.01(b)
(d)	5.01(c)
(e)	4.14
316(a)(last sentence)	2.13
(a)(l)(A)	4.05
(a)(1)(B)	4.04
(a)(2)	n/a
(b)	4.07
(c)	14.04
317(a)(1)	4.08
(a)(2)	4.09
(b)	2.05
318(a)	14.01
(b)	n/a
(c)	14.01

"n/a" means not applicable.

This Cross-Reference Table shall not, for any purpose, be deemed to be a part of the Indenture.

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INDENTURE, dated as of June 27, 2006, between LIFETIME BRANDS, INC., a corporation duly organized and existing under the laws of the State of Delaware, having its principal office at One Merrick Avenue, Westbury, New York 11590 (the "Issuer" or the "Company"), and HSBC Bank USA, National Association, a national banking association, as Trustee (the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the creation of an issue of its 4.75% Convertible Senior Notes due 2011 (herein called the "Securities"), and to provide therefor the Company has duly authorized the execution and delivery of this Indenture.

All things necessary to make the Securities, when the Securities are executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE 1
DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01 Definitions. For all purposes of this Indenture and the Securities, the following terms are defined as follows:

"Accepted Purchased Shares" has the meaning specified in Section 12.04(f) hereof.

"Act", when used with respect to any Holder of a Security, has the meaning specified in Section 14.04(a) hereof.

"Additional Shares" has the meaning specified in Section 12.01(e) hereof.

"Affiliate"of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "Control", when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "Controlling" and "Controlled"have meanings correlative to the foregoing.

"Bankruptcy Law" means Title 11 of the U.S. Code or any similar federal or state law for the relief of debtors.

"Beneficial Owner" has the meaning assigned to such term in Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, and the term "Beneficial Ownership" shall have a correlative meaning.

"Board of Directors" means either the board of directors of the Company or any committee of that board empowered to act for it with respect to this Indenture.

"Board Resolution" means a resolution duly adopted by the Board of Directors, a copy of which, certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification, shall have been delivered to the Trustee.

"Business Day" means any day except a Saturday, Sunday or legal holiday on which banking institutions in The City of New York and the city in which the Corporate Trust Office is located from time to time are authorized or obligated by law, regulation or executive order to close.

"Change of Control" means the occurrence, after the Issue Date, of any of the following:

(1) a "person" or "group" within the meaning of Section 13(d) of the Exchange Act other than the Company, its Subsidiaries or the Company's or its Subsidiaries' employee benefit plans, files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect ultimate Beneficial Owner of Common Stock representing more than 50% of the voting power of the Company's Common Stock entitled to vote generally in the election of directors; or

(2) consummation of any transaction or event (whether by means of a liquidation, share exchange, tender offer, consolidation, recapitalization, reclassification, merger of the Company or any sale, lease or other transfer of 90% or more of the Company's consolidated assets) or a series of related transactions or events pursuant to which the Common Stock is exchanged for, converted into or constitutes the right to receive cash, securities or other property; or

(3) Continuing Directors cease to constitute at least a majority of the Board of Directors.

Beneficial ownership shall be determined in accordance with Rule 13d-3 promulgated by the SEC under the Exchange Act. The term "Person" shall include any syndicate or group that would be deemed to be a "person" under Section 13(d)(3) of the Exchange Act.

"Chief Executive Officer" means the chief executive officer of the Company.

"Common Stock" means any stock of any class of the Company that has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and that is not subject to redemption by the Company. However, subject to the provisions of Section 12.11 hereof, shares issuable on conversion of Securities shall include only shares of the class designated as Common Stock, par value $0.01 per share, of the Company at the Issue Date or shares of any class or classes resulting from any reclassification or reclassifications thereof and that have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and that are not subject to redemption by the Company; provided, however, that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion that the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

"Company"means the corporation named as the "Company" in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor corporation.

"Company Notice" has the meaning specified in Section 11.01(b) hereof.

"Company Order"means a written order signed in the name of the Company by both (1) the Chairman, a Vice Chairman, the Chief Executive Officer, the President, the Chief Operating Officer or a Vice President and (2) so long as not the same as the officer signing pursuant to clause (1), the Chief Financial Officer, the Treasurer, the Secretary or any Assistant Secretary of the Company, and delivered to the Trustee.

"Continuing Director" means a director who either was a member of the Board of Directors on June 21, 2006 or who becomes a member of the Board of Directors subsequent to that date and whose appointment, election or nomination for election by the Company's stockholders is duly approved by a majority of the Continuing Directors on the Board of Directors at the time of such approval, either by a specific vote or by approval of the

proxy statement issued by the Company on behalf of the Board of Directors in which such individual is named as nominee for director.

"Conversion Agent" means any Person authorized by the Company to convert Securities in accordance with Article 12 hereof.

"Conversion Date" has the meaning specified in Section 12.02 hereof.

"Conversion Obligation"has the meaning specified in Section 12.01(f) hereof.

"Conversion Period" means, in respect of a Conversion Date, the 20 consecutive Trading Day period beginning on the Trading Day following the Retraction Date.

"Conversion Price" as of any day will equal $1,000 divided by the Conversion Rate as of such date.

"Conversion Rate" has the meaning specified in Section 12.01(c) hereof.

"Conversion Value"means, in respect of a Security, an amount equal to the sum of the Daily Conversion Value Amounts for each of the Trading Days in the relevant Conversion Period.

"Corporate Trust Office" means for purposes of presentation or surrender of Securities for payment, registration, transfer, exchange, or conversion, the office of HSBC Bank USA, National Association, located in the City of New York (which at the Issue Date is located at HSBC Bank USA, National Association, Corporate Trust & Loan Agency, 452 Fifth Avenue, New York, NY 10018), or at such other office or offices of HSBC Bank USA, National Association as the Trustee may designate from time to time, or for purposes of service of notices or demands upon the Trustee, the office of the Trustee set forth in Section 14.02(b) hereof.

"Current Market Price" has the meaning specified in Section 12.04(g) hereof.

"Custodian"means any receiver, trustee, assignee, liquidator, sequestrator or similar official under any Bankruptcy Law.

"Daily Conversion Value Amount" means for each Trading Day of the Conversion Period and for each Security, the amount equal to the Last Reported Sale Price of the Common Stock on such Trading Day multiplied by the Conversion Rate in effect on such Trading Day divided by 20.

"Daily Share Amount" means, for each Trading Day of the Conversion Period and for each Security, a number of shares of Common Stock (but in no event less than zero) determined by the following formula:

$$\frac{(\text{Last Reported Sale Price of the Common Stock on such Trading Day} \times \text{applicable Conversion Rate}) - \text{Specified Dollar Amount}}{\text{Last Reported Sale Price of the Common Stock on such Trading Day} \times 20}$$

"Default"means an event that is, or after notice or lapse of time or both would be, an Event of Default.

"Defaulted Interest" has the meaning specified in Section 2.17 hereof.

"Depositary"means The Depository Trust Company, its nominees and their respective successors.

"Dividend Threshold Amount" has the meaning specified in Section 12.04(c) hereof.

"Dollar", "U.S. Dollar" or "U.S. $" means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

"DTC Participants" has the meaning specified in Section 2.08 hereof.

"Effective Date" means the actual effective date of a Make Whole Change of Control or the actual effective date of a Termination of Trading.

"Event of Default" has the meaning specified in Section 4.01 hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Ex-Date"has the meaning specified in Section 12.04(g) hereof.

"Expiration Date" has the meaning specified in Section 12.04(e) hereof.

"Fair Market Value" has the meaning specified in Section 12.04(g) hereof.

"Fundamental Change" means the occurrence of any of a Change of Control or a Termination of Trading.

"Fundamental Change Repurchase Notice" has the meaning specified in Section 11.01(c)hereof.

"Global Security" has the meaning specified in Section 2.02 hereof.

"Holder", when used with respect to any Security, means the Person in whose name the Security is registered in the Register.

"Indebtedness", when used with respect to any Person, and without duplication means:

(1) all indebtedness, obligations and other liabilities (contingent or otherwise) of such Person for borrowed money (including obligations of the Company in respect of overdrafts, foreign exchange contracts, currency exchange agreements, Interest Rate Protection Agreements, and any loans or advances from banks, whether or not evidenced by notes or similar instruments) or evidenced by bonds, debentures, notes or other instruments for the payment of money, or incurred in connection with the acquisition of any property, services or assets (whether or not the recourse of the lender is to the whole of the assets of such Person or to only a portion thereof), other than any account payable or other accrued current liability or obligation to trade creditors incurred in the ordinary course of business in connection with the obtaining of materials or services;

(2) all reimbursement obligations and other liabilities (contingent or otherwise) of such Person with respect to letters of credit, bank guarantees, bankers' acceptances, surety bonds, performance bonds or other guaranty of contractual performance;

(3) all obligations and liabilities (contingent or otherwise) in respect of (a) leases of such Person required, in conformity with generally accepted accounting principles, to be accounted for as capitalized lease obligations on the balance sheet of such Person and (b) any lease or related documents (including a purchase agreement) in connection with the lease of real property that provides that such Person is contractually obligated to purchase or cause a third party to purchase the leased property and thereby guarantee a minimum residual value of the leased property to the landlord and the obligations of such Person under such lease or related document to purchase or to cause a third party to purchase the leased property;

(4) all obligations of such Person (contingent or otherwise) with respect to an interest rate or other swap, cap or collar agreement or other similar instrument or agreement or foreign currency hedge, exchange, purchase or similar instrument or agreement;

(5) all direct or indirect guaranties or similar agreements by such Person in respect of, and obligations or liabilities (contingent or otherwise) of such Person to purchase or otherwise acquire or otherwise assure a creditor against loss in respect of, indebtedness, obligations or liabilities of another Person of the kind described in clauses (1) through (4);

(6) any indebtedness or other obligations described in clauses (1) through (4) secured by any mortgage, pledge, lien or other encumbrance existing on property that is owned or held by such Person, regardless of whether the indebtedness or other obligation secured thereby shall have been assumed by such Person; and

(7) any and all deferrals, renewals, extensions, refinancings, replacements, restatements and refundings of, or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (6).

"Indemnified Party" has the meaning specified in Section 5.08 hereof.

"Indenture"means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

"Initial Purchasers" has the meaning specified in the Registration Rights Agreement.

"Interest Payment Date" means each January 15 and July 15.

"Interest Rate" means 4.75% per annum.

"Interest Rate Protection Agreement" means, with respect to any Person, any interest rate swap agreement, interest rate cap or collar agreement or other financial agreement or arrangement designed to protect such Person against fluctuations in interest rates, as in effect from time to time.

"Issue Date" means June 27, 2006.

"Last Reported Sale Price" with respect to any security on any date means the closing sale price per share (or if no closing sale price is reported, the average of the bid and asked prices or, if more than one in either case, the average of the average bid and the average asked prices) on that date as reported by the Nasdaq Global Market or, if that security is not listed on the Nasdaq Global Market, as reported in composite transactions for the principal U.S. securities exchange on which such security is traded. If such security is not reported by the Nasdaq Global Market or otherwise listed for trading on a U.S. national or regional securities exchange on the relevant date, the "Last Reported Sale Price" shall be the last quoted bid price for such security in the over-the-counter market on the relevant date as reported by the Pink Sheets LLC or similar organization. If such security is not so quoted, the "Last Reported Sale Price"shall be the average of the mid-point of the last bid and asked prices of such security on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose, or if such prices are not so available, the market value of such security on the relevant date as determined by a nationally recognized independent investment banking firm selected by the Company for this purpose.

"Liquidated Damages" means Registration Default Damages, as defined in the Registration Rights Agreement.

"Make Whole Fundamental Change" means the occurrence, after the Issue Date, of the consummation of any transaction or event (whether by means of a liquidation, share exchange, tender offer,

consolidation, recapitalization, reclassification, merger of the Company or any sale, lease or other transfer of 90% or more of the Company's consolidated assets) or a series of related transactions or events pursuant to which the Common Stock is exchanged for, converted into or constitutes the right to receive cash, securities or other property.

"Maturity"means the date on which the principal of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by acceleration, conversion, exercise of a Repurchase Right or otherwise.

"Nasdaq Global Market" means the National Association of Securities Dealers Automated Quotation Global Market or any successor national securities exchange or automated over-the-counter trading market in the United States.

"Non-Payment Default" has the meaning specified in Section 13.02 hereof.

"Offer Expiration Date" has the meaning specified in Section 12.04(f) hereof.

"Offering Memorandum" means the final offering memorandum of the Company, dated June 21, 2006, prepared in connection with the offering of the Securities.

"Officer"of the Company means the Chairman, a Vice Chairman, the Chief Executive Officer, the President, the Chief Financial Officer, the Chief Operating Officer, the Treasurer, any Vice President, the Secretary or any Assistant Secretary of the Company.

"Officers'Certificate" means a certificate signed by both (1) the Chairman, a Vice Chairman, the Chief Executive Officer, the President, the Chief Operating Officer or a Vice President and (2) so long as not the same as the officer signing pursuant to clause (1), the Chief Financial Officer, the Treasurer, the Secretary or any Assistant Secretary of the Company, and delivered to the Trustee; provided, however, that one of the officers signing an Officers' Certificate in accordance with Section 9.05 hereof shall be the chief executive officer, chief financial officer or chief operating officer of the Company.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel to the Company (and may include directors or employees of the Company) and which opinion is acceptable to the Trustee, which acceptance shall not be unreasonably withheld or delayed.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except Securities:

(1) previously canceled by the Trustee or delivered to the Trustee for cancellation;

(2) for the payment of which money in the necessary amount has been previously deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; and

(3) that have been paid, in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a protected purchaser in whose hands such Securities are valid obligations of the Company.

"Paying Agent" has the meaning specified in Section 2.05 hereof.

"Person"means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, estate, unincorporated organization or government or any agency or political subdivision thereof.

"Physical Securities" has the meaning specified in Section 2.02 hereof.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 2.12 hereof in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Principal Cash Settlement" has the meaning specified in Section 12.01(g) hereof.

"Purchase Agreement" means the Purchase Agreement between the Company and the Initial Purchasers dated June 21, 2006 relating to the initial placement of the Securities.

"Purchased Shares" has the meaning specified in Section 12.04(e) hereof.

"QIB"means a "qualified institutional buyer" as defined in Rule 144A.

"Record Date" means either a Regular Record Date or a Special Record Date, as the case may be; provided that, for purposes of Section 12.04 hereof, Record Date has the meaning specified in Section 12.04(g) hereof.

"Reference Property" has the meaning specified in Section 12.11(a).

"Register"has the meaning specified in Section 2.05 hereof.

"Registrar"has the meaning specified in Section 2.05 hereof.

"Registration Default" has the meaning specified in the Registration Rights Agreement.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of June 27, 2006, between the Company and the Initial Purchasers.

"Regular Record Date" for the interest payable on the Securities (including Liquidated Damages, if any) means the January 1 (whether or not a Business Day) next preceding a January 15 Interest Payment Date and the July 1 (whether or not a Business Day) next preceding a July 15 Interest Payment Date.

"Reorganization Event" has the meaning specified in Section 12.11 hereof.

"Repurchase Date" has the meaning specified in Section 11.01(a) hereof.

"Repurchase Price"has the meaning specified in Section 11.01(a) hereof.

"Repurchase Right" has the meaning specified in Section 11.01(a) hereof.

"Responsible Officer", when used with respect to the Trustee, means any officer in the Corporate Trust Office of the Trustee having direct responsibility for the administration of this Indenture and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Restricted Securities" means the Securities defined as such in Section 2.03 hereof.

"Restricted Securities Legend" has the meaning specified in Section 2.03(a) hereof.

"Retraction Date" means the last Trading Day in the Conversion Retraction Period.

"Rule 144" means Rule 144 under the Securities Act (including any successor rule thereof), as the same may be amended from time to time.

"Rule 144A" means Rule 144A under the Securities Act (including any successor rule thereof), as the same may be amended from time to time.

"SEC"means the Securities and Exchange Commission.

"Securities"has the meaning ascribed to it in the first paragraph under the caption "Recitals of the Company".

"Securities Act" means the Securities Act of 1933, as amended.

"Significant Subsidiary" means a "significant subsidiary" as defined in the definition thereof in Rule 1-02(w) of Regulation S-X under the Securities Act.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Company pursuant to Section 2.17 hereof.

"Stated Maturity" means the date specified in any Security as the fixed date for the payment of principal on such Security or on which an installment of interest (including Liquidated Damages, if any) on such Security is due and payable.

"Stock Price" means, in respect of a Make Whole Change of Control or a Termination of Trading, the Last Reported Sale Price of the Common Stock, or the Reference Property, as applicable, on the Conversion Date for the relevant Security.

"Subsidiary"means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries.

For the purposes of this definition only, "voting stock" means stock that ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Termination of Trading" will be deemed to have occurred if the Common Stock (or other Common Stock into which the Securities are then convertible) is neither listed for trading on a U.S. national securities exchange nor approved for trading on the Nasdaq Global Market.

"TIA"means the Trust Indenture Act of 1939, as amended (15 U.S. Code ss.77aaa-77bbbb), in effect on the Issue Date; provided, however, that in the event the TIA is amended after such date, "TIA" means, to the extent required by such amendment, the Trust Indenture Act of 1939, as so amended, or any successor statute.

"Trading Day" means a day during which trading in securities generally occurs on the Nasdaq Global Market or, if the Common Stock is not then listed on the Nasdaq Global Market, on the principal other national or regional securities exchange on which the Common Stock is then listed or, if the Common Stock is not then listed on a national or regional securities exchange, on the principal market on which the Common Stock is then traded.

"Transfer Agent" means any Person, which may be the Company, authorized by the Company to exchange or register the transfer of Securities.

"Trigger Event" has the meaning specified in Section 12.04(d) hereof.

"Trustee"means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Vice President", when used with respect to the Company, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president."

Section 1.02. Incorporation by Reference of Trust Indenture Act. Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

(i) "Indenture Securities" means the Securities;

(ii) "Indenture Security Holder" means a Holder;

(iii) "Indenture To Be Qualified" means this Indenture;

(iv) "Indenture Trustee" or "Institutional Trustee" means the Trustee; and

(v) "Obligor" on the Securities means the Company and any other obligor on the indenture securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

Section 1.03. Rules of Construction. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(i) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(ii) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with accounting principles generally accepted in the United States prevailing at the time of any relevant computation hereunder; and

(iii) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

ARTICLE 2
THE SECURITIES

Section 2.01. Title and Terms. The Securities shall be known and designated as the "4.75% Convertible Senior Notes due 2011" of the Company. The aggregate principal amount of Securities that may be authenticated and delivered under this Indenture is limited initially to $75,000,000, subject to Section 2.19 and except for Securities authenticated and delivered upon registration of, transfer of, or in exchange for, or in lieu of other Securities pursuant to Section 2.07, 2.08, 2.09, 2.12, 7.05, 11.01 or 12.02 hereof; provided that the additional Securities may be authenticated and delivered in an unlimited aggregate principal amount so long as such Securities authenticated and delivered at a price that would not cause such Securities to have "original issue discount" within the meaning of Section 1273 of the United States Internal Revenue Code of 1986, as amended. The Securities shall be issuable in denominations of $1,000 or whole multiples thereof.

The Securities shall mature on July 15, 2011, unless earlier converted or repurchased.

Interest shall accrue from the most recent date to which interest has been paid or provided for, or if no interest has been paid or provided for, from the Issue Date, at the Interest Rate until the principal thereof is paid or made available for payment. Interest shall be payable semiannually in arrears on January 15 and July 15 of each year, commencing January 15, 2007.

Interest on the Securities (including any Liquidated Damages) shall be computed on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full semiannual period for which interest is calculated, on the basis of a 30-day month, and for such periods of less than a month, the actual number of days elapsed over a 30-day month.

Subject to Section 2.17, a Holder of any Security at the close of business on a Regular Record Date shall be entitled to receive interest (including Liquidated Damages, if any) on such Security on the corresponding Interest Payment Date.

A Holder of any Security that is converted after the close of business on a Regular Record Date and prior to the corresponding Interest Payment Date shall be entitled to receive interest (including Liquidated Damages, if any) on the principal amount of such Security on such Interest Payment Date, notwithstanding the conversion of such Security prior to such Interest Payment Date. However, such Securities, upon surrender for conversion, must be accompanied by funds equal to the amount of interest payable on the Securities so converted; provided that no such payment need be made (1) if the Company has specified a Repurchase Date that is after such Regular Record Date and on or prior to the corresponding Interest Payment Date, (2) to the extent of any Defaulted Interest, if any exists at the time of conversion with respect to such Securities, or (3) the Securities are surrendered for conversion on or after July 1, 2011. Except as described above, no payment or adjustment will be made for accrued interest on converted Securities.

Principal of and interest on, Global Securities shall be payable to the Depositary in immediately available funds.

Principal on Physical Securities shall be payable at the office or agency of the Company maintained for such purpose, initially the Corporate Trust Office of the Trustee. Interest on Physical Securities will be payable by (i) U.S. Dollar check drawn on a bank located in the city where the Corporate Trust Office of the Trustee is located mailed to the address of the Person entitled thereto as such address shall appear in the Register, or (ii) upon application to the Registrar not later than the relevant Record Date by a Holder of an aggregate principal amount in excess of $5,000,000, wire transfer in immediately available funds.

The Securities shall have the Repurchase Rights exercisable at the option of Holders as provided in Article 11 hereof.

The Securities shall be convertible as provided in Article 12 hereof.

The Securities shall constitute unsecured, unsubordinated obligations of the Company.

Section 2.02. Form of Securities. The Securities and the Trustee's certificate of authentication to be borne by such Securities shall be substantially in the form annexed hereto as Exhibit A, which is incorporated in and made a part of this Indenture. The terms and provisions contained in the form of Security shall constitute, and are hereby expressly made, a part of this Indenture and to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Any of the Securities may have such letters, numbers or other marks of identification and such notations, legends and endorsements as the Officer executing the same may approve (execution thereof to be conclusive evidence of such approval) and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange or automated quotation system on which the Securities may be listed or designated for issuance, or to conform to usage.

The Securities will be offered and sold only to QIBs in reliance on Rule 144A and shall be issued initially only in the form of one or more permanent Global Securities (each, a "Global Security") in registered form without interest coupons. The Global Securities shall be:

(1) duly executed by the Company and authenticated by the Trustee as hereinafter provided;

(2) registered in the name of the Depositary (or its nominee) for credit to the respective accounts of the Holders at the Depositary; and

(3) deposited with the Trustee, as custodian for the Depositary.

The Global Securities shall be substantially in the form of Security set forth in Exhibit A annexed hereto (including the text and schedule called for by footnotes 1 and 2 thereto). The aggregate principal amount of the Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee as required by Section 2.09, as custodian for the Depositary (or its nominee), in accordance with the instructions given by the Holder thereof, as hereinafter provided.

Securities issued in exchange for interests in the Global Securities pursuant to Section 2.08(d) hereof shall be issued in the form of permanent definitive Securities (the "Physical Securities") in registered form without interest coupons. The Physical Securities shall be substantially in the form set forth in Exhibit A annexed hereto.

The Securities shall be typed, printed, lithographed or engraved or produced by any combination of these methods or may be produced in any other manner permitted by the rules of any securities exchange on which the Securities may be listed, all as determined by the Officer executing such Securities, as evidenced by their execution of such Securities.

Section 2.03. Legends; Restricted Securities Legends. (a) Each Security issued hereunder shall, upon issuance, bear the legend set forth in Section 2.03(a)(i) or Section 2.03(a)(ii) (each, a "Restricted Securities Legend"), as the case may be, and such legend shall not be removed except as provided in Section 2.03(a)(iii). Each Security that bears or is required to bear the Restricted Securities Legend set forth in Section 2.03(a)(i) (together with any Common Stock issued upon conversion of the Securities and required to bear the Restricted Securities Legend set forth in Section 2.03(a)(ii), collectively, the "Restricted Securities") shall be subject to the restrictions on transfer set forth in this Section 2.03(a) (including the Restricted Securities Legend set forth below), and the Holder of each such Restricted Security, by such Holder's acceptance thereof, shall be deemed to have agreed to be bound by all such restrictions on transfer.

As used in Section 2.03(a), the term "Transfer" encompasses any sale, pledge, transfer or other disposition whatsoever of any Restricted Security.

(i) Restricted Securities Legend for Securities. Except as provided in Section 2.03(a)(iii), until the expiration of the holding period applicable to sales thereof under Rule 144(k) under the Securities Act (or any successor provision), any certificate evidencing such Security (and all securities issued in exchange therefor or substitution thereof, other than Common Stock, if any, issued upon conversion thereof, which shall bear the legend set forth in Section 2.03(a)(ii), if applicable) shall bear a Restricted Securities Legend in substantially the following form:

> THIS SECURITY AND THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY, THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN OR THEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

BY ITS ACQUISITION HEREOF, THE HOLDER (I) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE LATER OF THE LAST ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE AND DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATES AND/OR OTHER INFORMATION SATISFACTORY TO THE COMPANY.

(ii) Restricted Securities Legend for Common Stock Issued upon Conversion of the Securities. Except as provided in Section 2.03(a)(iii), until the expiration of the holding period applicable to sales thereof under Rule 144(k) under the Securities Act (or any successor provision), any stock certificate representing Common Stock issued upon conversion of such Security shall bear a Restricted Securities Legend in substantially the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN OR THEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

BY ITS ACQUISITION HEREOF, THE HOLDER (I) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE LATER OF THE LAST ISSUE DATE OF THE NOTE CONVERTED INTO THIS SECURITY AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS NOTE) ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRANSFER AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN

THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRANSFER AGENT. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE AND THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATES AND/OR OTHER INFORMATION SATISFACTORY TO THE COMPANY.

(iii) Each Security or share of Common Stock issued upon conversion of such Security shall bear the Restricted Securities Legend set forth in Section 2.03(a)(i) or 2.03(a)(ii), as the case may be, until the earlier of:

(A) the expiration of the holding period applicable to sales thereof under Rule 144(k) under the Securities Act (or any successor provision);

(B) such Security or Common Stock has been sold pursuant to a registration statement that has been declared effective under the Securities Act (and that was effective at the time of such sale); or

(C) such Common Stock has been issued upon conversion of Securities that have been sold pursuant to a registration statement that has been declared effective under the Securities Act (and that was effective at the time of such sale).

The Holder must give notice thereof to the Trustee and any transfer agent for the Common Stock, as applicable.

Notwithstanding the foregoing, the Restricted Securities Legend may be removed if there is delivered to the Company such satisfactory evidence, which may include an opinion of independent counsel, as may be reasonably required by the Company, that neither such legend nor the restrictions on transfer set forth therein are required to ensure that transfers of such Security will not violate the registration requirements of the Securities Act. Upon provision of such satisfactory evidence, the Trustee, at the written direction of the Company, shall authenticate and deliver in exchange for such Securities another Security or Securities having an equal aggregate principal amount that does not bear such legend. If the Restricted Securities Legend has been removed from a Security as provided above, no other Security issued in exchange for all or any part of such Security shall bear such legend, unless the Company has reasonable cause to believe that such other Security is a “restricted security” within the meaning of Rule 144 and instructs the Trustee in writing to cause a Restricted Securities Legend to appear thereon.

Any Security (or security issued in exchange or substitution thereof) as to which such restrictions on transfer shall have expired in accordance with their terms or as to which the conditions for removal of the Restricted Securities Legend set forth in Section 2.03(a)(i) as set forth therein have been satisfied may, upon surrender of such Security for exchange to the Registrar in accordance with the provisions of Section 2.07 hereof, be exchanged for a new Security or Securities, of like tenor and aggregate principal amount, which shall not bear the Restricted Securities Legend required by Section 2.03(a)(i).

Any such Common Stock as to which such restrictions on transfer shall have expired in accordance with their terms or as to which the conditions for removal of the Restricted Securities Legend set forth in Section 2.03(a)(ii) as set forth therein have been satisfied may, upon surrender of the certificates representing such shares of Common Stock for exchange in accordance with the procedures of the transfer agent for the Common Stock, be exchanged for a new certificate or certificates for a like aggregate number of shares of Common Stock, which shall not bear the Restricted Securities Legend required by Section 2.03(a)(ii).

(b) Each Global Security shall also bear the following legend on the face thereof:

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (“DTC”) TO LIFETIME BRANDS, INC. (OR ITS SUCCESSOR) OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE,

CONVERSION OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Section 2.04. Execution, Authentication, Delivery and Dating. An Officer shall execute the Securities on behalf of the Company by manual or facsimile signature. If the Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall be valid nevertheless.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with such Company Order shall authenticate and deliver such Securities as in this Indenture provided and not otherwise.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture, or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by or on behalf of the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

The Trustee may appoint an authenticating agent or agents reasonably acceptable to the Company with respect to the Securities. Unless limited by the terms of such appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent.

Section 2.05. Registrar and Paying Agent. The Company shall maintain an office or agency in the Borough of Manhattan, The City of New York, where Securities may be presented for registration of transfer or for exchange (the "Registrar") and an office or agency in the Borough of Manhattan, The City of New York, where Securities may be presented for payment (the "Paying Agent").

The Registrar shall keep a register of the Securities (the "Register") and of their transfer and exchange. The Company may appoint one or more co-Registrars and one or more additional Paying Agents for the Securities. The term "Paying Agent" includes any additional Paying Agent and the term "Registrar" includes any additional registrar. The Company may change any Paying Agent or Registrar without prior notice to any Holder.

The Company will cause each Paying Agent (other than the Trustee) to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(i) hold all sums held by it for the payment of the principal of or interest (including Liquidated Damages, if any) on Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as provided in this Indenture;

(ii) give the Trustee notice of any Default by the Company in the making of any payment of principal or interest (including Liquidated Damages, if any); and

(iii) at any time during the continuance of any such Default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company shall give prompt written notice to the Trustee of the name and address of any Paying Agent who is not a party to this Indenture. If the Company fails to appoint or maintain another entity as

Registrar or Paying Agent, the Trustee shall act as such. The Company or any Affiliate of the Company may act as Paying Agent or Registrar; provided, however, that none of the Company, its Subsidiaries or the Affiliates of the foregoing shall act:

(i) as Paying Agent in connection with offers to purchase and discharges, as otherwise specified in this Indenture, and

(ii) as Paying Agent or Registrar if a Default or Event of Default has occurred and is continuing.

The Company hereby initially appoints the Trustee as Registrar and Paying Agent for the Securities.

Section 2.06. Paying Agent to Hold Assets in Trust. Not later than 10:00 am (New York City time) on each due date of the principal and interest (including Liquidated Damages, if any) on any Securities, the Company shall deposit with one or more Paying Agents money in immediately available funds sufficient to pay such principal and interest (including Liquidated Damages, if any) so becoming due. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company) shall have no further liability for the money so paid over to the Trustee.

If the Company shall act as a Paying Agent, it shall, prior to or on each due date of the principal of or interest (including Liquidated Damages, if any) on any of the Securities, segregate and hold in trust for the benefit of the Holders a sum sufficient with monies held by all other Paying Agents, to pay the principal or interest (including Liquidated Damages, if any) so becoming due until such sums shall be paid to such Persons or otherwise disposed of as provided in this Indenture, and shall promptly notify the Trustee of its action or failure to act.

Section 2.07. General Provisions Relating to Transfer and Exchange. The Securities are issuable only in registered form. A Holder may transfer a Security only by written application to the Registrar stating the name of the proposed transferee and otherwise complying with the terms of this Indenture. No such transfer shall be effected until, and such transferee shall succeed to the rights of a Holder only upon, final acceptance and registration of the transfer by the Registrar in the Register. Furthermore, any Holder of a Global Security shall, by acceptance of such Global Security, agree that transfers of beneficial interests in such Global Security may be effected only through a book-entry system maintained by the Holder of such Global Security (or its agent) and that ownership of a beneficial interest in the Security shall be required to be reflected in a book-entry. Notwithstanding the foregoing, in the case of a Restricted Security, a beneficial interest in a Global Security being transferred in reliance on an exemption from the registration requirements of the Securities Act other than in accordance with Rule 144 and Rule 144A may only be transferred for a Physical Security.

When Securities are presented to the Registrar with a request to register the transfer or to exchange them for an equal aggregate principal amount of Securities of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested if its requirements for such transactions are met (including that such Securities are duly endorsed or accompanied by a written instrument of transfer duly executed by the Holder thereof or by an attorney who is authorized in writing to act on behalf of the Holder). Subject to Section 2.04 hereof, to permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Securities at the Registrar's request. No service charge shall be made for any registration of transfer or exchange of the Securities, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or other similar governmental charge payable upon exchanges pursuant to Section 2.14 or 7.05).

Section 2.08. Book-Entry Provisions for the Global Securities. (a) The Global Securities initially shall

(i) be registered in the name of the Depositary (or a nominee thereof);

(ii) be delivered to the Trustee as custodian for such Depositary; and

(iii) bear the Restricted Securities Legend as set forth in Section 2.03(a)(i) hereof.

Members of, or participants in, the Depositary ("DTC Participants") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary, or the Trustee as its custodian, or under such Global Security, and the Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing contained herein shall prevent the Company, the Trustee or any agent of the Company or Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and the DTC Participants, the operation of customary practices governing the exercise of the rights of a Holder of any Security.

(b) The registered Holder of a Global Security may grant proxies and otherwise authorize any Person, including DTC Participants and Persons that may hold interests through DTC Participants, to take any action that a Holder is entitled to take under this Indenture or the Securities.

(c) A Global Security may not be transferred, in whole or in part, to any Person other than the Depositary (or a nominee thereof), and no such transfer to any such other Person may be registered. Beneficial interests in a Global Security may be transferred in accordance with the rules and procedures of the Depositary and the provisions of Section 2.09 hereof.

(d) Notwithstanding any other provisions of this Indenture or the Securities, a Global Security shall not be exchanged in whole or in part for a Security registered in the name of any person other than the Depositary or one or more nominees thereof; provided that a Global Security may be exchanged for Securities registered in the names of any person designated by the Depositary in the event that (i) the Depositary has notified the Company that it is unwilling or unable to continue as Depositary for such Global Security or such Depositary has ceased to be a "clearing agency" registered under the Exchange Act, and a successor Depositary is not appointed by the Company within 90 days; (ii) to the extent permitted by the Depositary, the Company determines at any time that the Securities shall no longer be represented by Global Securities and shall inform such Depositary of such determination and participants in such Depository elect to withdraw their beneficial interests in the Global Securities from such Depository, following notification by the Depository of their right to do so; or (iii) a beneficial owner of Securities requests to exchange such beneficial owner's interest in the Global Securities for Certificated Securities. Any Global Security exchanged pursuant to clause (i) above shall be so exchanged in whole and not in part, and any Global Security exchanged pursuant to clause (ii) or (iii) above may be exchanged in

whole or from time to time in part as directed by the Depositary. Any Security issued in exchange for a Global Security or any portion thereof shall be a Global Security; provided that any such Security so issued that is registered in the name of a person other than the Depositary or a nominee thereof shall not be a Global Security.

Upon the occurrence of (i), (ii) or (iii) above, the Depositary shall surrender such Global Security or Global Securities to the Trustee for cancellation and the Company shall execute, and the Trustee, upon receipt of an Officers' Certificate and Company Order for the authentication and delivery of Securities, shall authenticate and deliver in exchange for such Global Security or Global Securities, Physical Securities of like tenor as that of the Global Securities in an aggregate principal amount equal to the aggregate principal amount of such Global Security or Global Securities. Such Physical Securities shall be registered in such names as the Depositary shall identify in writing as the beneficial owners of the Securities represented by such Global Security or Global Securities (or any nominees thereof).

Notwithstanding the foregoing, in connection with any such surrender and subsequent exchange pursuant to Section 2.08(d) hereof, the Registrar shall reflect on its books and records the date and a decrease in the principal amount of such Global Security in an amount equal to the principal amount of the beneficial interest in such Global Security to be transferred.

Section 2.09. Special Transfer Provisions. Unless a Security is transferred after the time period referred to in Rule 144(k) under the Securities Act or otherwise sold pursuant to a registration statement that has been declared effective under the Securities Act (and that continues to be effective at the time of such sale), the following provisions shall apply:

(i) if the Securities to be transferred consist of an interest in the Global Securities, the transfer of such interest may be effected only through the book-entry system maintained by the Depositary; and

(ii) if the Securities to be transferred consist of Physical Securities, the Registrar shall register the transfer if such transfer is being made by a proposed transferor who has checked the box provided on the form of Security stating, or has otherwise advised the Company and the Registrar in writing, that the sale has been made in compliance with the provisions of Rule 144A to a transferee who has signed the certification provided on the form of Security stating or has otherwise advised the Company and the Registrar in writing that:

(A) it is purchasing the Securities for its own account or an account with respect to which it exercises sole investment discretion, in each case for investment and not with a view to distribution;

(B) it and any such account is a QIB within the meaning of Rule l44A;

(C) it is aware that the sale to it is being made in reliance on Rule 144A;

(D) it acknowledges that it has received such information regarding the Company as it has requested pursuant to Rule 144A or has determined not to request such information; and

(E) it is aware that the transferor is relying upon its foregoing representations in order to claim the exemption from registration provided by Rule 144A.

By its acceptance of any Security bearing the Restricted Securities Legend, each Holder of such a Security acknowledges the restrictions on transfer of such Security set forth in this Indenture and agrees that it will transfer such Security only as provided in this Indenture. The Registrar shall not register a transfer of any Security unless such transfer complies with the restrictions on transfer of such Security set forth in this Indenture. The Registrar shall be entitled to receive and rely on written instructions from the Company verifying that such transfer complies with such restrictions on transfer. In connection with any transfer of Securities, each Holder agrees by its acceptance of the Securities to furnish the Registrar or the Company such certifications, legal opinions or other information as either of them may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act; provided, however, that the Registrar shall not be required to determine (but may rely on a determination made by the Company with respect to) the sufficiency of any such certifications, legal opinions or other information.

The Registrar shall retain copies of all letters, notices and other written communications received pursuant to Section 2.08 hereof or this Section 2.09. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

Section 2.10. Holder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise comply with Section 312(a) of the TIA. If the Trustee is not the Registrar, the Company shall furnish to the Trustee prior to or on each Interest Payment Date and at such other times as the Trustee may request in writing a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders relating to such Interest Payment Date or request, as the case may be.

Section 2.11. Persons Deemed Owners. The Company, the Trustee and any agent of the Company or the Trustee may treat the registered Holder of a Global Security as the absolute owner of such Global Security for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not such Security be overdue, and notwithstanding any notice of ownership or writing thereon, or any notice of previous loss or theft or other interest therein. The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name any Security is registered as the owner of such Security for the

purpose of receiving payment of principal of and interest (including Liquidated Damages, if any) on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and notwithstanding any notice of ownership or writing thereon, or any notice of previous loss or theft or other interest therein.

Section 2.12. Mutilated, Destroyed, Lost or Stolen Securities. If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there is delivered to the Company and the Trustee

(i) evidence to their satisfaction of the destruction, loss or theft of any Security, and

(ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a protected purchaser, the Company shall execute and, upon request, the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion, but subject to any conversion rights, may, instead of issuing a new Security, pay such Security, upon satisfaction of the condition set forth in the preceding paragraph.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and such new Security shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 2.13. Treasury Securities. In determining whether the Holders of the requisite principal amount of Outstanding Securities are present at a meeting of Holders for quorum purposes or have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any Affiliate of the Company shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such determination as to the presence of a quorum or upon any such request, demand, authorization, direction, notice, consent or waiver, only such Securities of which a Responsible Officer of the Trustee has received written notice and are so owned shall be so disregarded.

Section 2.14. Temporary Securities. Pending the preparation of Securities in definitive form, the Company may execute and the Trustee shall, upon written request of the Company, authenticate and deliver temporary Securities (printed or lithographed). Temporary Securities shall be issuable in any authorized denomination, and substantially in the form of the Securities in definitive form but with such omissions, insertions and variations as may be appropriate for temporary Securities, all as may be determined by the Company. Every such temporary Security shall be executed by the Company and authenticated by the Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the Securities in definitive form. Without unreasonable delay, the Company will execute and deliver to the Trustee Securities in definitive form (other than in the case of Securities in global form) and thereupon any or all temporary Securities (other than any such Securities in global form) may be surrendered in exchange therefor, at each office or agency maintained by the Company pursuant to Section 9.02 and the Trustee shall authenticate and deliver in exchange for such temporary Securities an equal aggregate principal amount of Securities in definitive form. Such exchange shall be made by the

Company at its own expense and without any charge therefor. Until so exchanged, the temporary Securities shall in all respects be entitled to the same benefits and subject to the same limitations under this Indenture as Securities in definitive form authenticated and delivered hereunder.

Section 2.15. Cancellation. Subject to Section 2.19, all securities surrendered for payment, repurchase, conversion, registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee. All Securities so delivered shall be canceled promptly by the Trustee, and no Securities shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee shall destroy canceled Securities in accordance with its customary procedures. If the Company shall acquire any of the Securities, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless the same are delivered to the Trustee for cancellation.

Section 2.16. CUSIP Numbers. The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and the Trustee shall use CUSIP numbers in notices of exchange as a convenience to Holders; provided, however, that any such notice shall state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any such notice and that reliance may be placed only on the other identification numbers printed on the Securities, and any such exchange shall not be affected by any defect in or omission of such numbers. The Company shall promptly notify the Trustee in writing of any change in the CUSIP numbers.

Section 2.17. Defaulted Interest. If the Company fails to make a payment of interest (including Liquidated Damages, if any) on any Security when due and payable ("Defaulted Interest"), it shall pay such Defaulted Interest plus (to the extent lawful) any interest payable on the Defaulted Interest, in any lawful manner. It may elect to pay such Defaulted Interest, plus any such interest payable on it, to the Persons who are Holders of such Securities on which the interest is due on a subsequent Special Record Date. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each such Security. The Company shall fix any such Special Record Date and payment date for such payment. At least 15 days before any such Special Record Date, the Company shall mail to Holders affected thereby a notice that states the Special Record Date, the Interest Payment Date, and amount of such interest (and such Liquidated Damages, if any) to be paid.

Section 2.18. Rule 144A. The Company agrees that it will refuse to register any transfer of Securities or Common Stock that is not made in accordance with the provisions of Rule 144A under the Securities Act, pursuant to a registration statement that has been declared effective under the Securities Act or pursuant to an available exemption from the registration requirements of the Securities Act; provided that this Section 2.18 shall not be applicable to any Securities or shares of Common Stock that do not bear the legend set forth in Section 2.03(a)(i) or (ii) hereof.

Section 2.19. Reopening the Indenture. The Company may, without the consent of the Holders of Securities, reopen the Indenture and issue additional Securities under the Indenture with the same terms and with the same CUSIP number as the Securities offered hereby in an unlimited aggregate principal amount, which will form the same series with the Securities; provided that no such additional Securities may be issued unless fungible with the Securities offered hereby for U.S. federal income tax purposes. The Company may also from time to time repurchase the Securities in open market purchases or negotiated transactions without prior notice to Holders of Securities and may reissue or resell such Securities to the extent permitted by applicable law.

ARTICLE 3
[RESERVED]

ARTICLE 4
DEFAULTS AND REMEDIES

Section 4.01. Events of Default. An "Event of Default" with respect to the Securities occurs when any of the following occurs (whatever the reason for such Event of Default and whether it shall be voluntary

or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) the Company defaults in the payment of the principal on any of the Securities when it becomes due and payable at Maturity, upon exercise of a Repurchase Right or otherwise; or

(b) the Company defaults in the payment of interest (including Liquidated Damages, if any) on any of the Securities when it becomes due and payable and such default continues for a period of 30 days; or

(c) the Company fails to deliver shares of Common Stock, together with cash in lieu thereof in respect of any fractional shares, cash or cash and shares of the Common Stock (or Reference Property) upon conversion of a Security in accordance with Article 12, and such failure continues for 10 days; or

(d) the Company fails to perform or observe any other term, covenant or agreement contained in the Securities or this Indenture and such failure continues for a period of 60 consecutive days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Securities; or

(e) the Company fails to make any payment by the end of the applicable grace period, if any, after the maturity of any Indebtedness in an amount in excess of $5,000,000 or (ii) there is an acceleration of any Indebtedness in an amount in excess of $5,000,000 because of a default with respect to such Indebtedness without such Indebtedness having been discharged or such acceleration having been withdrawn, cured, waived, rescinded or otherwise annulled, in the case of either (i) or (ii) above, for a period of 30 days after written notice to the Company by the Trustee or to the Company and the Trustee by Holders of at least 25% in aggregate principal amount of the Outstanding Securities; or

(f) the Company fails to timely give to each Holder of Securities notice of a Fundamental Change pursuant to Section 11.01(b) hereof; or

(g) the entry by a court having jurisdiction in the premises of (i) a decree or order for relief in respect of the Company, or any Significant Subsidiary of the Company, in an involuntary case or proceeding under any applicable U.S. federal or state bankruptcy, insolvency, reorganization or other similar law or (ii) a decree or order adjudging the Company, or any Significant Subsidiary of the Company, a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company, or any Significant Subsidiary of the Company, under any applicable U.S. federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company, or any Significant Subsidiary of the Company, or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(h) the commencement by the Company, or any Significant Subsidiary of the Company, of a voluntary case or proceeding under any applicable U.S. federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by the Company, or any Significant Subsidiary of the Company, to the entry of a decree or order for relief in respect of the Company, or any Significant Subsidiary of the Company, as the case may be, in an involuntary case or proceeding under any applicable U.S. federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Company, or any Significant Subsidiary of the Company, or the filing by the Company, or any Significant Subsidiary of the Company, of a petition or answer or consent seeking reorganization or relief under any applicable U.S. federal or state law, or the consent by the Company, or any Significant Subsidiary of the Company, to the filing of such petition or to the appointment of or the taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company, or any Significant Subsidiary of the Company, or of any substantial part of its property, or the making by the Company, or any Significant Subsidiary of the Company, of an assignment for the benefit of creditors, or the admission by the Company, or any Significant Subsidiary of the Company, in writing of

its inability to pay its debts generally as they become due, or the taking of corporate action by the Company, or any Significant Subsidiary of the Company, expressly in furtherance of any such action.

Section 4.02. Acceleration of Maturity; Rescission and Annulment. If an Event of Default with respect to Outstanding Securities (other than an Event of Default specified in Section 4.01(g) or 4.01(h) hereof) occurs and is continuing, the Trustee by written notice to the Company or the Holders of at least 25% in aggregate principal amount of the Outstanding Securities, by written notice to the Company and the Trustee, may declare due and payable 100% of the principal amount of all Outstanding Securities plus any accrued and unpaid interest (including Liquidated Damages, if any) to the date of payment. Upon a declaration of acceleration, such principal and accrued and unpaid interest (including Liquidated Damages, if any) to the date of payment shall be immediately due and payable.

If an Event of Default specified in Section 4.01(g) or 4.01(h) hereof occurs, all unpaid principal of and accrued and unpaid interest (including Liquidated Damages, if any) on the Outstanding Securities shall become and be immediately due and payable, without any declaration or other act on the part of the Trustee or any Holder.

The Holders of a majority in aggregate principal amount of the Outstanding Securities by written notice to the Trustee may rescind and annul an acceleration and its consequences if:

(i) all existing Events of Default, other than the nonpayment of principal of or interest on the Securities that has become due solely because of the acceleration, have been remedied, cured or waived;

(ii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and

(iii) there has been paid or deposited with the Trustee a sum sufficient to pay all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

provided, however, that in the event such declaration of acceleration has been made based on the existence of an Event of Default under Section 4.01(e) hereof and such Event of Default has been remedied, cured or waived in accordance with Section 4.01(e) hereof, then, without any further action by the Holders, such declaration of acceleration shall be rescinded automatically and the consequences of such declaration shall be annulled. No such rescission or annulment shall affect any subsequent Default or impair any right consequent thereon.

Section 4.03. Other Remedies. If an Event of Default with respect to Outstanding Securities occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of or interest on the Securities or to enforce the performance of any provision of the Securities.

The Trustee may maintain a proceeding in which it may prosecute and enforce all rights of action and claims under this Indenture or the Securities, even if it does not possess any of the Securities or does not produce any of them in the proceeding.

Section 4.04. Waiver of Past Defaults. Subject to Section 4.02, the Holders, either (a) through the written consent of not less than a majority in aggregate principal amount of the Outstanding Securities or (b) by the adoption of a resolution, at a meeting of Holders of the Outstanding Securities at which a quorum is present, by the Holders of at least a majority in aggregate principal amount of the Outstanding Securities represented at such meeting, may, on behalf of the Holders of all of the Securities, waive an existing Default or Event of Default, except a Default or Event of Default:

(i) in the payment of the principal of or interest (including Liquidated Damages, if any) on any Security (provided, however, that subject to Section 4.02 hereof, the Holders of a majority in aggregate principal amount of the Outstanding Securities may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration);

(ii) in respect of the failure to convert any Security in accordance with Article 12; or

(iii) in respect of a covenant or provision hereof that, under Section 7.02 hereof, cannot be modified or amended without the consent of the Holder of each Outstanding Security affected.

Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; provided, however, that no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 4.05. Control by Majority. The Holders, either (a) through the written consent of not less than a majority in aggregate principal amount of the Outstanding Securities, or (b) by the adoption of a resolution, at a meeting of Holders of the Outstanding Securities at which a quorum is present, by the Holders of at least a majority in aggregate principal amount of the Outstanding Securities represented at such meeting, shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that:

(i) conflicts with any law or with this Indenture, the Trustee determines may be unduly prejudicial to the rights of the Holders not joining therein, or

(ii) may expose the Trustee to personal liability.

The Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction.

Section 4.06. Limitation on Suit. No Holder of any Security shall have any right to pursue any remedy with respect to this Indenture or the Securities (including instituting any proceeding, judicial or otherwise, with respect to this Indenture or for the appointment of a receiver or trustee) unless:

(i) such Holder has previously given written notice to the Trustee of an Event of Default that is continuing;

(ii) the Holders of at least 25% in aggregate principal amount of the Outstanding Securities shall have made written request to the Trustee to pursue the remedy;

(iii) such Holder or Holders have offered to the Trustee indemnity satisfactory to it against any costs, expenses and liabilities incurred in complying with such request;

(iv) the Trustee has failed to comply with the request for 60 days after its receipt of such notice, request and offer of indemnity; and

(v) during such 60-day period, no direction inconsistent with such written request has been given to the Trustee by the Holders of a majority in aggregate principal amount of the Outstanding Securities (or such amount as shall have acted at a meeting pursuant to the provisions of this Indenture);

provided, however, that no one or more of such Holders may use this Indenture to prejudice the rights of another Holder or to obtain preference or priority over another Holder.

Section 4.07. Unconditional Rights of Holders to Receive Payment and to Convert. Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and interest (including Liquidated Damages, if any) on such Security on the Stated Maturity expressed in such Security (or in the case of the exercise of a Repurchase Right, on the Repurchase Date) and to convert such Security in accordance with Article 12, and to bring suit for the enforcement of any such payment on or after such respective dates and right to convert, and such rights shall not be impaired or affected without the consent of such Holder.

Section 4.08. Collection of Indebtedness and Suits for Enforcement by the Trustee. The Company covenants that if:

(i) a Default or Event of Default occurs in the payment of any interest (including Liquidated Damages, if any) on any Security when such interest (including Liquidated Damages, if any) becomes due and payable and such Default or Event of Default continues for a period of 30 days, or

(ii) a Default or Event of Default occurs in the payment of the principal of any Security at the Maturity thereof,

the Company shall, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable (as expressed therein or as a result of any acceleration effected pursuant to Section 4.02 hereof) on such Securities for principal and interest (including Liquidated Damages, if any) and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal and on any overdue interest (including Liquidated Damages, if any), in each case at the Interest Rate, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company, wherever situated.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 4.09. Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or the property of the Company or its creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest (including Liquidated Damages, if any)) shall be entitled and empowered, by intervention in such proceeding or otherwise, (1) to file and prove a claim for the whole amount of principal and interest (including Liquidated Damages, if any) owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders of Securities allowed in such judicial proceeding, and (2) to collect and receive any moneys or other property payable or deliverable on any such claim and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceedings is hereby authorized by each Holder of Securities to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders of Securities, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and any other amounts due the Trustee under Section 5.08.

Nothing contained herein shall be deemed to authorize the Trustee to authorize or consent to or accept, or adopt on behalf of any Holder of a Security, any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder of a Security in any such proceeding.

Section 4.10. Restoration of Rights and Remedies. If the Trustee or any Holder of a Security has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been

discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders of Securities shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 4.11. Rights and Remedies. Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 2.12, no right or remedy conferred in this Indenture upon or reserved to the Trustee or to the Holders of Securities is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 4.12. Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or any acquiescence therein.

Every right and remedy given by this Article or by law to the Trustee or to the Holders of Securities may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders of Securities, as the case may be.

Section 4.13. Application of Money Collected. Any money and property collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money and property on account of principal or interest (including Liquidated Damages, if any), upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee, Conversion Agent, Paying Agent, and Registrar under Section 5.08 (including payment of all liabilities incurred and all advances made by the Trustee and the costs and expenses of collection);

SECOND: To the payment of the amounts then due and unpaid for principal of and interest (including Liquidated Damages, if any) on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal and interest (including Liquidated Damages, if any), respectively; and

THIRD: Any remaining amounts shall be repaid to the Company.

Section 4.14. Undertaking for Costs. All parties to this Indenture agree, and each Holder of any Security by such Holder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in aggregate principal amount of the Outstanding Securities, or to any suit instituted by any Holder of any Security for the enforcement of the payment of the principal of or interest (including Liquidated Damages, if any) on any Security on or after the Stated Maturity expressed in such Security (or, in the case of exercise of a Repurchase Right, on or after the Repurchase Date) or for the enforcement of the right to convert any Security in accordance with Article 12.

Section 4.15. Waiver of Stay or Extension Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim to take the

benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 5
THE TRUSTEE

Section 5.01. Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default,

(i) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture or the TIA, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture;

provided, however, that in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates or opinions to determine whether or not, on their face, they conform to the requirements of this Indenture (but need not investigate or confirm the accuracy of any facts stated therein).

(b) In case an Event of Default actually known to a Responsible Officer of the Trustee has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) This paragraph (c) shall not be construed to limit the effect of paragraph (a) of this Section 5.01;

(ii) Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with a direction received by it of the Holders of a majority in principal amount of the Outstanding Securities (or such lesser amount as shall have acted at a meeting pursuant to the provisions of this Indenture) relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(d) Whether or not herein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 5.01.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity

satisfactory to it against any loss, liability, cost or expense (including, without limitation, reasonable fees of counsel).

(f) The Trustee shall not be obligated to pay interest on any money or other assets received by it unless otherwise agreed in writing with the Company. Assets held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, coupon, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney at the sole cost of the Company, and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

(h) The Trustee shall not be deemed to have notice or actual knowledge of any Event of Default or a Registration Default or the obligation of the Company to pay Liquidated Damages unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event that is in fact a Default is received by the Trustee pursuant to Section 14.02 hereof, and such notice references the Securities and this Indenture.

(i) The rights, privileges, protections, immunities and benefits given to the Trustee hereunder, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each Paying Agent, authenticating agent, Conversion Agent or Registrar acting hereunder.

Section 5.02. Certain Rights of Trustee. Subject to the provisions of Section 5.01 hereof and subject to Sections 315(a) through (d) of the TIA:

(i) The Trustee may conclusively rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(ii) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel, or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on the Officers' Certificate or the Opinion of Counsel.

(iii) The Trustee may act through attorneys and agents and shall not be responsible for the misconduct or negligence of any attorney or agent appointed with due care.

(iv) The Trustee shall not be liable for any action taken or omitted to be taken by it in good faith that it reasonably believed to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, unless the Trustee's conduct constitutes negligence.

(v) The Trustee may consult with counsel of its selection and the advice of such counsel as to matters of law shall be full and complete authorization and protection in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(vi) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(vii) The permissive rights of the Trustee to do things enumerated in this Indenture shall not be construed as a duty unless so specified herein.

Section 5.03. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest (as such term is defined in Section 310(b) of the TIA), it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as Trustee (to the extent permitted under Section 310(b) of the TIA) or resign. Any agent may do the same with like rights and duties. The Trustee is also subject to Section 5.11 and 5.12 hereof.

Section 5.04. Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise expressly agreed with the Company.

Section 5.05. Trustee's Disclaimer. The recitals contained herein and in the Securities (except for those in the certificate of authentication) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity, sufficiency or priority of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

Section 5.06. Notice of Defaults. Within 90 days after the occurrence of any Default or Event of Default hereunder of which the Trustee has received written notice, the Trustee shall give notice to Holders pursuant to Section 14.02 hereof, unless such Default or Event of Default shall have been cured or waived; provided, however, that, except in the case of a Default or Event of Default in the payment of the principal of or interest (including Liquidated Damages, if any), or in the payment of any repurchase obligation, on any Security, the Trustee shall be protected in withholding such notice if and so long as Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interest of the Holders.

Section 5.07. Reports by Trustee to Holders. Within 60 days after May 15 of each year, commencing May 15, 2007, the Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as of such May 15 as may be required by Section 313 of the TIA at the times and in the manner provided by the TIA.

A copy of each report at the time of its mailing to Holders shall be filed with the SEC, if required, and each stock exchange, if any, on which the Securities are listed. The Company shall promptly notify the Trustee when the Securities become listed on any stock exchange.

Section 5.08. Compensation and Indemnification. The Company shall pay to the Trustee, the Conversion Agent, the Paying Agent and the Registrar (each an "Indemnified Party") from time to time compensation for their respective services as Trustee, Conversion Agent, Paying Agent or Registrar, as the case may be, as agreed in writing. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse each Indemnified Party upon request for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by it in connection with the performance of its duties under this Indenture. Such expenses shall include the reasonable fees and expenses of each of such Indemnified Party's agents and counsel.

The Company hereby indemnifies each Indemnified Party and its agents, employees, stockholders and directors and officers for, and holds each of them harmless against, any loss, cost, claim, liability or expense (including taxes) incurred by any of them except for such actions to the extent caused by any gross negligence or willful misconduct on the part of such Indemnified Party, arising out of or in connection with the acceptance and administration of this Indenture or the trusts hereunder or the performance of their duties hereunder, including the reasonable costs and expenses of enforcing this Indenture against the Company (including this Section 5.08) and defending themselves against any claim or liability in connection with the exercise or performance of any of their rights, powers or duties hereunder (including the reasonable fees and expenses of counsel). An Indemnified Party shall notify the Company promptly of any claim asserted against such Indemnified Party for which such Indemnified Party has advised the Trustee that it may seek indemnity hereunder. Failure by the Indemnified Party to so notify the Company shall not relieve the Company of its obligations hereunder. At the Indemnified Party's sole discretion,

the Company shall defend the claim and the Indemnified Party shall cooperate and may participate in the defense; provided that any settlement of a claim shall be approved in writing by the Indemnified Party. Alternatively, the Indemnified Party may at its option have separate counsel of its own choosing and the Company shall pay the reasonable fees and expenses of such counsel; provided that the Company shall not be required to pay such fees and expenses if it assumes the Indemnified Party's defense and there is no conflict of interest between or alternative defenses between the Company and the Indemnified Party in connection with such defense as reasonably determined by the Indemnified Party. The Company need not pay for any settlement made without its written consent, which consent shall not be unreasonably withheld.

To secure the Company's payment obligations in this Section 5.08, the Trustee shall have a lien prior to the Securities on all monies, property collected by the Trustee, in its capacity as Trustee, except assets or money held in trust to pay principal of or interest and Additional Interest, if any, on particular Securities.

When an Indemnified Party incurs expenses or renders services after an Event of Default specified in Section 4.01 occurs, such expenses (including the reasonable fees and expenses of its counsel) and the compensation for such services are intended to constitute expenses of administration under any Bankruptcy Law.

The obligations of the Company under this Section 5.08 shall survive the satisfaction and discharge of this Indenture or the resignation or removal of the Trustee, Paying Agent or the Registrar.

"Trustee" for purposes of this Section 5.08 shall include any predecessor Trustee; provided, however, that the bad faith, gross negligence or willful misconduct of any Trustee hereunder shall not affect the rights of any other Trustee hereunder.

Section 5.09. Replacement of Trustee. A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 5.09.

The Trustee may resign and be discharged from the trust hereby created by so notifying the Company in writing. The Holders of at least a majority in aggregate principal amount of Outstanding Securities may remove the Trustee by so notifying the Trustee and the Company in writing. The Company must remove the Trustee if:

(i) the Trustee fails to comply with Section 5.11 hereof or Section 310 of the TIA;

(ii) the Trustee becomes incapable of acting;

(iii) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law; or

(iv) a Custodian or public officer takes charge of the Trustee or its property.

If the Trustee resigns or is removed or if a vacancy exists in the office of the Trustee for any reason, the Company shall promptly appoint a successor Trustee. The Trustee shall be entitled to payment of its fees and reimbursement of its expenses while acting as Trustee.

Any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee if the Trustee fails to comply with Section 5.11 hereof.

If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation or removal, the resigning or removed Trustee, as the case may be, may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The Company shall mail a notice of the successor Trustee's succession to the Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee. Notwithstanding replacement of the Trustee pursuant to this Section 5.09, the Company's obligations under Section 5.08 hereof shall continue for the benefit of the retiring Trustee with respect to expenses, losses and liabilities incurred by it prior to such replacement.

Section 5.10. Successor Trustee by Merger, Etc. Subject to Section 5.11 hereof, if the Trustee consolidates with, merges or converts into, or transfers or sells all or substantially all of its corporate trust business (including the administration of the trust created by this Indenture) to, another corporation or national banking association, the successor entity without any further act shall be the successor Trustee as to the Securities.

Section 5.11. Corporate Trustee Required; Eligibility. The Trustee shall at all times satisfy the requirements of Sections 310(a)(1), (2) and (5) of the TIA. The Trustee shall at all times have (or, in the case of a corporation included in a bank holding company system, the related bank holding company shall at all times have) a combined capital and surplus of at least $100 million as set forth in its (or its related bank holding company's) most recent published annual report of condition. The Trustee is subject to Section 310(b) of the TIA.

Section 5.12. Collection of Claims Against the Company. The Trustee is subject to Section 311(a) of the TIA, excluding any creditor relationship listed in Section 311(b) of the TIA. A Trustee who has resigned or been removed shall be subject to Section 311(a) of the TIA to the extent indicated therein.

ARTICLE 6
CONSOLIDATION, MERGER, SALE, TRANSFER OR LEASE

Section 6.01. Company May Consolidate, Etc., Only on Certain Terms. The Company shall not consolidate with or merge into any other Person or sell, lease or otherwise transfer in one transaction or a series of related transactions the consolidated assets of the Company and its Subsidiaries, substantially as an entirety, to any Person unless:

(i) in the event that the Company shall consolidate with or merge into another Person or sell, lease or otherwise transfer in one transaction or a series of related transactions the consolidated assets of the Company and its Subsidiaries, substantially as an entirety, to any other Person, the Person formed by such consolidation or into which the Company is merged or the Person that acquires by sale, lease or other transfer in one transaction or a series of related transactions the consolidated assets of the Company and its Subsidiaries, substantially as an entirety, shall be a corporation, limited liability company, partnership or trust organized and validly existing under the laws of the United States of America, any State thereof or the District of Columbia and, if the entity surviving such transaction or transferee, purchaser or lessee entity is not the Company, then such surviving, transferee, purchaser or lessee entity shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, the due and punctual payment of the principal of and interest (including Liquidated Damages, if any) on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed and shall have provided for conversion rights in accordance with Section 12.11 hereof;

(ii) if, as a result of such transaction and the provisions of this Indenture, the Securities become convertible into common stock or other securities issued by a Person other than the Company, the entity surviving such transaction or transferee, purchaser or lessee entity, the issuer of such common stock or other securities shall have fully and unconditionally guaranteed all the obligations of the Company, the entity surviving such transaction or transferee, purchaser or lessee entity;

(iii) immediately after such transaction, no Event of Default, and no event that, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and

(iv) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, lease or other transfer complies with this Indenture.

Section 6.02. Successor Substituted. Upon any consolidation or merger by the Company with or into any other Person or any sale, lease or other transfer in one transaction or a series of related transactions of the consolidated assets of the Company and its Subsidiaries, substantially as an entirety, to any Person, in accordance with Section 6.01 hereof, the successor Person formed by such consolidation or into which the Company is merged or to which such sale, lease or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease to another Person, the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Securities.

ARTICLE 7
AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 7.01. Without Consent of Holders of Securities. Without the consent of any Holders of Securities, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may amend this Indenture and the Securities to:

(a) add to the covenants of the Company for the benefit of the Holders of Securities;

(b) add additional Repurchase Dates on which Holders of the Securities may require the Company to repurchase their Securities;

(c) authenticate and deliver additional Securities under this Indenture pursuant to Section 2.19 hereof;

(d) surrender any right or power herein conferred upon the Company;

(e) make provision with respect to the conversion rights of Holders of Securities pursuant to Section 12.11 hereof;

(f) provide for the assumption of the Company's obligations to the Holders of Securities in the case of a merger, consolidation, sale, lease or other transfer pursuant to Article 6 hereof;

(g) increase the Conversion Rate; provided, however, that such increase in the Conversion Rate shall not adversely affect the interest of the Holders of Securities (after taking into account tax and other consequences of such increase) in any material respect;

(h) irrevocably elect to deliver solely shares of Common Stock upon conversion of the Securities after the date of such election;

(i) comply with the requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA;

(j) make any changes or modifications to this Indenture necessary in connection with the registration of any Securities under the Securities Act, as contemplated in the Registration Rights Agreement; provided, however, that such action pursuant to this clause (i) does not adversely affect the interests of the Holders of Securities in any material respect;

(k) cure any ambiguity, correct or supplement any defective provision herein; provided that such modification or amendment does not, in the good faith opinion of the Board of Directors and, subject to Section 7.06 hereof, the Trustee, adversely affect the interests of the Holders of Securities in any material respect; providedfurther that any amendment made solely to conform the provisions of this Indenture to the "Description of the

Notes" in the Offering Memorandum will not be deemed to adversely affect the interests of the Holders of the Securities; or

(l) add or modify any other provisions with respect to matters or questions arising under this Indenture that the Company and the Trustee may deem necessary or desirable and that shall not be inconsistent with the provisions of this Indenture; provided, however, that such action pursuant to this clause (l) does not adversely affect the interests of the Holders of Securities.

Section 7.02. With Consent of Holders of Securities. Except as provided above in Section 7.01 or below in this Section 7.02, this Indenture or the Securities may be amended or supplemented, and noncompliance by the Company in any particular instance with any provision of this indenture or the Securities may be waived, in each case (i) with the written consent of the Holders of at least a majority in aggregate principal amount of the Outstanding Securities or (ii) by the adoption of a resolution, at a meeting of Holders of the Outstanding Securities at which a quorum is present, by the Holders of a majority in aggregate principal amount of the Outstanding Securities represented at such meeting.

Without the written consent or the affirmative vote of each Holder of Securities affected, an amendment or waiver under this Section 7.02 may not:

(a) change the Stated Maturity of the principal of, or any installment of interest (including Liquidated Damages, if any) on, any Security;

(b) reduce the principal amount of or premium, if any, on any Security;

(c) reduce the Interest Rate or amount of interest (including Liquidated Damages, if any) on any Security;

(d) change the currency of payment of principal of, premium, if any, or interest (including Liquidated Damages, if any) on any Security;

(e) impair the right of any Holder to institute suit for the enforcement of any payment on or with respect to, or the conversion of, any Security;

(f) except as permitted by Section 12.11 hereof, impair or adversely affect the right to convert any Security as provided in Article 12 hereof;

(g) adversely affect the Repurchase Right;

(h) modify any of the provisions of this Section, Section 4.04 or Section 4.11, except to increase any percentage contained herein or therein or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby; or

(i) reduce the requirements of Section 8.04 hereof for quorum or voting, or reduce the percentage in aggregate principal amount of the Outstanding Securities the consent of whose Holders is required for any such supplemental indenture or the consent of whose Holders is required for any waiver provided for in this Indenture.

It shall not be necessary for any Act of Holders of Securities under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 7.03. Compliance with Trust Indenture Act. Every amendment to this Indenture or the Securities shall be set forth in a supplemental indenture that complies with the TIA as then in effect.

Section 7.04. Revocation of Consents and Effect of Consents or Votes. Until an amendment, supplement or waiver becomes effective, a written consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security; provided, however, that unless a record date shall have been established, any such Holder or subsequent Holder may revoke the consent as to its Security or portion of a Security if the Trustee receives written notice of revocation before the date the amendment, supplement or waiver becomes effective.

An amendment, supplement or waiver becomes effective on receipt by the Trustee of written consents from or affirmative votes by, as the case may be, the Holders of the requisite percentage of aggregate principal amount of the Outstanding Securities, and thereafter shall bind every Holder of Securities; provided, however, if the amendment, supplement or waiver makes a change described in any of clauses (a) through (i) of Section 7.02 hereof, the amendment, supplement or waiver shall bind only each Holder of a Security that has consented to it or voted for it, as the case may be, and every subsequent Holder of a Security or portion of a Security that evidences the same indebtedness as the Security of the consenting or affirmatively voting, as the case may be, Holder.

Section 7.05. Notation on or Exchange of Securities. If an amendment, supplement or waiver changes the terms of a Security:

(a) the Trustee may require the Holder of a Security to deliver such Security to the Trustee, the Trustee may place an appropriate notation on the Security about the changed terms and return it to the Holder and the Trustee may place an appropriate notation on any Security thereafter authenticated; or

(b) if the Company or the Trustee so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms.

Failure to make the appropriate notation or issue a new Security shall not affect the validity and effect of such amendment, supplement or waiver.

Section 7.06. Trustee to Sign Amendment, Etc. The Trustee shall sign any supplement or amendment authorized pursuant to this Article 7 if the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If the supplement or amendment does adversely affect the rights, duties, liabilities or immunities of the Trustee, the Trustee may but need not sign it. In signing or refusing to sign such supplement or amendment, the Trustee shall be entitled to receive, in addition to the documents required by Section 14.05, and shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel as conclusive evidence that such amendment is authorized or permitted by this Indenture. The Trustee also shall be entitled to receive a copy of any Board Resolution authorizing such supplement or amendment.

ARTICLE 8
MEETING OF HOLDERS OF SECURITIES

Section 8.01. Purposes for Which Meetings May Be Called. A meeting of Holders of Securities may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities.

Notwithstanding anything contained in this Article 8, the Trustee may, during the pendency of a Default or an Event of Default, call a meeting of Holders of Securities in accordance with its standard practices.

Section 8.02. Call Notice and Place of Meetings. (a) The Trustee may at any time call a meeting of Holders of Securities for any purpose specified in Section 8.01 hereof, to be held at such time and at such place in The City of New York. Notice of every meeting of Holders of Securities, setting forth the time and the place of such meeting, in general terms the action proposed to be taken at such meeting and the percentage of the principal

amount of the Outstanding Securities that shall constitute a quorum at such meeting, shall be given, in the manner provided in Section 14.02 hereof, not less than 21 nor more than 180 days prior to the date fixed for the meeting.

(b) In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% in principal amount of the Outstanding Securities shall have requested the Trustee to call a meeting of the Holders of Securities for any purpose specified in Section 8.01 hereof, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first publication of the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Securities in the amount specified, as the case may be, may determine the time and the place in The City of New York for such meeting and may call such meeting for such purposes by giving notice thereof as provided in paragraph (a) of this Section.

Section 8.03. Persons Entitled to Vote at Meetings. To be entitled to vote at any meeting of Holders of Securities, a Person shall be (a) a Holder of one or more Outstanding Securities on the Record Date pertaining to such meeting or (b) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities by such Holder or Holders on the Record Date pertaining to such meeting. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 8.04. Quorum; Action. (a) The Persons entitled to vote a majority in principal amount of the Outstanding Securities shall constitute a quorum. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities, be dissolved. In any other case, the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 8.02(a) hereof, except that such notice need be given only once and not less than five days prior to the date on which the meeting is scheduled to be reconvened.

(b) At a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid, any resolution and all matters (except as limited by the second paragraph of Section 7.02 hereof) shall be effectively passed and decided if passed or decided by the Persons entitled to vote not less than a majority in principal amount of Outstanding Securities represented and voting at such meeting.

(c) Any resolution passed or decisions taken at any meeting of Holders of Securities duly held in accordance with this Section shall be binding on all the Holders of Securities, whether or not present or represented at the meeting.

Section 8.05. Determination of Voting Rights; Conduct and Adjournment of Meetings. (a) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities in regard to proof of the holding of Securities and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate.

(b) The Trustee shall, by an instrument in writing, appoint a temporary chairman (which may be the Trustee) of the meeting, unless the meeting shall have been called by the Company or by Holders of Securities as provided in Section 8.02(b) hereof, in which case the Company or the Holders of Securities calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in principal amount of the Outstanding Securities represented at the meeting.

(c) At any meeting, each Holder of a Security or proxy shall be entitled to one vote for each $1,000 principal amount of Securities held or represented by it; provided, however, that no vote shall be cast or

counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security or proxy.

(d) Any meeting of Holders of Securities duly called pursuant to Section 8.02 hereof at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in principal amount of the Outstanding Securities represented at the meeting, and the meeting may be held as so adjourned without further notice.

Section 8.06. Counting Votes and Recording Action of Meetings. The vote upon any resolution submitted to any meeting of Holders of Securities shall be by written ballots on which shall be subscribed the signatures of the Holders of Securities or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record, at least in duplicate, of the proceedings of each meeting of Holders of Securities shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more Persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 8.02 hereof and, if applicable, Section 8.04 hereof. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

ARTICLE 9
COVENANTS

Section 9.01. Payment of Principal and Interest. The Company will duly and punctually pay the principal of and interest (including Liquidated Damages, if any) on the Securities in accordance with the terms of the Securities and this Indenture. The Company will deposit or cause to be deposited with the Trustee as directed by the Trustee, no later than the day of the Stated Maturity of any Security or installment of interest (including Liquidated Damages, if any), all payments so due.

Section 9.02. Maintenance of Offices or Agencies. The Company hereby appoints the Trustee's Corporate Trust Office as its office where Securities may be:

(i) presented or surrendered for payment;

(ii) surrendered for registration of transfer or exchange;

(iii) surrendered for conversion;

and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served.

The Company may at any time and from time to time vary or terminate the appointment of any such office or appoint any additional offices for any or all of such purposes; provided, however, that until all of the Securities have been delivered to the Trustee for cancellation, or moneys sufficient to pay the principal of and interest (including Liquidated Damages, if any) on the Securities have been made available for payment and either paid or returned to the Company pursuant to the terms of the Securities, the Company will maintain in The City of New York, an office or agency where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer or exchange, where Securities may be surrendered for conversion and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee, and notice to the Holders in accordance with Section

14.02 hereof, of the appointment or termination of any such agents and of the location and any change in the location of any such office or agency.

If at any time the Company shall fail to maintain any such required office or agency in The City of New York, or shall fail to furnish the Trustee with the address thereof, presentations and surrenders may be made at, and notices and demands may be served on, the Corporate Trust Office of the Trustee.

Section 9.03. Corporate Existence. Subject to Article 6 hereof, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory) and franchises; provided, however, that the Company shall not be required to preserve any such right or franchise if the Company determines that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

Section 9.04. Reports. (a) The Company shall make available to the Trustee and the Holders within 15 days after it is required to file them with the SEC copies of the annual and quarterly reports and other information, documents and other reports deemed "filed" for the purposes of Section 18 of the Exchange Act or incorporated by reference in any filing under the Securities Act or the Exchange Act (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) that the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act; provided, however, that the Company shall not be required to deliver to the Trustee any materials for which the Company has sought and received confidential treatment by the SEC. The Company also shall comply with the other provisions of Section 314(a) of the TIA.

(b) If at any time the Company is not subject to Section 13 or 15(d) of the Exchange Act, upon the request of a Holder of a Security, the Company will promptly furnish or cause to be furnished to such Holder or to a prospective purchaser of such Security designated by such Holder, as the case may be, the information, if any, required to be delivered by it pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with the resale of such Security; provided, however, that the Company shall not be required to furnish such information in connection with any request made on or after the date that is two years from the Issue Date.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 9.05. Compliance Certificate. The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year of the Company beginning with the fiscal year ending on December 31, 2006, an Officers' Certificate stating whether or not the signer thereof has knowledge of any failure by the Company to comply with all conditions and covenants then required to be performed under this Indenture and, if so, specifying each such failure and the nature thereof.

Within five Business Days of an Officer of the Company coming to have actual knowledge of a Default, regardless of the date, the Company shall deliver an Officers' Certificate to the Trustee specifying such Default and the nature and status thereof.

Section 9.06. Registration Rights. The Company agrees that all Holders are entitled to the benefits of the Registration Rights Agreement. Whenever in this Indenture there is mentioned, in any context, the payment of the principal of, premium, if any, or interest on, or in respect of, any Security, such mention shall be deemed to include mention of the payment of "Liquidated Damages" provided for in this Section to the extent that, in such context, Liquidated Damages are, were or would be payable in respect thereof pursuant to the provisions of this Section and express mention of the payment of Liquidated Damages (if applicable) in any provisions hereof shall not be construed as excluding Liquidated Damages in those provisions hereof where such express mention is not made.

In no event will Liquidated Damages on the Securities due to a Registration Default accrue at a rate per year exceeding 0.25% or 0.50%, as applicable pursuant to the Registration Rights Agreement. Liquidated Damages will be computed on the basis of a 360-day year composed of twelve 30-day months. If a Holder elects to convert some or all of its Securities into Common Stock during a Registration Default, the Conversion Rate will increase by 3% as set forth in Section 12.01. The right of a Holder to Liquidated Damages or increase in the Conversion Rate, as the case may be, shall be the sole remedy of the Holder in the event of a Registration Default.

If a Security, or the shares of Common Stock issuable upon conversion of a Security, constitutes Registrable Securities (which is defined herein as defined in the Registration Rights Agreement), and the Holder thereof elects to sell such Registrable Securities pursuant to the Shelf Registration Statement (which is defined herein as defined in the Registration Rights Agreement) then, by its acceptance thereof, the Holder of such Registrable Securities will have agreed to be bound by the terms of the Registration Rights Agreement relating to the Registrable Securities that are subject of such election.

If Liquidated Damages are payable by the Company pursuant to the Registration Rights Agreement, the Company shall deliver to the Trustee an Officers' Certificate to that effect stating (i) the amount of such Liquidated Damages that are payable, (ii) the reason why such Liquidated Damages are payable and (iii) the date on which such damages are payable. Unless and until a Responsible Officer of the Trustee receives such an Officers' Certificate, the Trustee may assume without inquiry that no Liquidated Damages are payable. If the Company has paid Liquidated Damages directly to the persons entitled to such amounts, the Company shall deliver to the Trustee a certificate setting forth the particulars of such payment.

ARTICLE 10
[RESERVED]

ARTICLE 11
REPURCHASE OF SECURITIES

Section 11.01. Repurchase Right Upon Fundamental Change. In the event that a Fundamental Change shall occur at any time prior to Maturity of the Securities, each Holder shall have the right (the "Repurchase Right"), at the Holder's option to require the Company to repurchase, and upon the exercise of such right in accordance with this Section 11.01 hereof the Company shall repurchase, all of such Holder's Securities, or any portion of the principal amount thereof that is equal to $1,000 or any whole multiple thereof (provided, however, that no single Security may be repurchased in part unless the portion of the principal amount of such Security to be Outstanding after such repurchase is equal to $1,000 or whole multiples thereof), on the date (the "Repurchase Date") that is not less than 20 nor more than 35 Business Days after the date of the Company Notice at a repurchase price equal to 100% of the principal amount of the Securities to be repurchased, plus any accrued and unpaid interest (including Liquidated Damages, if any) to, but excluding, the Repurchase Date (the "Repurchase Price"); provided, however, that if the Repurchase Date falls after a Record Date and on or prior to the corresponding Interest Payment Date, the Company shall pay the full amount of any accrued and unpaid interest (including Liquated Damages, if any) payable on such Interest Payment Date to the Holder of record at the close of business on the corresponding Record Date; provided, further, that installments of interest on Securities whose Stated Maturity is prior to or on the Repurchase Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such on the relevant Record Date according to their terms and the provisions of Section 2.01 hereof. Notwithstanding the foregoing, the Company shall not be obligated to repurchase any Securities pursuant to the exercise of a Repurchase Right if a declaration of acceleration has been made in accordance with Section 4.02 and not been rescinded in accordance with Section 4.02.

(a) Company Notice. On or prior to the 15th day after the occurrence of a Fundamental Change, the Company, or, at the written request and expense of the Company, on or prior to the 15th day after such occurrence, the Trustee, shall give to all Holders of Securities notice, in the manner provided in Section 14.02 hereof, of the occurrence of the Fundamental Change and of the Repurchase Right set forth herein arising as a result thereof (the "Company Notice"). The Company shall also deliver a copy of such notice of a Repurchase Right to the Trustee. Each notice of a Repurchase Right shall state:

(i) the Repurchase Date;

(ii) the date by which the Repurchase Right must be exercised;

(iii) the Repurchase Price;

(iv) a description of the procedure that a Holder must follow to exercise a Repurchase Right, and the place or places where such Securities are to be surrendered for payment of the Repurchase Price;

(v) that on the Repurchase Date the Repurchase Price will become due and payable upon each such Security designated by the Holder to be repurchased, and that interest thereon shall cease to accrue on and after said date;

(vi) the Conversion Rate then in effect, the date on which the right to convert the principal amount of the Securities to be repurchased will terminate and the place where such Securities may be surrendered for conversion; and

(vii) the place or places where such Securities, together with the Notice of Exercise of Repurchase Right certificate included in Exhibit A annexed hereto are to be delivered for payment of the Repurchase Price.

No failure of the Company to give the foregoing notices or defect therein shall limit any Holder's right to exercise a Repurchase Right or affect the validity of the proceedings for the repurchase of Securities.

(b) Conditions to the Company's Obligation to Repurchase. To exercise a Repurchase Right, a Holder shall deliver to the Trustee on or prior to the Repurchase Date written notice ("Fundamental Change Repurchase Notice") of the Holder's exercise of such right in the form of the Notice of Exercise of Repurchase Right certificate included in Exhibit A annexed hereto, which notice shall set forth:

(i) the name of the Holder, the principal amount of the Securities to be repurchased (and, if any Security is to be repurchased in part, the serial number thereof, the portion of the principal amount thereof to be repurchased) and a statement that an election to exercise the Repurchase Right is being made thereby, and

(ii) the applicable Depository procedures or, in the case of Physical Securities, the certificate number(s) of the Holder's Securities with respect to which the Repurchase Right is being exercised.

(c) Withdrawal of Fundamental Change Repurchase Notice. A Holder may withdraw any Fundamental Change Repurchase Notice in whole or in part by a written notice of withdrawal delivered to the Paying Agent prior to the close of business on the Repurchase Date. The notice of withdrawal must state:

(i) the principal amount of the withdrawn Securities;

(ii) the applicable Depositary procedures or, with respect to Physical Securities, the certificate number(s) of the withdrawn Securities; and

(iii) the principal amount of Securities, if any, that remains subject to the Fundamental Change Repurchase Notice.

The Paying Agent shall promptly notify the Company of the receipt by it of any Fundamental Change Repurchase Notice or written notice of withdrawal thereof.

(d) Payment of Repurchase Price by the Company; Effect on Holders of Repurchased Securities. Payment of the Repurchase Price for a Security for which a Fundamental Change Repurchase Notice has been delivered and not withdrawn is conditioned upon book-entry transfer or delivery of the Security, together with

necessary endorsements, to the Paying Agent at its Corporate Trust Office, or any other office of the Paying Agent, at any time after delivery of the Fundamental Change Repurchase Notice. The Company shall pay the Repurchase Price for the Security promptly following the later of the Repurchase Date and the time of book-entry transfer or delivery of the Security. If the Paying Agent holds money or securities sufficient to pay the Repurchase Price on the relevant Repurchase Date, then, immediately following the Repurchase Date:

(i) the repurchased Securities will cease to be Outstanding and interest will cease to accrue, and

(ii) all other rights of the Holders of such repurchased Securities will terminate (other than the right to receive the Repurchase Price upon delivery or transfer of such repurchased Securities),

(iii) in each case, whether or not book-entry transfer of the repurchased Securities is made or whether or not the repurchased Securities are delivered to the Paying Agent.

(e) If any Security (or portion thereof) surrendered for repurchase shall not be so paid on the Repurchase Date, the principal amount of such Security (or portion thereof, as the case may be) shall, until paid, bear interest to the extent permitted by applicable law from the Repurchase Date at the Interest Rate, and each Security shall remain convertible into Common Stock until the principal of such Security (or portion thereof, as the case may be) shall have been paid or duly provided for.

(f) Any Security that is to be repurchased only in part shall be surrendered to the Trustee (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and make available for delivery to the Holder of such Security without service charge, a new Security or Securities, containing identical terms and conditions, each in an authorized denomination in aggregate principal amount equal to and in exchange for the unpurchased portion of the principal of the Security so surrendered.

(g) All Securities delivered for repurchase shall be delivered to the Trustee to be canceled at the direction of the Trustee, which shall dispose of the same as provided in Section 2.15 hereof.

(h) In connection with any repurchase of the Securities pursuant to this Section 11.01, the Company will comply with Rule 13e-4 under the Exchange Act to the extent applicable at that time.

(i) Whenever in this Indenture (including Sections 2.02, 4.01(a) and 4.07 hereof) or Exhibit A annexed hereto there is a reference, in any context, to the principal of any Security as of any time, such reference shall be deemed to include reference to the Repurchase Price payable in respect to such Security to the extent that such Repurchase Price is, was or would be so payable at such time, and express mention of the Repurchase Price in any provision of this Indenture shall not be construed as excluding the Repurchase Price in those provisions of this Indenture when such express mention is not made.

ARTICLE 12
CONVERSION OF SECURITIES

Section 12.01. Conversion Right and Conversion Rate. (a) Subject to compliance with the provisions of this Article, at the option of the Holder thereof, any Security or any portion of the principal amount thereof that is $1,000 or a multiple of $1,000 may be converted, at any time, at the principal amount thereof, or of such portion thereof, into the number of duly authorized, fully paid and nonassessable shares of Common Stock at the Conversion Rate in effect at the time of conversion. Such conversion right shall commence on the Issue Date and expire at the close of business on the Business Day immediately preceding Maturity.

(b) If a Holder exercises its Repurchase Right with respect to a Security or portion thereof, such conversion right in respect of the Security or portion thereof shall expire at the close of business on the Business Day preceding the Repurchase Date.

(c) The initial Conversion Rate for each $1,000 principal amount of the Securities shall be 35.7143 shares of Common Stock (herein called the "Conversion Rate") (which is equivalent to an initial Conversion Price for each $1,000 principal amount of the Securities of approximately $28.00 per share of Common Stock). The Conversion Rate is subject to adjustment in certain instances as provided in paragraphs (a), (b), (c), (d), (e) and (f) of Section 12.04 hereof; provided that if, at any time a Holder tenders Securities for conversion, there exists a Registration Default, the Conversion Rate shall be increased by 3% for such Securities converted.

(d) If a Make Whole Fundamental Change or a Termination of Trading occurs prior to the close of business on the Business Day prior to Maturity, a Holder surrendering Securities for conversion, (i) in the case of a Make Whole Fundamental Change, at any time from and after the 30th day prior to the anticipated Effective Date of such Make Whole Fundamental Change, or (ii) in the case of a Termination of Trading, from and after the Effective Date of such Termination of Trading, until the 30th day following the actual Effective Date of such Make Whole Fundamental Change or such Termination of Trading, shall be entitled to the increase in the Conversion Rate, if any, specified in Section 12.01(e); provided that if a Holder converts its Securities on or after the 30th day prior to such anticipated Effective Date, and such Fundamental Change does not occur, such Holder will not be entitled to an increased Conversion Rate as described in Section 12.01(e) in connection with such conversion. The Company shall give written notice (the "Fundamental Change Notice") to all Holders and the Trustee of any such Fundamental Change and issue a press release providing the same information no later than 35 days prior to the anticipated Effective Date of any such Make Whole Fundamental Change and no later than five days following the Effective Date of any such Termination of Trading.

(e) (i) If a Holder elects to convert Securities in connection with a Make Whole Fundamental Change or a Termination of Trading, the Conversion Rate applicable to each $1,000 principal amount of Securities so converted shall be increased by an additional number of shares of Common Stock (the "Additional Shares") as specified in Section 12.02(e)(ii) below. Settlement of Securities so tendered for conversion shall be made in accordance with Section 12.01(h) or Section 12.01(k), as applicable. For purposes of this Section 12.01(e), a conversion shall be deemed to be "in connection" with a Make Whole Fundamental Change or Termination of Trading to the extent that such conversion is effected during the relevant time period specified in Section 12.01(b).

(ii) The number of Additional Shares by which the Conversion Rate will be increased shall be determined by reference to the table attached as Schedule A hereto, based on the Conversion Date for the Securities being converted and the Stock Price; provided, however, that if the actual Stock Price is between two Stock Prices in the table or the relevant Conversion Date is between two Effective Dates in the table, the number of Additional Shares shall be determined by a straight-line interpolation between the number of Additional Shares set forth for the next higher and next lower Stock Prices and the two Conversion Dates, as applicable, based on a 365-day year; and provided, further, however, that if (1) the Stock Price is greater than $65.00 per share of Common Stock (subject to adjustment in the same manner as set forth in Section 12.04), no Additional Shares will be added to the Conversion Rate, and (2) the Stock Price is less than $22.32 per share (subject to adjustment in the same manner as set forth in Section 12.04), no Additional Shares will be added to the Conversion Rate. Notwithstanding the foregoing, in no event will the total number of shares of Common Stock issuable upon conversion exceed 44.8028 per $1,000 principal amount of Securities (subject to adjustment in the same manner as set forth in Section 12.04).

(iii) The Stock Prices set forth in the first row of the table in Schedule A hereto shall be adjusted as of any date on which the Conversion Rate is adjusted. The adjusted Stock Prices shall equal the Stock Prices applicable immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the Conversion Rate in effect immediately prior to the adjustment giving rise to the Stock Price adjustment and the denominator of which is the Conversion Rate as so adjusted. The number of Additional Shares within the table in Schedule A hereto shall be adjusted in the same manner as the Conversion Rate as set forth in Section 12.04.

(f) (i) Subject to Section 12.11 and except to the extent the Company has irrevocably elected Principal Cash Settlement as set forth in Section 12.01(g) below, in lieu of delivery of shares of Common Stock in satisfaction of the Company's obligation upon conversion of Securities (the "Conversion Obligation"), the Company may elect to deliver cash or a combination of cash and shares of Common Stock in satisfaction of such Conversion Obligation.

(ii) Except to the extent the Company has irrevocably elected Principal Cash Settlement as set forth in Section 12.01(g) below, the Company shall inform the Holders through the Trustee of the method the Company has chosen to satisfy its Conversion Obligation upon conversion, as follows: (A) in respect of Securities converted during the period beginning twenty-five Trading Days immediately preceding the Stated Maturity and ending on the Trading Day immediately preceding the Stated Maturity, twenty-six Trading Days immediately preceding the Stated Maturity; and (B) in all other cases, no later than two Trading Days following the Conversion Date.

(iii) If the Company elects to satisfy any portion of its Conversion Obligation by delivering cash, the Company shall specify in such notice the portion to be paid in cash. The Company shall treat all Holders converting on the same Trading Day in the same manner. The Company shall not have any obligation to satisfy Conversion Obligations arising on different Trading Days in the same manner.

(iv) If the Company elects to satisfy any portion of the Conversion Obligation in cash (other than cash in lieu of fractional shares, if applicable), a Holder may retract its conversion notice at any time during the two Trading Day period beginning on the Trading Day after the last Trading Day after the Company has notified the Trustee and the Holders of the method of settlement it has elected (the "Conversion Retraction Period"); provided that no such retraction can be made (and a conversion notice shall be irrevocable) (A) if the Holder delivers the conversion notice during the period beginning 25 Trading Days immediately preceding the Stated Maturity and ending one Trading Day immediately preceding the Stated Maturity or (B) if the Company has irrevocably elected Principal Cash Settlement pursuant to Section 12.01(g) before such Holder delivers its conversion notice. No retraction can be made and a conversion notice shall be irrevocable if the Company does not elect to deliver any cash upon conversion.

(v) With respect to each Holder that exercises its conversion right in accordance with this Indenture, if such Holder's conversion notice has not been retracted, assuming all of the other requirements have been satisfied by such Holder, then settlement (a) in Common Stock only shall occur as soon as reasonably practicable after the third Trading Day following the Conversion Date and (b) in cash or in a combination of cash and Common Stock shall occur on the third Trading Day following the final Trading Day of the Conversion Period.

(vi) Settlement amounts shall be computed as follows:

(A) if the Company elects to satisfy the entire Conversion Obligation in Common Stock, the Company shall deliver to such Holder for each $1,000 principal amount of Securities converted a number of shares of Common Stock equal to the Conversion Rate, then in effect on the date of conversion (plus cash in lieu of fractional shares, if applicable, calculated as provided in Section 12.03);

(B) if the Company elects to satisfy the entire Conversion Obligation in cash, the Company shall deliver to such holder for each $1,000 principal amount of Securities converted cash in an amount equal to the Conversion Value;

(C) if the Company elects to satisfy the Conversion Obligation in a combination of cash (excluding any cash paid for fractional shares, if applicable) and Common Stock (including pursuant to Section 12.01(g)), the Company shall deliver to such Holder for each $1,000 principal amount of Securities converted:

(x) an amount in cash (the "Specified Dollar Amount") equal to the fixed dollar amount per $1,000 principal amount of Securities of the Conversion Obligation to be satisfied in cash as specified in the notice regarding the Company's chosen method of settlement; and

(y) a number of whole shares of Common Stock equal to the sum of the Daily Share Amounts for each of the Trading Days in the Conversion Period (plus cash in lieu of fractional shares, if applicable, calculated as provided in Section 12.03).

(g) Notwithstanding anything to the contrary in this Indenture, at any time prior to the 26th Trading Day preceding the Stated Maturity, the Company may irrevocably elect, in its sole discretion without the consent of the Holders of the Securities, by written notice to the Trustee and the Holders of the Securities, to satisfy in cash the Conversion Obligation with respect to the principal amount of Securities to be converted after the date of such election, with any remaining amount of the Conversion Obligation to be satisfied in shares of Common Stock ("Principal Cash Settlement"). The settlement amount will be computed as described under clause (f)(vi) above, using the lesser of $1,000 and (ii) the Conversion Value as the fixed dollar amount per $1,000 principal amount of Securities of the Conversion Obligation to be satisfied in cash.

(h) If the Conversion Rate is increased by the Additional Shares pursuant to Section 12.01(d) and the Company does not (A) elect to deliver cash to settle any portion of the Conversion Obligation (other than cash in lieu of fractional shares pursuant to Section 12.03) or (B) irrevocably elect Principal Cash Settlement pursuant to Section 12.01(g), the Company shall satisfy the Conversion Obligation with respect to each $1,000 principal amount of Securities tendered for conversion as follows:

(i) If the date on which Securities are surrendered for conversion is prior to the third Trading Day preceding the anticipated Effective Date of the relevant Make Whole Fundamental Change (the "Cut-off Date"), the Company shall satisfy the Conversion Obligation by delivering the number of shares of Common Stock (based on the Conversion Rate without regard to the number of Additional Shares to be added to the Conversion Rate pursuant to Section 12.01(d) on the third Trading Day immediately following the Cut-off Date. In addition, as soon as practicable following the Effective Date of the relevant Make Whole Fundamental Change (but in any event within three Trading Days of such Effective Date), the Company shall deliver the number of Additional Shares to be added to the Conversion Rate pursuant to Section 12.01(d), if any, or the equivalent of such shares in Reference Property, as applicable.

(ii) If the date on which Securities are surrendered for conversion is on or following the Cut-off Date (and, in the case of a Termination of Trading on or after the Effective Date thereof), the Company shall satisfy the Conversion Obligation (based on the Conversion Rate as increased by the Additional Shares pursuant to Section 12.01(d)) on the later to occur of (A) the Effective Date of the relevant Make Whole Fundamental Change or Termination of Trading and (B) the third Trading Day immediately following the Conversion Date by delivering the number of shares of Common Stock (based on the Conversion Rate without regard to the number of Additional Shares to be added to the Conversion Rate pursuant to Section 12.01(d)) plus the number of Additional Shares to be added to the Conversion Rate pursuant to Section 12.01(d), if any, or the equivalent of such shares in Reference Property, as applicable.

(i) If the Conversion Rate is increased by the Additional Shares pursuant to Section 12.01(d), and the Company elects to deliver cash in respect of all or a portion of the Conversion Obligation (other than cash in lieu of fractional shares pursuant to paragraph Section 12.03) or the Company irrevocably elects Principal Cash Settlement pursuant to Section 12.01(g), the Company shall satisfy the Conversion Obligation with respect to each $1,000 principal amount of Securities tendered for conversion as follows:

(i) If the last day of the applicable Conversion Period related to Securities surrendered for conversion is prior to the Cut-off Date, the Company shall satisfy the Conversion Obligation by delivering the amount of cash and shares of Common Stock (based on the Conversion Rate, but without regard to the number of Additional Shares to be added to the Conversion Rate pursuant to Section 12.01(d)) on the third Trading Day immediately following the last day of the applicable Conversion Period. In addition, as soon as practicable following the Effective Date of the relevant Fundamental Change (but in any event within three Trading Days of such Effective Date), the Company shall deliver the increase in such amount of cash and Additional Shares (or Reference Property deliverable in lieu of shares of Common Stock, if applicable), if any, as if the Conversion Rate had been increased by such number of Additional Shares during the related Conversion Period (and based upon the related Conversion Value). If such increased

amount results in an increase to the amount of cash to be paid to Holders, the Company shall pay such increase in cash, and if such increased settlement amount results in an increase to the number of shares of Common Stock, the Company shall deliver such increase by delivering shares of the Company's Common Stock or, if applicable, Reference Property based on such increased number of shares.

(ii) If the last day of the applicable Conversion Period related to Securities surrendered for conversion is on or following the Cut-off Date, the Company shall satisfy the Conversion Obligation with respect to each $1,000 principal amount of Securities tendered for conversion (based on the Conversion Rate as increased by the Additional Shares pursuant to Section 12.01(d) above) on the later to occur of (A) the Effective Date of the relevant Make Whole Fundamental Change or Termination of Trading and (B) the third Trading Day immediately following the last day of the applicable Conversion Period.

Section 12.02. Exercise of Conversion Right. To exercise the conversion right, the Holder of any Security to be converted shall surrender such Security duly endorsed or assigned to the Company or in blank, at the office of any Conversion Agent, accompanied by a duly signed conversion notice substantially in the form attached to the Security to the Company stating that the Holder elects to convert such Security or, if less than the entire principal amount thereof is to be converted, the portion thereof to be converted. The date a Holder complies with these requirements for any Securities shall be the "Conversion Date" with respect to such Securities.

The Person in whose name the certificate for any shares of Common Stock issued upon conversion is registered shall be treated as a stockholder of record (i) on the close of business on the Conversion Date (if the Company delivers solely shares of Common Stock in respect of its Conversion Obligation) or (ii) the close of business on the last Trading Day of the applicable Conversion Period (if the Company delivers cash in respect of any portion of its Conversion Obligation or if the Company has irrevocably elected Principal Cash Settlement pursuant to Section 12.01(g)); provided, however, that no surrender of Securities on any date when the stock transfer books of the Company shall be closed shall be effective to constitute the person or persons entitled to receive the shares of Common Stock upon such conversion as the record holder or holders of such shares of Common Stock on such date, but such surrender shall be effective to constitute the person or persons entitled to receive such shares of Common Stock as the record holder or holders thereof for all purposes at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Rate in effect on the date that such Securities shall have been surrendered for conversion, as if the stock transfer books of the Company had not been closed. Upon conversion of Securities, such person shall no longer be a Holder.

In the case of any Security that is converted in part only, upon such conversion the Company shall execute and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company, a new Security or Securities of authorized denominations in aggregate principal amount equal to the unconverted portion of the principal amount of such Securities.

If shares of Common Stock to be issued upon conversion of a Restricted Security, or Securities to be issued upon conversion of a Restricted Security in part only, are to be registered in a name other than that of the Holder of such Restricted Security, such Holder must deliver to the Conversion Agent a certificate in substantially the form set forth in the form of Security set forth in Exhibit A annexed hereto, dated the date of surrender of such Restricted Security and signed by such Holder, as to compliance with the restrictions on transfer applicable to such Restricted Security. Neither the Trustee nor any Conversion Agent, Registrar or Transfer Agent shall be required to register in a name other than that of the Holder shares of Common Stock or Securities issued upon conversion of any such Restricted Security not so accompanied by a properly completed certificate.

The Company hereby initially appoints the Trustee as the Conversion Agent.

Delivery to the Holder of Securities of the full number of shares of Common Stock into which the Securities are convertible pursuant to the terms of this Article 12 shall satisfy the Company's obligation with respect to such Securities. Accordingly, subject to Section 2.01, any accrued but unpaid interest shall be deemed to be paid in full upon conversion, rather than cancelled, extinguished or forfeited.

Section 12.03. Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of any Security or Securities. If more than one Security shall be surrendered for conversion at one time by the same Holder, the number of full shares that shall be issued upon conversion thereof shall be computed on the basis of the aggregate principal amount of the Securities (or specified portions thereof) so surrendered. Instead of any fractional share of Common Stock that would otherwise be issued upon conversion of any Security or Securities (or specified portions thereof), the Company shall pay cash in lieu of fractional shares based on the Last Reported Sale Price of the Common Stock on the Trading Day prior to the Conversion Date (if the Company delivers solely shares of Common Stock to satisfy its Conversion Obligation) or the Last Reported Sale Price of the Common Stock on the last Trading Day of the relevant Conversion Period (if the Company delivers cash to satisfy a portion, but less than all, of its Conversion Obligation or if the Company has irrevocably elected Principal Cash Settlement pursuant to Section 12.01(g)).

Section 12.04. Adjustment of Conversion Rate. The Conversion Rate shall be subject to adjustments, calculated by the Company, from time to time as follows:

(a) In case the Company shall pay or make a dividend or other distribution in shares of Common Stock, subdivide or combine outstanding shares of Common Stock into a greater number of shares of Common Stock or combine the outstanding shares of Common Stock into a lesser number of shares of Common Stock, the Conversion Rate in effect at the opening of business on the day following the Ex-Date in respect of the Record Date fixed for the determination of stockholders entitled to receive such dividend or other distribution, or the Ex-Date in respect of the Record Date for such subdivision or combination, as the case may be, shall be adjusted based on the following formula:

$$CR^1 = CR_0 \times \frac{OS^1}{OS_0}$$

where,

CR_0	=	the Conversion Rate in effect at the close of business on the Ex-Date
CR^1	=	the Conversion Rate in effect immediately after the Ex-Date
OS_0	=	the number of shares of Common Stock outstanding at the close of business on the Ex-Date
OS^1	=	the number of shares of Common Stock that would be outstanding immediately after such event

If, after any such Ex-Date, any dividend or distribution is not in fact paid or the outstanding shares of Common Stock are not subdivided or combined, as the case may be, the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, or subdivide or combine the outstanding shares of Common Stock, as the case may be, to the Conversion Rate that would have been in effect if such Ex-Date had not been fixed.

(b) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them to subscribe for or purchase shares of Common Stock for a period expiring 45 days or less from the date of issuance of such rights or warrants at a price per share less than the Current Market Price of the Common Stock (as defined in Section 12.04(g)), on the Business Day immediately preceding the announcement of such issuance, the Conversion Rate in effect at the opening of business on the day following the Ex-Date in respect of the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants shall be adjusted based on the following formula:

$$CR^1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR_0	=	the Conversion Rate in effect at the close of business on the Ex-Date
CR^1	=	the Conversion Rate in effect immediately after the Ex-Date
OS_0	=	the number of shares of Common Stock outstanding at the close of business on the Ex-Date
X	=	the total number of shares of Common Stock issuable pursuant to such rights
Y	=	the number of shares of Common Stock equal to the aggregate price payable to exercise such rights divided by the average of the Last Reported Sale Prices of the Common Stock for the ten consecutive Trading Days prior to the Business Day immediately preceding the announcement of the issuance of such rights or warrants

If, after any such Ex-Date, any such rights or warrants are not in fact issued, or are not exercised prior to the expiration thereof, the Conversion Rate shall be immediately readjusted, effective as of the date such rights or warrants expire, or the date the Board of Directors determines not to issue such rights or warrants, to the Conversion Rate that would have been in effect if the unexercised rights or warrants had never been granted or such Ex-Date had not been fixed, as the case may be.

(c) In case the Company shall pay a dividend or distribution in excess of the Dividend Threshold Amount exclusively of cash to all holders of its Common Stock, the Conversion Rate in effect at the opening of business on the day following the Ex-Date in respect of the Record Date for such dividend or distribution shall be adjusted based on the following formula:

$$CR^1 = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where,

CR_0	=	the Conversion Rate in effect at the close of business on the Ex-Date
CR^1	=	the Conversion Rate in effect immediately after the Ex-Date
SP_0	=	the Current Market Price
C	=	the amount in cash per share the Company distributes to holders of its Common Stock that is in excess of $0.0625 in any quarter (the "Dividend Threshold Amount"); provided that the Dividend Threshold Amount shall be adjusted on an inversely proportional basis whenever adjustments to the Conversion Rate are made (other than adjustments made to the Conversion Rate due to cash dividends or distributions pursuant to this Section 12.01(c))

In the event that C is greater than or equal to SP_0, in lieu of the adjustment contemplated, Holders will be entitled to participate ratably in the cash distribution as though their Securities had been converted to shares of Common Stock on the applicable date of calculation for the amounts to be received by holders of Common Stock. If after any such Ex-Date, any such dividend or distribution is not in fact made, the Conversion Rate shall be immediately readjusted, effective as of the date of the Board of Directors determines not to make such dividend or distribution, to the Conversion Rate that would have been in effect if such Ex-Date had not been fixed.

(d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of its capital stock (other than Common Stock) or evidences of its indebtedness or assets (including cash or securities, but excluding (i) any rights or warrants referred to in (b), and (ii) any dividend or

distribution paid exclusively in cash), the Conversion Rate in effect at the opening of business on the day following the Ex-Date in respect of the Record Date for such dividend or distribution shall be adjusted based on the following formula:

$$CR^1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR_0	=	the Conversion Rate in effect at the close of business on the Ex-Date
CR^1	=	the Conversion Rate in effect immediately after the Ex-Date
SP_0	=	the Current Market Price
FMV	=	the Fair Market Value (as determined by the Board of Directors) of the shares of capital stock, evidences of indebtedness, assets or property distributed with respect to each outstanding share of Common Stock on the Ex-Date for such distribution

In the event that FMV is greater than or equal to SP_0, in lieu of the adjustment contemplated, Holders will be entitled to participate ratably in the relevant distribution as though their Securities had been converted to shares of Common Stock on the applicable date of calculation for the amounts to be received by holders of Common Stock. If after any such Ex-Date, any such dividend or distribution is not in fact made, the Conversion Rate shall be immediately readjusted, effective as of the date of the Board of Directors determines not to make such dividend or distribution, to the Conversion Rate that would have been in effect if such Ex-Date had not been fixed.

For purposes of this clause (d), in case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of capital stock of, or similar equity interests in, a Subsidiary or other business unit of the Company, the Conversion Rate shall be adjusted based on the following formula:

$$CR^1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR_0	=	the Conversion Rate in effect at the close of business on the Ex-Date
CR^1	=	the Conversion Rate in effect immediately after the Ex-Date
FMV_0	=	the average of the sale prices of the capital stock or similar equity interest distributed to holders of Common Stock applicable to one share of Common Stock over the 10 Trading Days commencing on and including the fifth Trading Day after the Ex-Date
MP_0	=	the average of the Last Reported Sale Prices of Common Stock over the 10 Trading Days commencing on and including the fifth Trading Day after the Ex-Date

Rights or warrants distributed by the Company to all holders of Common Stock entitling the holders thereof to subscribe for or purchase shares of the Company's capital stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a specified event or events ("Trigger Event"):

(i) are deemed to be transferred with such shares of Common Stock,

(ii) are not exercisable, and

(iii) are also issued in respect of future issuances of Common Stock shall be deemed not to have been distributed for purposes of this Section 12.04(d) (and no adjustment to the Conversion Rate under this Section 12.04(d) will be required) until the occurrence of the earliest Trigger Event. To the extent a Conversion Date occurs prior to any such Trigger Event, a Holder will receive, in addition to the Common Stock, such rights or warrants. If such right or warrant is subject to subsequent events, upon the occurrence of which such right or warrant shall become exercisable to purchase different securities, evidences of indebtedness or other assets or entitle the holder to purchase a different number or amount of the foregoing or to purchase any of the foregoing at a different purchase price, then the occurrence of each such event shall be deemed to be the date of issuance and Record Date with respect to a new right or warrant (and a termination or expiration of the existing right or warrant without exercise by the holder thereof). In addition, in the event of any distribution (or deemed distribution) of rights or warrants, or any Trigger Event or other event (of the type described in the preceding sentence) with respect thereto, that resulted in an adjustment to the Conversion Rate under this Section 12.04(d):

(1) in the case of any such rights or warrants that shall all have been redeemed or repurchased without exercise by any holders thereof, the Conversion Rate shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption price or repurchase price received by a holder of Common Stock with respect to such rights or warrant (assuming such holder had retained such rights or warrants), made to all holders of Common Stock as of the date of such redemption or repurchase, and

(2) in the case of such rights or warrants all of which shall have expired or been terminated without exercise, the Conversion Rate shall be readjusted as if such rights and warrants had never been issued.

For purposes of this Section 12.04(d) and Section 12.04(a) and Section 12.04(b), any dividend or distribution to which this Section 12.04(d) is applicable that also includes shares of Common Stock or a subdivision or combination of Common Stock to which Section 12.04(a) applies, or rights or warrants to subscribe for or purchase shares of Common Stock to which Section 12.04(b) applies (or any combination thereof), shall be deemed instead to be:

(1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which Section 12.04(a) and Section 12.04(b) apply, respectively (and any Conversion Rate increase required by this Section 12.04(d) with respect to such dividend or distribution shall then be made), immediately followed by

(2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Rate increase required by Section 12.04(a) and Section 12.04(b) with respect to such dividend or distribution shall then be made), except:

(A) the Ex-Date of such dividend or distribution shall be substituted as (x) "the Ex-Date in respect of the Record Date fixed for the determination of stockholders entitled to receive such dividend or other distribution", "the Ex-Date in respect of the Record Date fixed for such subdivision or combination" and "Ex-Date" within the meaning of Section 12.04(a), (y) "the day upon which such subdivision or combination becomes effective" within the meaning of Section 12.04(b), and (z) "the Ex-Date in respect of the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants" within the meaning of Section 12.04(b), and

(B) any shares of Common Stock included in such dividend or distribution shall not be deemed outstanding at the close of business on the Ex-Date fixed for such determination within the meaning of Section 12.04(a) and any reduction or increase in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.

(e) In case the Company or any Subsidiary of the Company purchases all or any portion of the Common Stock pursuant to a tender offer or exchange offer by the Company or any Subsidiary of the Company for the Common Stock and the cash and value of any other consideration included in the payment per share of the Common Stock exceeds the Current Market Price per share on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (the "Expiration Date"), the Conversion Rate shall be will be adjusted based on the following formula:

$$CR^1 = CR_0 \times \frac{FMV + (SP^1 \times OS^1)}{OS_0 \times SP^1}$$

where,

CR_0	=	the Conversion Rate in effect on the Expiration Date
CR^1	=	the Conversion Rate in effect immediately after the Expiration Date
FMV	=	the Fair Market Value (as determined by the Board of Directors) of the aggregate value of all cash and any other consideration paid or payable for shares of Common Stock validly tendered or exchanged and not withdrawn as of the Expiration Date (the "Purchased Shares")
OS^1	=	the number of shares of Common Stock outstanding immediately after the Expiration Date less any Purchased Shares
OS_0	=	the number of shares of Common Stock outstanding immediately after the Expiration Date, including any Purchased Shares
SP^1	=	the Last Reported Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Date

Such increase (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Date. In the event that the Company is obligated to purchase shares pursuant to any such tender offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such tender or exchange offer had not been made. If the application of this Section 12.04(e) to any tender or exchange offer would result in a decrease in the Conversion Rate, no adjustment shall be made for such tender or exchange offer under this Section 12.04(e).

(f) In case of a tender or exchange offer made by a Person other than the Company or any Subsidiary for an amount that increases the offeror's ownership of Common Stock to more than twenty-five percent (25%) of the Common Stock outstanding and shall involve the payment by such Person of consideration per share of Common Stock having a Fair Market Value (as determined by the Board of Directors, whose determination shall be conclusive, and described in a resolution of the Board of Directors) that as of the last date (the "Offer Expiration Date") tenders or exchanges may be made pursuant to such tender or exchange offer (as it shall have been amended) exceeds the Last Reported Sale Price per share of the Common Stock on the Trading Day next succeeding the Offer Expiration Date, and in which, as of the Offer Expiration Date the Board of Directors is not recommending rejection of the offer, the Conversation Rate shall be adjusted based on the following formula:

$$CR^1 = CR_0 \times \frac{FMV + (SP^1 \times OS^1)}{OS_0 \times SP^1}$$

where,

CR_0	=	the Conversion Rate in effect on the Offer Expiration Date
CR^1	=	the Conversion Rate in effect immediately after the Offer Expiration Date
FMV	=	the Fair Market Value (as determined by the Board of Directors) of the aggregate consideration payable to holders of Common Stock based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the shares deemed so accepted, up to any such maximum, the "Accepted Purchased Shares")
OS^1	=	the number of shares of Common Stock outstanding immediately after the Offer Expiration Date less any Accepted Purchased Shares
OS_0	=	the number of shares of Common Stock outstanding immediately after the Offer Expiration Date, including any Accepted Purchased Shares
SP^1	=	the Last Reported Sale Price of the Common Stock on the Trading Day next succeeding the Offer Expiration Date

Such adjustment shall become effective immediately prior to the opening of business on the day following the Offer Expiration Date. In the event that such Person is obligated to purchase shares pursuant to any such tender or exchange offer, but such Person is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such tender or exchange offer had not been made. Notwithstanding the foregoing, the adjustment described in this Section 12.04(f) shall not be made if, as of the Offer Expiration Date, the offering documents with respect to such offer disclose a plan or intention to cause the Company to engage in any transaction described in Section 12.11.

(g) For purposes of this Section 12.04, the following terms shall have the meanings indicated:

"Current Market Price" of the Common Stock on any day means the average of the Last Reported Sale Price of the Common Stock for each of the 10 consecutive Trading Days ending on the earlier of the day in question and the day before the "Ex-Date" with respect to the issuance or distribution requiring such computation.

For purposes of this paragraph, the term "Ex-Date", when used:

(i) with respect to any issuance or distribution, means the first date on which the shares of the Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive such issuance or distribution;

(ii) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and

(iii) with respect to any tender or exchange offer, means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Date or Offer Expiration Date of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this Section 12.04, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this Section 12.04 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

"Fair Market Value" shall mean the amount that a willing buyer would pay a willing seller in an arm's length transaction.

"Record Date" shall mean, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

(h) The Company may make such increases in the Conversion Rate, in addition to those required by Section 12.04(a), (b), (c), (d), (e) and (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

(i) The Company may from time to time, to the extent permitted by law and subject to applicable rules of the Nasdaq Global Market, increase the Conversion Rate of the Securities by any amount for any period of at least 20 days. In such event, the Company shall give at least 15 days' notice of such increase.

(j) Except as otherwise provided in this Article 12, no adjustment need be made for the issuance of Common Stock or any securities convertible into or exchangeable for Common Stock or that carry the right to purchase any of the foregoing. All calculations under this Article 12 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock.

The Company will be responsible for making all calculations and determinations called for under the Indenture. The Company or its agent will make these calculations and determinations in good faith, and, absent manifest error, such calculations and determinations will be final and binding on the Holders, and the Trustee and the Conversion Agent shall have no responsibility with respect thereto. The Company will provide a schedule of these calculations and determinations to the Trustee and the Conversion Agent, and the Trustee and the Conversion Agent shall be entitled to rely upon the accuracy of these calculations without independent verification thereof.

(k) To the extent the Holders of Securities may participate on an as-converted basis equally with the holders of Common Stock in any event or occurrence, then Section 12.04 hereof shall not apply to such event on occurrence.

(l) In any case in which this Section 12.04 provides that an adjustment shall become effective immediately after an Ex-Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Security converted after such Ex-Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction pursuant to Section 12.03 hereof.

(m) For purposes of this Section 12.04, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

Section 12.05. Notice of Adjustments of Conversion Rate. Whenever the Conversion Rate is adjusted as herein provided (other than in the case of an adjustment pursuant to Section 12.04(i) for which the notice

required by such paragraph has been provided), the Company shall promptly file with the Trustee and any Conversion Agent other than the Trustee an Officers' Certificate setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based. Unless and until a Responsible Officer of the Trustee receives at the Corporate Trust Office of the Trustee an Officers' Certificate describing an adjustment of the Conversion Price, the Trustee may assume without inquiry that no such adjustment has been made. Promptly after delivery of such Officers' Certificate, the Company shall prepare a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective, and shall mail such notice to each Holder at the address of such Holder as it appears in the Register within 20 days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

Section 12.06. Notice Prior to Certain Actions. In case at any time after the date hereof:

(1) the Company shall declare a dividend (or any other distribution) on its Common Stock payable otherwise than in cash out of its capital surplus or its consolidated retained earnings;

(2) the Company shall authorize the granting to the holders of its Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class (or of securities convertible into shares of capital stock of any class) or of any other rights;

(3) there shall occur any reclassification of the Common Stock of the Company (other than a subdivision or combination of its outstanding Common Stock, a change in par value, a change from par value to no par value or a change from no par value to par value), or any merger, consolidation, binding share exchange or combination to which the Company is a party and for which approval of any shareholders of the Company is required, or the sale, lease or other transfer in one transaction or a series of related transactions to another corporation of the consolidated assets of the Company and its Subsidiaries, substantially as an entirety; or

(4) there shall occur the voluntary or involuntary dissolution, liquidation or winding up of the Company; the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of securities pursuant to Section 9.02 hereof, and shall cause to be provided to the Trustee and all Holders in accordance with Section 14.02 hereof, at least 20 days (or 10 days in any case specified in clause (1) or (2) above) prior to the applicable record or effective date hereinafter specified, a notice stating:

(A) the date on which a record is to be taken for the purpose of such dividend, distribution, rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined, or

(B) the date on which such reclassification, merger, consolidation, binding share exchange, combination, sale, lease, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, merger, consolidation, binding share exchange, sale, lease, transfer, dissolution, liquidation or winding up.

Neither the failure to give such notice nor any defect therein shall affect the legality or validity of the proceedings or actions described in clauses (1) through (4) of this Section 12.06.

Section 12.07. Company to Reserve Common Stock. The Company shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, for the purpose of

effecting the conversion of Securities, the full number of shares of fully paid and non-assessable Common Stock then issuable upon the conversion of all Outstanding Securities.

Section 12.08. Tax on Conversions. Except as provided in the next sentence, the Company will pay any and all taxes (other than taxes on income) and duties that may be payable in respect of the issue or delivery of shares of Common Stock on conversion of Securities pursuant hereto. A Holder delivering a Security for conversion shall be liable for and will be required to pay any tax or duty that may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that of the Holder of the Security or Securities to be converted, and no such issue or delivery shall be made unless the Person requesting such issue has paid to the Company the amount of any such tax or duty, or has established to the satisfaction of the Company that such tax or duty has been paid.

Section 12.09. Covenant as to Common Stock. The Company covenants that all shares of Common Stock that may be issued upon conversion of Securities will upon issue be fully paid and nonassessable and, except as provided in Section 12.08, the Company will pay all taxes, liens and charges with respect to the issue thereof.

Section 12.10. Cancellation of Converted Securities. All Securities delivered for conversion shall be delivered to the Trustee to be canceled by or at the direction of the Trustee, which shall dispose of the same as provided in Section 2.09.

Section 12.11. Effect of Recapitalization, Reclassification, Consolidation, Merger or Sale. (a) If any of the following events occur: (i) any recapitalization, reclassification or change of the outstanding shares of Common Stock (other than a subdivision or combination to which Section 12.04(a) applies) as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, (ii) any consolidation, merger or combination of the Company with another Person as a result of which holders of Common Stock shall be entitled to receive cash, securities or other property (or any combination thereof) with respect to or in exchange for such Common Stock, or (iii) any sale, lease or other transfer of the consolidated assets of the Company and its Subsidiaries, as an entirety or substantially as an entirety, to, or any statutory share exchange with, any other Person as a result of which holders of Common Stock shall be entitled to receive cash, securities or other property or assets (or any combination thereof) with respect to or in exchange for such Common Stock (any such event or transaction, a "Reorganization Event"), then the Company or the successor or purchasing Person, as the case may be, shall execute with the Trustee a supplemental indenture (which shall comply with the TIA as in force at the date of execution of such supplemental indenture and with the provisions of Article 7 herein) providing that each Security shall be convertible into the kind and amount of shares or stock, other securities or other property or assets (including cash or any combination thereof) that a holder of a number of shares of Common Stock equal to the applicable Conversion Rate prior to such Reorganization Event would have owned or been entitled to receive (the "Reference Property") in such Reorganization Event. Such supplemental indenture shall provide for provisions and adjustments which shall be as nearly equivalent as may be practicable to the provisions and adjustments provided for in this Article 12, Article 9 and Article 11 and the definition of Fundamental Change, as appropriate, as determined in good faith by the Company (which determination shall be conclusive and binding), to make such provisions apply to such other Person if different from the original issuer of the Securities.

(b) Notwithstanding the provisions of Section 12.01(f), (g), (h) and (i), and subject to the provisions of Section 12.01(a), (b), (c), (d) and (e), at the effective time of such Reorganization Event, the right to convert each $1,000 principal amount of Securities will be changed to a right to convert such Security by reference to the kind and amount of cash, securities or other property or assets that a holder of a number of shares of Common Stock equal to the Conversion Rate immediately prior to such transaction would have owned or been entitled to receive (the "Reference Property") such that from and after the effective time of such transaction, the Conversion Obligation shall be settled:

(i) if the Company does not elect to deliver cash in respect of any portion of its Conversion Obligation (other than cash in lieu of fractional shares pursuant to Section 12.03) and the Company has not irrevocably elected Principal Cash Settlement pursuant to Section 12.01(g),

Reference Property in an amount equal to the amount of Reference Property that a holder of a number of shares of Common Stock equal to the applicable Conversion Rate immediately prior to such Reorganization Event would have received at the effective time of such Reorganization Event; or

(ii) if the Company elects to deliver cash in respect of any portion of its Conversion Obligation (other than cash in lieu of fractional shares pursuant to Section 12.03) or the Company has irrevocably elected Principal Cash Settlement pursuant to Section 12.01(g), (A) cash in an amount equal to the portion of the Company's Conversion Obligation that it has elected to settle with cash (or up to the aggregate principal amount of Securities to be converted if the Company has irrevocably elected Principal Cash Settlement pursuant to Section 12.01(g)); and (B) in lieu of the shares of Common Stock otherwise deliverable, if any, Reference Property.

(c) If the Company elects to settle any conversion in whole or in part by delivering cash in respect of its Conversion Obligation or if the Company has irrevocably elected Principal Cash Settlement pursuant to Section 12.01(g), the amount of cash and any Reference Property Holders receive upon conversion will be based on the Daily Conversion Value Amounts of Reference Property and the applicable Conversion Rate, as described in Section 12.01; provided that references in Section 12.01 to "Common Stock" or "(a) share(s) of Common Stock" shall instead be deemed references to "a unit of Reference Property composed of the kind and amount of shares of stock, securities or other property or assets (including cash or any combination thereof) that a holder of one share of Common Stock immediately prior to such transaction would have owned or been entitled to receive" in such Reorganization Event or "unit(s) of Reference Property composed of the kind and amount of shares of stock, securities or other property or assets (including cash or any combination thereof) that a holder of one share of Common Stock immediately prior to such transaction would have owned or been entitled to receive" in such Reorganization Event, as the case may be.

(d) For purposes of determining the constitution of Reference Property, the type and amount of consideration that a holder of Common Stock would have been entitled to in the case of reclassifications, consolidations, mergers, sales or conveyance of assets or other transactions that cause the Common Stock to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election) will be deemed to be the weighted average of the types and amounts of consideration received by the holders of Common Stock that affirmatively make such an election. The Company shall not become a party to any such transaction unless its terms are consistent with this Section 12.11(d). This Section 12.11 shall not affect the right of a Holder of Securities to convert its Securities in accordance with the provisions of Article Twelve hereof prior to the effective date of the applicable Reorganization Event.

(e) Any issuer of securities included in the Reference Property shall execute an amendment to the Registration Rights Agreement (to the extent any Registrable Securities (as defined therein) remain outstanding) to make the provisions thereof applicable to such securities included in the Reference Property.

(f) The Company shall cause notice of the execution of any supplemental indenture required by this Section 12.11 to be mailed to each Holder, at its address appearing on the Register, within 20 calendar days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

(g) The above provisions of this Section 12.11 shall similarly apply to successive Reorganization Events.

(h) If this Section 12.11 applies to any event or occurrence, Section 12.04 shall not apply in respect of such event or occurrence.

Section 12.12. Responsibility of Trustee for Conversion Provisions. The Trustee and any Conversion Agent shall not at any time be under any duty or responsibility to any Holder of Securities to determine whether any facts exist that may require a supplemental indenture to be executed in accordance with this Article 12 or any adjustment of the Conversion Price, or with respect to the nature or intent of any such adjustments when

made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. Neither the Trustee nor any Conversion Agent shall be accountable with respect to the validity or value (of the kind or amount) of any Common Stock, or of any other securities or property, that may at any time be issued or delivered upon the conversion of any Security; and it or they do not make any representation with respect thereto. Neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver any shares of stock or share certificates or other securities or property upon the surrender of any Security for the purpose of conversion; and the Trustee and any Conversion Agent shall not be responsible or liable for any failure of the Company to comply with any of the covenants of the Company contained in this Article. The Trustee and the Conversion Agent shall be fully protected in relying upon the Officers' Certificate furnished to pursuant to Section 12.05 hereof.

ARTICLE 13
[RESERVED]

ARTICLE 14
OTHER PROVISIONS OF GENERAL APPLICATION

Section 14.01. Trust Indenture Act Controls. This Indenture is subject to the provisions of the TIA that are required to be part of this Indenture, and shall, to the extent applicable, be governed by such provisions.

Section 14.02. Notices. Any notice or communication to the Company or the Trustee is duly given if in writing and delivered in person or mailed by first-class mail to the address set forth below:

(a) if to the Company:

Lifetime Brands, Inc.
One Merrick Avenue
Westbury, New York 11590
Attention: General Counsel

with a copy (which shall not constitute notice) to:

Troutman Sanders LLP
The Chrysler Building
405 Lexington Avenue
New York, New York 10174
Attention: Lawrence Levinson

(b) if to the Trustee:

HSBC Bank USA, National Association, as Trustee
Corporate Trust & Loan Agency
452 Fifth Avenue
New York, NY 10018
Attention: Corporate Trust & Loan Agency

(c) if to the Registrar, Paying Agent and Conversion Agent:

HSBC Bank USA, National Association
2 Hanson Place - 14th Floor
Brooklyn, NY 11217
Attention: Corporate Trust & Loan Agency - Operations
(with a copy to the Trustee)

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication to a Holder shall be mailed by first-class mail to his address shown on the Register kept by the Registrar. Failure to mail a notice or communication to a Holder or any defect in such notice or communication shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed or sent in the manner provided above within the time prescribed, it is duly given as of the date it is mailed, whether or not the addressee receives it, except that notice to the Trustee shall only be effective upon receipt thereof by the Trustee.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee at the same time.

Section 14.03. Communication by Holders with Other Holders. Holders may communicate pursuant to Section 312(b)of the TIA with other Holders with respect to their rights under the Securities or this Indenture. The Company, the Trustee, the Registrar and anyone else shall have the protection of Section 312(c) of the TIA.

Section 14.04. Acts of Holders of Securities. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders of Securities may be embodied in and evidenced by:

(1) one or more instruments of substantially similar tenor signed by such Holders in person or by agent or proxy duly appointed in writing;

(2) the record of Holders of Securities voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders of Securities duly called and held in accordance with the provisions of Article 8; or

(3) a combination of such instruments and any such record.

Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments and record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders of Securities signing such instrument or instruments and so voting at such meeting. Proof of execution of any such instrument or of a writing appointing any such agent or proxy, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and (subject to Section 5.01 hereof) conclusive in favor of the Trustee and the Company if made in the manner provided in this Section. The record of any meeting of Holders of Securities shall be proved in the manner provided in Section 8.06 hereof.

(b) The fact and date of the execution by any Person of any such instrument or writing may be provided in any manner that the Trustee reasonably deems sufficient.

(c) The principal amount and serial numbers of Securities held by any Person, and the date of such Person holding the same, shall be proved by the Register.

(d) Any request, demand, authorization, direction, notice, consent, election, waiver or other Act of the Holders of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(e) The Company may, but is not obligated to, fix a record date (which need not be within the time limits otherwise prescribed by Trust Indenture Act Section 316(c)) for the purpose of determining the Holders entitled to act with respect to any amendment or waiver or in any other regard, except that during the continuance of an Event of Default, only the Trustee may set a record date as to notices of default, any declaration or acceleration or any other remedies or other consequences of the Event of Default. If a record date is fixed, those Persons that were Holders at such record date and only those Persons will be entitled to act, or to revoke any previous act, whether or not those Persons continue to be Holders after the record date. No act with respect to any amendment or waiver or in any other regard under this Indenture will be effective for more than 90 days after the record date for the taking of such action.

Section 14.05. Certificate and Opinion as to Conditions Precedent. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless such officer knows, or in the exercise of reasonable care should know, that the Opinion of Counsel with respect to the matters upon which such certificate or opinion is based is erroneous. Any such Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, except that in the case of any such application or request as to which the furnishing of such document is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate need be furnished.

Section 14.06. Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that each individual signing such certificate or opinion on behalf of the Company has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 14.07. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 14.08. Successors and Assigns. All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 14.09. Separability Clause. In case any provision in this Indenture or the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 14.10. Benefits of Indenture. Nothing contained in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders of Securities, any benefit or legal or equitable right, remedy or claim under this Indenture.

Section 14.11. Governing Law. THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 14.12. Counterparts. This instrument maybe executed in any number of counterparts, each of which when so executed shall be deemed to be an original but all such counterparts shall together constitute but one and the same instrument.

Section 14.13. Legal Holidays. In any case where any Interest Payment Date or Stated Maturity of any Security or the last day on which a Holder of a Security has a right to convert such Security shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Securities) payment of interest (including Liquidated Damages, if any) or principal or conversion of the Securities, need not be made on such day, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date or at the Stated Maturity or on such last day for conversion; provided, however, that in the case that payment is made on such succeeding Business Day, no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date or Stated Maturity, as the case may be.

Section 14.14. Recourse Against Others. No recourse for the payment of the principal of or interest (including Liquidated Damages, if any) on any Security, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance thereof and as part of the consideration for the issue thereof, expressly waived and released.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this indenture to be duly executed all as of the day and year first above written.

LIFETIME BRANDS, INC., as Issuer

By:_____
Name:
Title:

HSBC BANK USA, NATIONAL ASSOCIATION, as Trustee

By:_____
Name:
Title:

SCHEDULE A

ADDITIONAL SHARES TABLE

STOCK PRICE ON CONVERSION DATE

	Stock Price									
Conversion Date	**$ 22.32**	**$ 25.00**	**$ 28.00**	**$ 31.00**	**$ 35.00**	**$ 40.00**	**$ 45.00**	**$ 50.00**	**$ 55.00**	**$ 65.00**
June 21, 2006	9.0886	6.7450	4.9240	3.6632	2.5381	1.6728	1.1540	0.8289	0.6193	0.3890
July 15, 2007	9.0658	6.5648	4.6547	3.3568	2.2247	1.3842	0.9030	0.6180	0.4421	0.2609
July 15, 2008	9.0180	6.3098	4.2752	2.9315	1.8093	1.0284	0.6146	0.3890	0.2606	0.1483
July 15, 2009	8.8875	5.9265	3.7566	2.4019	1.3109	0.6187	0.3124	0.1749	0.1104	0.0590
July 15, 2010	8.7075	5.2938	2.8917	1.5040	0.5837	0.1742	0.0508	0.0179	0.0102	0.0076
July 14, 2011	9.0886	4.2857	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

EXHIBIT A

FORM OF SECURITY

[FACE OF SECURITY]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO LIFETIME BRANDS, INC. (OR ITS SUCCESSOR) OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, CONVERSION OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.(1)

THIS SECURITY AND THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY, THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN OR THEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

BY ITS ACQUISITION HEREOF, THE HOLDER (I) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE LATER OF THE LAST ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH LIFETIME BRANDS (THE "COMPANY") OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE AND DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATES AND/OR OTHER INFORMATION SATISFACTORY TO THE COMPANY.(2)

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(1) This legend should be included only if the Security is issued in global form.

(2) This legend should only be included if the Security requires the Restricted Securities Legend.

LIFETIME BRANDS, INC.

4.75% CONVERTIBLE SENIOR NOTE DUE 2011

CUSIP NO. 53222QAA1

No. ____ Principal Amount $_____

LIFETIME BRANDS, INC., a Delaware corporation (the "**Company**", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ , or its registered assigns, the principal sum of _____ U.S. Dollars ($_____) on July 15, 2011, subject to adjustment as noted in the Schedule of Increases and Decreases of Global Security attached hereto.

Interest Payment Dates: January 15 and July 15, commencing January 15, 2007.

Regular Record Dates: January 1 and July 1 (whether or not a Business Day).

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Security to be duly executed manually or by facsimile by a duly authorized Officer.

Dated: _____

LIFETIME BRANDS, INC.

By:_____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 4.75% Convertible Senior Notes due 2011 described in the within-named Indenture.

HSBC BANK USA, NATIONAL ASSOCIATION,
as Trustee

By:_____
Authorized Officer
Name:
Title:

Dated: _____

[REVERSE OF SECURITY]

LIFETIME BRANDS, INC.

4.75% CONVERTIBLE SENIOR NOTE DUE 2011

Capitalized terms used herein but not defined shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. Principal and Interest. Lifetime Brands, Inc., a Delaware corporation (the "**Company**"), promises to pay interest on the principal amount of this Security at the Interest Rate from the most recent date to which interest has been paid or provided for, or if no interest has been paid or provided for, from the Issue Date until repayment at Maturity or repurchase. The Company shall pay interest on this Security semiannually in arrears on January 15 and July 15 of each year (each an "**Interest Payment Date**"), commencing January 15, 2007.

Interest on this Security shall be computed on the basis of a 360-day year of twelve 30-day months and for any period shorter than a full semiannual period for which interest is calculated, on the basis of a 30-day month and, for such periods of less than a month, the actual number of days elapsed over a 30-day month.

Subject to Section 2.17 of the Indenture, a Holder of any Security at the close of business on a Regular Record Date shall be entitled to receive interest on such Security on the corresponding Interest Payment Date. A Holder of any Security that is converted after the close of business on a Regular Record Date and prior to the corresponding Interest Payment Date shall be entitled to receive interest (including Liquidated Damages, if any) on the principal amount of such Security, notwithstanding the conversion of such Security prior to such Interest Payment Date. However, any such Holder that surrenders any such Security for conversion during the period between the close of business on such Regular Record Date and ending with the opening of business on the corresponding Interest Payment Date shall be required to pay the Company an amount equal to the interest (excluding Liquidated Damages, if any) on the principal amount of such Security so converted, that is payable by the Company to such Holder on such Interest Payment Date, at the time such Holder surrenders such Security for conversion; provided that no such payment need be made (a) if the Company has specified a Repurchase Date that is after such Regular Record Date and on or prior to the corresponding Interest Payment Date, (b) to the extent of any Defaulted Interest, if any exists at the time of conversion with respect to such Securities, or (c) the Securities are surrendered for conversion on or after July 1, 2011.

The Company shall pay Liquidated Damages in accordance with the terms of the Registration Rights Agreement.

If a Holder elects to convert some or all of its Securities into Common Stock during a Registration Default, the Conversion Rate will increase by 3%.

Any amount of Liquidated Damages shall be payable semiannually, in arrears, on each Interest Payment Date and shall cease to accrue on the earlier of (i) the day after the end of the Shelf Registration Period (as defined in the Registration Rights Agreement) and (ii) the date the Registration Default is cured. The Holder of this Security is entitled to the benefits of the Registration Rights Agreement.

2. Method of Payment. Interest on any Security that is payable, and is to be punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Principal of and interest on, Global Securities shall be payable to the Depositary in immediately available funds.

Principal of Physical Securities shall be payable at the office or agency of the Company maintained for such purpose, initially the Corporate Trust Office of the Trustee. Interest on Physical Securities shall be payable by (i) U.S. Dollar check drawn on a bank located in the city where the Corporate Trust Office of the Trustee is located mailed to the address of the Person entitled thereto as such address shall appear in the Register, or (ii) upon application to the Registrar not later than the relevant Record Date by a Holder of an aggregate principal amount of Securities in excess of $5,000,000, wire transfer in immediately available funds.

3. Paying Agent and Registrar. Initially, HSBC Bank USA, National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change the Paying Agent or Registrar without notice to any Holder.

4. Indenture. The Company issued this Security under an Indenture, dated as of June 27, 2006 (the "**Indenture**"), between the Company and HSBC Bank USA, National Association, as trustee (the "**Trustee**"). The terms of this Security include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended ("**TIA**").

This Security is subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of all such terms. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Security and the terms of the Indenture, the terms of the Indenture shall control.

5. [RESERVED]

6. Repurchase Rights. Repurchase Right Upon a Fundamental Change. If a Fundamental Change occurs at any time prior to Maturity of the Securities, the Holder of Securities, at the Holder's option, shall have the right, in accordance with the provisions of the Indenture, to require the Company to repurchase the Securities (or any portion of the principal amount hereof that is at least $1,000 or a multiple thereof; provided, however, that the portion of the principal amount of this Security to be Outstanding after such repurchase is at least equal to $1,000) at a repurchase price equal to 100% of the principal amount of the Securities to be repurchased, plus any accrued and unpaid interest (including Liquidated Damages, if any) to, but excluding, the Repurchase Date (the **"Repurchase Price**"); provided, however, that if the Repurchase Date falls after a Record Date and on or prior to the corresponding Interest Payment Date, the Company shall pay the full amount of any accrued and unpaid interest (including Liquated Damages, if any) payable on such Interest Payment Date to the Holder of record at the close of business on the corresponding Record Date; provided, further, that installments of interest on Securities whose Stated Maturity is prior to or on the Repurchase Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such on the relevant Record Date according to their terms and the provisions of Section 2.01 of the Indenture. Notwithstanding the foregoing, the Company shall not be obligated to repurchase any Securities pursuant to the exercise of a Repurchase Right if a declaration of acceleration has been made in accordance with the terms of the Indenture and not been rescinded in accordance with such terms.

A Company Notice shall be given by the Company to the Holders as provided in the Indenture. To exercise a Repurchase Right, a Holder must deliver to the Trustee a Fundamental Change Repurchase Notice as provided in the Indenture.

7. Conversion Rights. (a) Subject to and upon compliance with the provisions of the Indenture, the Holder of Securities shall be entitled, at such Holder's option, at any time before the close of business on the Business Day immediately preceding July 15, 2011, to convert the Holder's Securities (or any portion of the principal amount hereof that is $1,000 or a multiple thereof), at the principal amount thereof or of such portion thereof into duly authorized, fully paid and nonassessable shares of Common Stock of the Company at the Conversion Rate in effect at the time of conversion. In addition, the Holder of Securities is entitled to receive Additional Shares upon conversion in certain circumstances as more fully described in the Indenture. Notwithstanding the foregoing, if, at the time a Holder tenders Securities for conversion, there exists a Registration Default, the Conversion Rate shall be increased by 3%.

(b) If a Holder exercises its Repurchase Right with respect to a Security (or a portion thereof), such conversion right in respect of the Security (or portion thereof) shall expire at the close of business on the Business Day preceding the Repurchase Date.

(c) Each $1,000 principal amount of the Securities shall initially be convertible into 35.7143 shares of Common Stock (referred to as the "**Conversion Rate**") (which is equivalent to an initial Conversion Price for each $1,000 principal amount of the Securities of approximately $28.00 per share of Common Stock). The Conversion Rate shall be adjusted under certain circumstances as provided in the Indenture.

(d) Subject to subsection (b) above, regardless of anything else contained herein, Holders may surrender their Securities for conversion into shares of the Common Stock at any time prior to the close of business on the Business Day immediately preceding July 15, 2011.

(e) To exercise the conversion right, the Holder must surrender the Security (or portion thereof) duly endorsed or assigned to the Company or in blank, at the office of the Conversion Agent, accompanied by a duly signed conversion notice to the Company. Any Security surrendered for conversion during the period between the close of business on any Regular Record Date and the opening of business on the corresponding Interest Payment Date shall be accompanied by payment of an amount equal to the accrued and unpaid interest (excluding Liquidated Damages, if any) payable on such Interest Payment Date by the Company on the principal amount of the Security being surrendered for conversion. However, no such payment need be made (1) if the Company has specified a Repurchase Date that is after such Regular Record Date and on or prior to the corresponding Interest Payment Date, (2) to the extent of any Defaulted Interest, if any exists at the time of conversion with respect to such Securities, or (3) the Securities are surrendered for conversion on or after July 1, 2011.

(f) No fractional shares of Common Stock shall be issued upon conversion of any Securities. Instead of any fractional share of Common Stock that would otherwise be issued upon conversion of such Securities, the Company shall pay a cash adjustment as provided in the Indenture.

8. [RESERVED]

9. Denominations; Transfer; Exchange. The Securities are issuable in registered form, without interest coupons, in denominations of $1,000 principal amount and whole multiples of $1,000 in excess thereof. A Holder may register the transfer or exchange of Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture.

In the event of conversion or repurchase of the Securities in part only, a new Security or Securities for the unredeemed, unconverted or unpurchased portion thereof shall be issued in the name of the Holder hereof.

10. Persons Deemed Owners. The registered Holder of this Security shall be treated as its owner for all purposes.

11. Unclaimed Money. The Trustee and the Paying Agent shall pay to the Company any money held by them for the payment of principal or interest that remains unclaimed for two years after the date upon which such payment shall have become due. After payment to the Company, Holders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person, and all liability of the Trustee and the Paying Agent with respect to such money shall cease.

12. [RESERVED]

13. Amendment; Supplement; Waiver. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Outstanding Securities (or such lesser amount as shall have acted at a meeting pursuant to the provisions of the Indenture). The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities at the time Outstanding, on behalf of the Holders of all the Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security or such other Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest (including Liquidated Damages, if any) on this Security at the times, places and rate, and in the coin or currency, herein prescribed or to convert this Security as provided in the Indenture.

14. Defaults and Remedies. The Indenture provides that an Event of Default with respect to the Securities occurs when any of the following occurs:

(a) the Company defaults in the payment of the principal on any of the Securities when it becomes due and payable at Maturity, upon exercise of a Repurchase Right or otherwise; or

(b) the Company defaults in the payment of interest (including Liquidated Damages, if any) on any of the Securities when it becomes due and payable and such default continues for a period of 30 days; or

(c) the Company fails to deliver shares of Common Stock, together with cash in lieu thereof in respect of any fractional shares, cash or cash and shares of the Common Stock (or Reference Property) upon conversion of a Security in accordance with Article 12, and such failure continues for 10 days; or

(d) the Company fails to perform or observe any other term, covenant or agreement contained in the Securities or the Indenture and such default continues for a period of 60 consecutive days after written notice of such failure is given as specified in the Indenture; or

(e)(i) the Company fails to make any payment by the end of the applicable grace period, if any, after the maturity of any Indebtedness for borrowed money in an amount in excess of $5,000,000, or (ii) there is an acceleration of any Indebtedness for borrowed money in an amount in excess of $5,000,000 because of a default with respect to such Indebtedness without such Indebtedness having been discharged or such acceleration having been withdrawn, cured, waived, rescinded or otherwise annulled, in the case of either clause (i) or (ii) above, for a period of 30 days after written notice is given to the Company as specified in the Indenture; or

(f) the Company fails to give to each Holder of Securities notice of a Fundamental Change pursuant to Section 11.01(b) of the Indenture; or

(g) there are certain events of bankruptcy, insolvency or reorganization of the Company or any Significant Subsidiary of the Company.

If an Event of Default shall occur and be continuing, the principal of all the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

15. Authentication. This Security shall not be valid until the Trustee (or authenticating agent) executes the certificate of authentication on the other side of this Security.

16. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and U/G/M/A (= Uniform Gifts to Minors Act).

17. Additional Rights of Holders of Registrable Securities. In addition to the rights provided to Holders under the Indenture, Holders of Registrable Securities (as defined in the Registration Rights Agreement) shall have all the rights set forth in the Registration Rights Agreement.

18. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on this Security and the Trustee may use CUSIP numbers in notices of exchange as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on this Security or as contained in any notice of exchange and reliance may be placed only on the other identification numbers placed thereon.

19. Governing Law. The Indenture and this Security shall be governed by, and construed in accordance with, the law of the State of New York.

20. Successor Corporation. In the event a successor corporation assumes all the obligations of the Company under this Security, pursuant to the terms hereof and of the Indenture, the Company shall be released from all such obligations.

ASSIGNMENT FORM

To assign this Security, fill in the form below and have your signature guaranteed: (I) or (we) assign and transfer this Security to:

_____
(Insert assignee's soc. sec. or tax ID. no.)

_____
(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Dated:

Your Name:

_____
(Print your name exactly as it appears on the face of this Security)

Your Signature:

_____
(Sign exactly as your name appears on the face of this Security)

SIGNATURE GUARANTEE*:

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

In connection with any transfer of this Security occurring prior to the end of the period referred to in Rule 144(k) under the Securities Act, the undersigned confirms that without utilizing any general solicitation or general advertising:

[Check One]

[_] (a) this Security is being transferred in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Rule 144A thereunder.

or

[_] (b) this Security is being transferred other than in accordance with (a) above and documents are being furnished that comply with the conditions of transfer set forth in this Security and the Indenture.

If none of the foregoing boxes is checked, the Trustee or other Registrar shall not be obligated to register this Security in the name of any Person other than the Holder hereof unless the conditions to any such transfer of registration set forth herein and in Sections 2.07, 2.08 and 2.09 of the Indenture shall have been satisfied.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within-mentioned instrument in every particular, without alteration or any change whatsoever.

Signature Guarantee:

_____

Signature must be guaranteed by a participant
in a recognized signature guaranty medallion program or
other signature guarantor acceptable to the Trustee.

TO BE COMPLETED BY PURCHASER IF (a) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion, in each case for investment and not with a view to distribution, and that it and any such account is a "Qualified Institutional Buyer" within the meaning of Rule 144A under the Securities Act of 1933 and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: _____

NOTICE: To be executed by an executive officer

CONVERSION NOTICE

TO: LIFETIME BRANDS, INC.
One Merrick Avenue
Westbury, New York 11590
Attention: General Counsel

The undersigned registered owner of this Security hereby irrevocably exercises the option to convert this Security, or the portion hereof (which is $1,000 principal amount or a whole multiple thereof) below designated, into shares of Common Stock in accordance with the terms of the Indenture referred to in this Security, and directs that the shares issuable and deliverable upon such conversion, together with any check in payment for fractional shares and any Securities representing any unconverted principal amount hereof, be issued and delivered to the registered holder hereof unless a different name has been indicated below. If shares or any portion of this Security not converted are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. Any amount required to be paid to the undersigned on account of interest accompanies this Security.

Dated:

Your Name:

_____
(Print your name exactly as it
appears on the face of this Security)

Your Signature:

_____
(Sign exactly as your name
appears on the face of this Security)

Signature Guarantee*:

_____

Social Security or
other Taxpayer
Identification Number:

_____

Principal amount to be converted (if less than all): $_____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

Fill in for registration of shares (if to be issued) and Securities (if to be delivered) other than to and in the name of the registered holder:

_____
(Name)

_____
(Street Address)

_____
(City, State and Zip Code)

In connection with any conversion of this Security occurring prior to the end of the period referred to in Rule 144(k) under the Securities Act, if any shares of the Common Stock to be issued upon conversion of this Security are to be registered in a name other than that of the undersigned registered owner, the undersigned confirms that without utilizing any general solicitation or general advertising:

[Check One]

[_] (a) this Security and the shares of Common Stock to be issued upon conversion of this Security are being transferred in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Rule 144A thereunder.

or

[_] (b) this Security and the shares of Common Stock to be issued upon conversion of this Security are being transferred other than in accordance with above and documents are being furnished that comply with the conditions of transfer set forth in this Security and the Indenture.

If none of the foregoing boxes is checked, the Trustee or other Registrar shall not be obligated to register this Security or the shares of Common Stock to be issued upon conversion of this Security in the name of any Person other than the Holder hereof unless the conditions to any such transfer of registration set forth herein and in Sections 2.07, 2.08 and 2.09 of the Indenture shall have been satisfied.

TO BE COMPLETED BY TRANSFEREE IF (A) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion, in each case for investment and not with a view to distribution, and that it and any such account is a "Qualified Institutional Buyer" within the meaning of Rule 144A under the Securities Act of 1933 and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: _____

Notice: To be executed by an executive officer

NOTICE OF EXERCISE OF REPURCHASE RIGHT

TO: LIFETIME BRANDS, INC.
One Merrick Avenue
Westbury, New York 11590
Attention: General Counsel

The undersigned registered owner of this Security hereby acknowledges receipt of a notice from Lifetime Brands, Inc. (the "COMPANY") as to the occurrence of a Fundamental Change with respect to the Company and requests and instructs the Company to repay the entire principal amount of this Security, or the portion thereof (which is $1,000 principal amount or a multiple thereof) below designated, in accordance with the terms of the

Indenture referred to in this Security, together with any interest (including Liquidated Damages, if any) accrued and unpaid to, but excluding, such date, to the registered holder hereof, in cash.

Dated:

Your Name:

_____

(Print your name exactly as it
appears on the face of this Security)

Your Signature:

_____

(Sign exactly as your name
appears on the face of this Security)

Signature Guarantee*:

_____

Social Security or
other Taxpayer
Identification Number:

_____

Principal amount to be converted (if less than all): $_____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

Serial Number: _____

Certificate Number (if Physical Security): _____

SCHEDULE OF INCREASES AND DECREASES OF GLOBAL SECURITY[(3)]

Initial Principal Amount of Global Securities: _____U.S. Dollars

_____

The following increases or decreases in the principal amount of this Global Security have been made:

Date	Amount of Decrease In Principal Amount of its Global Security	Amount of Increase in Principal Amount of this Global Security	Principal Amount of this Global Security Following Such Decrease (or Increase)

Signature of Authorized Officer or Trustee

_____

_____

(3) This schedule should be included only if the Security is issued in global form.

Exhibit 10.1

Lifetime Brands, Inc.

$75,000,000 4.75% Convertible Senior Notes Due 2011

REGISTRATION RIGHTS AGREEMENT

June 27, 2006

Citigroup Global Markets Inc.
As Representative of the Initial Purchasers
388 Greenwich Street
New York, New York 10013

Ladies and Gentlemen:

Lifetime Brands, Inc., a corporation organized under the laws of the State of Delaware (the "Company"), proposes to issue and sell to certain purchasers (the "Initial Purchasers"), for whom you (the "Representative") are acting as representative, its 4.75% Convertible Senior Notes due 2011 (the "Securities"), upon the terms set forth in the Purchase Agreement between the Company and the Representative dated June 21, 2006 (the "Purchase Agreement") relating to the initial placement (the "Initial Placement") of the Securities. To induce the Initial Purchasers to enter into the Purchase Agreement and to satisfy a condition to your obligations thereunder, the Company agrees with you for your benefit and the benefit of the holders from time to time of the Securities (including the Initial Purchasers) (each a "Holder" and, collectively, the "Holders"), as follows:

1. Definitions. Capitalized terms used herein without definition shall have their respective meanings set forth in the Purchase Agreement. As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Broker-Dealer" shall mean any broker or dealer registered as such under the Exchange Act.

"Business Day" shall mean any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in New York City.

"Closing Date" shall mean the date of the first issuance of the Securities.

"Commission" shall mean the Securities and Exchange Commission.

"Deferral Period" shall have the meaning set forth in Section 3(k) hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Final Memorandum" shall mean the offering memorandum, dated June 21, 2006, relating to the Securities, including any and all exhibits thereto and any information incorporated by reference therein as of such date.

"Holder" shall have the meaning set forth in the preamble hereto.

"Indenture" shall mean the Indenture relating to the Securities, dated as of the date hereof, between the Company and HSBC Bank USA, N.A., as trustee, as the same may be amended from time to time in accordance with the terms thereof.

"Initial Placement" shall have the meaning set forth in the preamble hereto.

"Initial Purchasers" shall have the meaning set forth in the preamble hereto.

"Issuer Free Writing Prospectus" shall mean an issuer free writing prospectus, as defined in Rule 433 under the Act.

"Losses" shall have the meaning set forth in Section 5(d) hereof.

"Majority Holders" shall mean, on any date, Holders of a majority of the aggregate principal amount of Securities registered under a Registration Statement.

"Managing Underwriters" shall mean the investment banker or investment bankers and manager or managers that administer an underwritten offering, if any, conducted pursuant to Section 6 hereof.

"NASD Rules" shall mean the Conduct Rules and the By-Laws of the National Association of Securities Dealers, Inc.

"Notice and Questionnaire" shall mean a written notice delivered to the Company substantially in the form attached as Annex A to the Final Memorandum.

"Notice Holder" shall mean, on any date, any Holder of Registrable Securities that has delivered a Notice and Questionnaire to the Company on or prior to such date.

"Prospectus" shall mean a prospectus included in the Shelf Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Securities covered by the Shelf Registration Statement, and all amendments and supplements thereto, including any and all exhibits thereto and any information incorporated by reference therein.

"Purchase Agreement" shall have the meaning set forth in the preamble hereto.

"Registrable Securities" shall mean Securities other than those that have been (i) registered under the Shelf Registration Statement and disposed of in accordance therewith or (ii) distributed to the public pursuant to Rule 144 under the Act or any successor rule or regulation thereto that may be adopted by the Commission.

"Registration Default" shall have the meaning set forth in Section 8 hereof.

"Registration Default Damages" shall have the meaning set forth in Section 8 hereof.

"Securities" shall have the meaning set forth in the preamble hereto.

"Shelf Registration Period" shall have the meaning set forth in Section 2(c) hereof.

"Shelf Registration Statement" shall mean a "shelf" registration statement of the Company pursuant to the provisions of Section 2 hereof which covers some or all of the Securities on an appropriate form under Rule 415 under the Act, or any similar rule that may be adopted by the Commission, amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Suspension Event" shall have the meaning set forth in Section 3(k) hereof.

"Trustee" shall mean the trustee with respect to the Securities under the Indenture.

"Trust Indenture Act" shall mean the Trust Indenture Act of 1939, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Underwriter" shall mean any underwriter of Securities in connection with an offering thereof under the Shelf Registration Statement.

2. Shelf Registration. (a) The Company shall as promptly as practicable (but in no event more than 90 days after the Closing Date) use its reasonable best efforts to file with the Commission a Shelf Registration Statement providing for the registration of, and the sale on a continuous or delayed basis by the Holders of, all of the Registrable Securities, from time to time in accordance with the methods of distribution elected by such Holders, pursuant to Rule 415 under the Act or any similar rule that may be adopted by the Commission.

(b) The Company shall use its reasonable best efforts to cause the Shelf Registration Statement to become or be declared effective under the Act as promptly as is practicable, but in any event, no later than 180 days after the Closing Date.

(c) The Company shall use its reasonable best efforts to keep the Shelf Registration Statement continuously effective, supplemented and amended as required by the Act, in order to permit the Prospectus forming part thereof to be usable by Holders for a period (the "Shelf Registration Period") from the date the Shelf Registration Statement is declared effective by the Commission until such date that is the earliest of (i) the date as of which all the Securities or the common stock issuable upon conversion of the Securities have been sold either under Rule 144 under the Securities Act (or any similar provision then in force) or pursuant to the Shelf Registration Statement; (ii) the date as of which all the Securities or the common stock issuable upon conversion of the Securities held by non-affiliates of the Company are eligible to be sold to the public pursuant to Rule 144(k) under the Securities Act or any successor provision; or (iii) the date on which there are no outstanding Registrable Securities.

(d) The Company shall cause the Shelf Registration Statement, as of the date it became effective, and any Prospectus and any Issuer Free Writing Prospectus and any amendment or supplement thereto, as of the date thereof, (i) to comply in all material respects with the applicable requirements of the Act; and (ii) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein (in the case of the Prospectus, in the light of the circumstances under which they were made) not misleading.

(e) Each Holder of Registrable Securities agrees to deliver a Notice and Questionnaire to the Company at least ten Business Days prior to any distribution by it of Registrable Securities under the Shelf Registration Statement. From and after the date the Shelf Registration Statement is declared effective, the Company shall, as promptly as is practicable after the date a Notice and Questionnaire is delivered, and in any event within fifteen Business Days after such date, (i) if required by applicable law, file with the Commission a post-effective amendment to the Shelf Registration Statement or prepare and, if required by applicable law, file a supplement to the related Prospectus or an amendment or supplement to any document incorporated therein by reference or file any other required document so that the Holder delivering such Notice and Questionnaire is named as a selling holder in the Shelf Registration Statement and the related Prospectus and so that such Holder is permitted to deliver such Prospectus to purchasers of the Registrable Securities in accordance with applicable law, provided, that the Company will not be obligated to file more than one post-effective amendment in any 60-day period; (ii) provide such Holder copies of any documents filed pursuant to Section 2(e)(i) hereof; and (iii) notify such Holder as promptly as practicable after the effectiveness under the Act of any post-effective amendment filed pursuant to Section 2(e)(i) hereof; provided, that if such Notice and Questionnaire is delivered during a Deferral Period, the Company shall so inform the Holder delivering such Notice and Questionnaire and shall take the actions set forth in clauses (i), (ii) and (iii) above within 15 Business Days of the expiration of the Deferral Period in accordance with Section 3(k) hereof. Notwithstanding anything contained herein to the contrary, the Company shall be under no

obligation to name any Holder that is not a Notice Holder as a selling holder in the Shelf Registration Statement or related Prospectus; provided, however, that any Holder that becomes a Notice Holder pursuant to the provisions of this Section 2(e) (whether or not such Holder was a Notice Holder at the time the Shelf Registration Statement was declared effective) shall be named as a selling holder in the Shelf Registration Statement or related Prospectus in accordance with the requirements of this Section 2(e). If the Company files a post-effective amendment to the Shelf Registration Statement pursuant to this Section 2(e), it shall use its reasonable best efforts to cause such post-effective amendment to be declared effective under the Act as promptly as is practicable, but in no event more than 45 days after the date upon which the such post-effective amendment is required to be filed pursuant to this Section 2(e).

3. Registration Procedures. The following provisions shall apply in connection with the Shelf Registration Statement.

(a) The Company shall:

(i) furnish to each of the Representative and to counsel for the Notice Holders, not less than five Business Days prior to the filing thereof with the Commission, a copy of the Shelf Registration Statement and each amendment thereof and each amendment or supplement, if any, to the Prospectus included therein (including all documents incorporated by reference therein after the initial filing) and shall use its reasonable best efforts to reflect in each such document, when so filed with the Commission, such comments as the Representative reasonably proposes; and

(ii) include information regarding the Notice Holders and the methods of distribution they have elected for their Registrable Securities provided to the Company in Notices and Questionnaires as necessary to permit such distribution by the methods specified therein.

(b) The Company shall ensure that:

(i) the Shelf Registration Statement and any amendment thereto and any Prospectus forming part thereof and any amendment or supplement thereto and any Issuer Free Writing Prospectus complies in all material respects with the Act; and

(ii) (x) the Shelf Registration Statement and any amendment thereto, as of the date it becomes effective, and (y) each Prospectus forming part thereof and any amendment or supplement and each Issuer Free Writing Prospectus in each case as of the date thereof, does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(c) The Company shall advise the Representative, the Notice Holders and any underwriter that has provided in writing to the Company a telephone or facsimile number and address for notices, and confirm such advice by notice in writing (which notice pursuant to clauses (ii)-(v) hereof shall be accompanied by an instruction to suspend the use of the Prospectus until the Company shall have remedied the basis for such suspension):

(i) when the Shelf Registration Statement, any post-effective amendment thereto, the Prospectus, any Prospectus supplement, or any Issuer Free Writing Prospectus has been filed with the Commission and when the Shelf Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for any amendment or supplement to the Shelf Registration Statement, the Prospectus or any Issuer Free Writing Prospectus or for additional information;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness, or of any notice that would prevent the use, of the Shelf Registration Statement under the Act, or the institution or threatening of any proceeding for such purpose,

(iv) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities for offering or sale in any jurisdiction, or the threatening or initiation of any proceeding for such purpose,

(v) of the existence of any fact or the happening of any event, during the Shelf Registration Period, that makes any statement of a material fact made in the Shelf Registration Statement, any Prospectus, any Issuer Free Writing Prospectus, any amendment or supplement thereto, or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Shelf Registration Statement, the Prospectus or any Issuer Free Writing Prospectus in order to make the statements therein not misleading, or

(vi) when any Issuer Free Writing Prospectus includes information that may conflict with the information contained in the Registration Statement.

(d) Upon the occurrence of any event contemplated by subsections (c)(ii) through (vi) above, the Company shall promptly (or within the time period provided for by Section 3(k) hereof, if applicable) prepare a post-effective amendment to the Shelf Registration Statement or an amendment or supplement to the related Prospectus, relevant Issuer Free Writing Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to purchasers of the securities included therein, the Registration Statement, Prospectus and Issuer Free Writing Prospectus will not include an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(e) The Company shall use its reasonable best efforts to prevent the issuance of any order suspending the effectiveness of, or any notice objecting to the use of, the Shelf Registration Statement or the qualification of the securities therein for sale in any jurisdiction and, if issued, to obtain as soon as possible the withdrawal thereof.

(f) Subject to Section 2(e)(i), if requested by any Notice Holder or any of the Initial Purchasers, the Company shall promptly incorporate in the Shelf Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such selling Holder may reasonably request to have included therein, including, without limitation, information relating to the “Plan of Distribution” of the Registrable Securities.

(g) The Company shall furnish to each Notice Holder, without charge, at least one copy of the Shelf Registration Statement and any post-effective amendment thereto, including all material incorporated therein by reference, and, if a Notice Holder so requests in writing, all exhibits thereto (including exhibits incorporated by reference therein).

(h) During the Shelf Registration Period, the Company shall promptly deliver to each Initial Purchaser, each Notice Holder, and any sales or placement agents or underwriters acting on their behalf, without charge, as many copies of the Prospectus (including each preliminary Prospectus) and any amendment or supplement thereto, and any Issuer Free Writing Prospectus, as such persons may reasonably request. The Company hereby consents to the use of the Prospectus and any amendment or supplement thereto, and any Issuer Free Writing Prospectus, by each of the Notice Holders in connection with the offering and sale of the Registrable Securities.

(i) Prior to any offering of Securities pursuant to the Shelf Registration Statement, the Company shall arrange for the qualification of the Securities for sale under the laws of such jurisdictions as any Notice Holder shall reasonably request and shall maintain such qualification in effect so long as required; provided that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not then so

qualified or to take any action that would subject it to service of process in suits, other than those arising out of the Initial Placement or any offering pursuant to the Shelf Registration Statement, in any jurisdiction where it is not then so subject.

(j) The Company shall cooperate with the Holders of Registrable Securities to facilitate the timely preparation and delivery of certificates representing Securities to be issued or sold pursuant to the Shelf Registration Statement free of any restrictive legends and in such denominations and registered in such names as Holders may request.

(k) If (x) the Company, in its reasonable judgment, believes it may possess material non-public information the disclosure of which would be seriously detrimental to it and its subsidiaries taken as a whole or (y) the Prospectus would, in the Company's reasonable judgment, contain a material misstatement or omission as a result of an event that has occurred or is continuing (each such event, a "Suspension Event"), the Company may suspend the availability of the Shelf Registration Statement and the related Prospectus and any relevant Issuer Free Writing Prospectus, upon the occurrence of which the Company shall give notice (without notice of the nature or details of such events) to the Notice Holders that the availability of the Shelf Registration Statement is suspended. Upon the occurrence of a Suspension Event and the receipt of notice that the Registration Statement, the Prospectus and any Issuer Free Writing Prospectus is suspended, each Notice Holder agrees not to sell any Registrable Securities pursuant to the Shelf Registration until such Notice Holder's receipt of copies of the supplemented or amended Prospectus provided for in Section 3(d) hereof, or until it is advised in writing by the Company that the Prospectus and any applicable Issuer Free Writing Prospectus may be used, and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such Prospectus and any applicable Issuer Free Writing Prospectus. The period during which the availability of the Shelf Registration, any Prospectus or any Issuer Free Writing Prospectus is suspended (the "Deferral Period") shall not exceed 45 days in any 90-day period or 90 days in any twelve-month period, provided, however, if the Suspension Event relates to a proposed or pending material business transaction, the disclosure of which the Company determines in good faith would be reasonably likely to impede its ability to consummate such transaction, or would otherwise be seriously detrimental to the Company and its subsidiaries taken as a whole, the Company may extend the Deferral Period from 45 days to 60 days.

(l) Not later than the effective date of the Shelf Registration Statement, the Company shall provide a CUSIP number for the Securities registered under the Shelf Registration Statement and provide the Trustee with printed certificates for such Securities, free of any restrictive legends, in a form eligible for deposit with The Depository Trust Company.

(m) The Company shall comply with all applicable rules and regulations of the Commission and shall make generally available to its security holders an earnings statement satisfying the provisions of Section 11(a) of the Act as soon as practicable after the effective date of the Shelf Registration Statement and in any event no later than 45 days after the end of a 12-month period (or 90 days, if such period is a fiscal year) beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Shelf Registration Statement.

(n) The Company shall cause the Indenture to be qualified under the Trust Indenture Act in a timely manner.

(o) The Company may require each Holder of Securities to be sold pursuant to the Shelf Registration Statement to furnish to the Company such information regarding the Holder and the distribution of such Securities as the Company may from time to time reasonably require for inclusion in the Shelf Registration Statement. The Company may exclude from the Shelf Registration Statement the Securities of any Holder that fails to furnish such information within a reasonable time after receiving such request.

(p) The Company shall enter into customary agreements (including, if requested in accordance with Section 6 hereof, an underwriting agreement in customary form) and take all other appropriate actions in order to expedite or facilitate the registration or the disposition of the Securities, and in connection therewith, if an underwriting agreement is entered into, cause the same to contain indemnification provisions and procedures no less favorable than those set forth in Section 5 hereof.

(q) The Company shall:

(i) make reasonably available for inspection by the Holders of Securities to be registered thereunder, any underwriter participating in any disposition pursuant to the Shelf Registration Statement, and any attorney, accountant or other agent retained by the Holders or any such underwriter all relevant financial and other records and pertinent corporate documents of the Company and its subsidiaries;

(ii) cause the Company's officers, directors, employees, accountants and auditors to supply all relevant information reasonably requested by the Holders or any such underwriter, attorney, accountant or agent in connection with the Shelf Registration Statement as is customary for similar due diligence examinations;

(iii) cause all common stock covered by the Shelf Registration Statement to be listed or quoted, as the case may be, on each securities exchange or automated quotation system on which the common stock of the Company is then listed or quoted.

(iv) provide to each Holder upon written request each document filed with the Commission pursuant to the requirements of Section 13 and Section 15 of the Exchange Act after the effective date of the Shelf Registration Statement, unless such document is available through the Commission's EDGAR system.

(v) make such representations and warranties to the Holders of Securities registered thereunder and the underwriters, if any, in form, substance and scope as are customarily made by issuers to underwriters in primary underwritten offerings and covering matters including, but not limited to, those set forth in the Purchase Agreement;

(vi) obtain opinions of counsel to the Company and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the Managing Underwriters, if any) addressed to each selling Holder and the underwriters, if any, covering such matters as are customarily covered in opinions requested in underwritten offerings and such other matters as may be reasonably requested by such Holders and underwriters;

(vii) obtain "comfort" letters and updates thereof from the independent registered public accounting firm of the Company (and, if necessary, any other independent registered public accounting firm of any subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data are, or are required to be, included in the Shelf Registration Statement), addressed to each selling Holder of Securities registered thereunder and the underwriters, if any, in customary form and covering matters of the type customarily covered in "comfort" letters in connection with primary underwritten offerings; and

(viii) deliver such documents and certificates as may be reasonably requested by the Majority Holders or the Managing Underwriters, if any, including those to evidence compliance with Section 3(k) hereof and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company.

The actions set forth in clauses (v), (vi), (vii) and (viii) of this paragraph (q) shall be performed at (A) the effectiveness of the Shelf Registration Statement and each post-effective amendment thereto; and (B) each closing under any underwriting or similar agreement as and to the extent required thereunder.

(r) In the event that any Broker-Dealer shall underwrite any Securities or participate as a member of an underwriting syndicate or selling group or "assist in the distribution" (within the meaning of the NASD Rules) thereof, whether as a Holder of such Securities or as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, the Company shall assist such Broker-Dealer in complying with the NASD Rules.

(s) The Company shall use its reasonable best efforts to take all other steps necessary to effect the registration of the Securities covered by the Shelf Registration Statement.

4. Registration Expenses. The Company shall bear all expenses incurred in connection with the performance of its obligations under Sections 2 and 3 hereof and shall reimburse the Holders for the reasonable fees and disbursements of one firm or counsel, which shall initially beCleary Gottlieb Steen & Hamilton LLP**,** but which may be another nationally recognized law firm experienced in securities matters designated by the Majority Holders to act as counsel for the Holders in connection herewith.

5. Indemnification and Contribution. (a) The Company agrees to indemnify and hold harmless each Holder of Securities covered by the Shelf Registration Statement, each Initial Purchaser, the directors, officers, employees, affiliates and agents of each such Holder or Initial Purchaser and each person who controls any such Holder or Initial Purchaser within the meaning of either the Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Shelf Registration Statement as originally filed or in any amendment thereof, or in any Issuer Free Writing Prospectus, preliminary Prospectus or the Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of any Issuer Free Writing Prospectus, preliminary Prospectus or the Prospectus, in the light of the circumstances under which they were made) not misleading, and agrees, subject to the notice provisions of Section 5(c) hereof, to reimburse each such indemnified party, as incurred, for any reasonable legal or other expenses reasonably incurred by it in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of the party claiming indemnification specifically for inclusion therein. This indemnity agreement shall be in addition to any liability that the Company may otherwise have.

The Company also agrees to indemnify as provided in this Section 5(a) or contribute as provided in Section 5(d) hereof to Losses of each underwriter, if any, of Securities registered under the Shelf Registration Statement, its directors, officers, employees, affiliates or agents and each person who controls such underwriter on substantially the same basis as that of the indemnification of the Initial Purchasers and the selling Holders provided in this paragraph (a) and shall, if requested by any Holder, enter into an underwriting agreement reflecting such agreement, as provided in Section 3(p) hereof.

(b) Each Holder of securities covered by the Shelf Registration Statement (including each Initial Purchaser that is a Holder, in such capacity) severally and not jointly agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who signs the Shelf Registration Statement and each person who controls the Company within the meaning of either the Act or the Exchange Act, to the same extent as the foregoing indemnity from the Company to each such Holder, but only with reference to written information relating to such Holder furnished to the Company by or on behalf of such Holder specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement shall be acknowledged by each Notice Holder that is not an Initial Purchaser in such Notice Holder's Notice and Questionnaire and shall be in addition to any liability that any such Notice Holder may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section 5 or notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 5, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party (i) will not relieve it from liability under paragraph (a) or (b) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses; and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a) or (b) above. The indemnifying party shall be entitled to appoint counsel (including local counsel) of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel, other than local counsel if not appointed by the indemnifying party, retained by the indemnified party or parties except as set forth below); provided,however, that such counsel shall be reasonably satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel (including local counsel) to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest; (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties that are different from or additional to those available to the indemnifying party; (iii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action; or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding.

(d) In the event that the indemnity provided in paragraph (a) or (b) of this Section 5 is unavailable to or insufficient to hold harmless an indemnified party for any reason, then each applicable indemnifying party shall have a joint and several obligation to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending loss, claim, liability, damage or action) (collectively "Losses") to which such indemnified party may be subject in such proportion as is appropriate to reflect the relative benefits received by such indemnifying party, on the one hand, and such indemnified party, on the other hand, from the Initial Placement and the Shelf Registration Statement which resulted in such Losses; provided, however, that in no case shall any Initial Purchaser be responsible, in the aggregate, for any amount in excess of the purchase discount or commission applicable to such Security, as set forth in the Final Memorandum, nor shall any underwriter be responsible for any amount in excess of the underwriting discount or commission applicable to the securities purchased by such underwriter under the Shelf Registration Statement which resulted in such Losses. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the indemnifying party and the indemnified party shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of such indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the statements or omissions which resulted in such Losses as well as any other relevant equitable considerations. Benefits received by the Company shall be deemed to be equal to the total net proceeds from the Initial Placement (before deducting expenses) as set forth in the Final Memorandum. Benefits received by the Initial Purchasers shall be deemed to be equal to the total purchase discounts and commissions as received by them in connection with the initial placement of the Securities, and benefits received by any other Holders shall be deemed to be equal to the value of receiving Securities registered under the Act. Benefits received by any underwriter shall be deemed to be equal to the total underwriting discounts and commissions, as set forth on the cover page of the Prospectus forming a part of the Shelf Registration Statement which resulted in such Losses. Relative fault shall be determined by reference to, among other things, whether any untrue or any alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information provided by the indemnifying party, on the one hand, or by the indemnified party, on the other hand, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The parties agree that it would not be just and equitable if contribution were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or any other method of allocation which does not take account of the equitable considerations referred to above.

Notwithstanding the provisions of this paragraph (d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 5, each person who controls a Holder within the meaning of either the Act or the Exchange Act and each director, officer, employee and agent of such Holder shall have the same rights to contribution as such Holder, and each person who controls the Company within the meaning of either the Act or the Exchange Act, each officer of the Company who shall have signed the Shelf Registration Statement and each director of the Company shall have the same rights to contribution as the Company, subject in each case to the applicable terms and conditions of this paragraph (d).

(e) The provisions of this Section 5 shall remain in full force and effect, regardless of any investigation made by or on behalf of any Holder or the Company or any of the indemnified persons referred to in this Section 5, and shall survive the sale by a Holder of securities covered by the Shelf Registration Statement.

6. Underwritten Registrations. (a) If any of the Securities covered by the Shelf Registration Statement are to be sold in an underwritten offering, the Managing Underwriters shall be selected by the Majority Holders.

(b) No person may participate in any underwritten offering pursuant to the Shelf Registration Statement unless such person (i) agrees to sell such person's Securities on the basis reasonably provided in any underwriting arrangements approved by the persons entitled hereunder to approve such arrangements; and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

7. Rule 144A and Rule 144. The Company agrees with each Holder, for so long as any Registrable Securities remain outstanding the Company will, during any period in which it is not subject to and in compliance with Section 13 or 15(d) of the Exchange Act, provide to each holder of such restricted securities and to each prospective purchaser (as designated by such holder) of such restricted securities, upon the request of such holder or prospective purchaser, any information required to be provided by Rule 144A(d)(4) under the Act.

8. Registration Defaults. If any of the following events (each, a "Registration Default") shall occur, then the Company shall pay liquidated damages (the "Registration Default Damages") to the Holders of Securities in respect of the Securities as follows:

(a) if the Shelf Registration Statement is not filed with the Commission on or prior to the 90th day following the Closing Date, then commencing on the 91st day after the Closing Date, Registration Default Damages shall accrue on the Registrable Securities at a rate of 0.25% per annum for the first 90 days from and including such 91st day and 0.50% per annum thereafter; or

(b) if the Shelf Registration Statement is not declared effective by the Commission on or prior to the 180thday following the Closing Date, then commencing on the 181st day after the Closing Date, Registration Default Damages shall accrue on the Registrable Securities at a rate of 0.25% per annum for the first 90 days from and including such 181st day and 0.50% per annum thereafter; or

(c) if the Shelf Registration Statement has been declared effective but ceases to be effective (other than pursuant to Section 3(k) hereof) at any time during the Shelf Registration Period, then commencing on the day the Shelf Registration Statement ceases to be effective, Registration Default Damages shall accrue on the Registrable Securities at a rate of 0.25% per annum for the first 90 days from and including such date on which the Shelf Registration Statement ceases to be effective and 0.50% per annum thereafter; or

(d) if the Company is required to file a post-effective amendment to the Shelf Registration Statement pursuant to Section 2(e) hereof and such post-effective amendment has not been declared effective by the Commission on or prior to the 45th day following the date upon which the Company is required to filed such post-effective amendment, then commencing on the 46th day after such date, Registration Default Damages shall accrue on the Registrable Securities at a rate of 0.25% per annum for the first 90 days from and including such 46th day and 0.50% per annum thereafter; or

(e) if the aggregate duration of Deferral Periods in any period exceeds the number of days permitted in respect of such period pursuant to Section 3(k) hereof, then commencing on the day the aggregate duration of Deferral Periods in any period exceeds the number of days permitted in respect of such period, Registration Default Damages shall accrue on the Registrable Securities at a rate of 0.25% per annum for the first 90 days from and including such date and 0.50% per annum thereafter; provided, however, that (1) upon the filing of the Shelf Registration Statement (in the case of paragraph (a) above), (2) upon the effectiveness of the Shelf Registration Statement (in the case of paragraph (b) above), (3) upon the effectiveness of the Shelf Registration Statement which had ceased to remain effective (in the case of paragraph (c) above), or (4) upon the termination of the Deferral Period that caused the limit on the aggregate duration of Deferral Periods in a period set forth in Section 3(k) to be exceeded (in the case of paragraph (d) above), Registration Default Damages shall cease to accrue.

(f) Notwithstanding the foregoing, in no event will Registration Default Damages:

(i) be payable in connection with a failure to register the common stock. For the avoidance of doubt, if the Company fails to register both the Securities and the common stock issuable upon conversion of the Securities, then the Registration Default Damages shall be payable in connection with the failure to register the Securities; or

(ii) accrue after the second anniversary of the date of issuance of any Securities or be payable at a rate per year exceeding 0.50%.

(g) In the event that a Holder converts some or all of its Securities into common stock during a Registration Default, the Conversion Rate (as defined in the Indenture) of the Securities will be increased by 3% as set forth in the Indenture.

9. No Inconsistent Agreements. The Company has not entered into, and agrees not to enter into, any agreement with respect to its securities that is inconsistent with the rights granted to the Holders herein or that otherwise conflicts with the provisions hereof.

10. Amendments and Waivers. The provisions of this Agreement may not be amended, qualified, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of the Holders of a majority of the aggregate principal amount ofthe RegistrableSecurities outstanding; provided that, with respect to any matter that directly or indirectly affects the rights of any Initial Purchaser hereunder, the Company shall obtain the written consent of each such Initial Purchaser against which such amendment, qualification, supplement, waiver or consent is to be effective; provided, further, that no amendment, qualification, supplement, waiver or consent with respect to Section 8 hereof shall be effective as against any Holder of Registered Securities unless consented to in writing by such Holder; and provided, further, that the provisions of this Section 10 may not be amended, qualified, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of the Initial Purchasers and each Holder.

11. Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail, telex, telecopier or air courier guaranteeing overnight delivery:

(a) if to a Holder, at the most current address given by such Holder to the Company in accordance with the provisions of the Notice and Questionnaire, which address initially is, with respect to each Holder, the address of such Holder maintained by the Registrar under the Indenture;

(b) if to the Initial Purchasers or the Representative, initially at the address or addresses set forth in the Purchase Agreement; and

(c) if to the Company, initially at its address set forth in the Purchase Agreement.

All such notices and communications shall be deemed to have been duly given when received.

The Initial Purchasers or the Company by notice to the other parties may designate additional or different addresses for subsequent notices or communications.

12. Remedies. Each Holder, in addition to being entitled to exercise all rights provided to it herein, in the Indenture or in the Purchase Agreement or granted by law, including recovery of liquidated or other damages, will be entitled to specific performance of its rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive in any action for specific performance the defense that a remedy at law would be adequate.

13. Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their respective successors and assigns, including, without the need for an express assignment or any consent by the Company thereto, subsequent Holders of Securities, and the indemnified persons referred to in Section 5 hereof. The Company hereby agrees to extend the benefits of this Agreement to any Holder of Securities, and any such Holder may specifically enforce the provisions of this Agreement as if an original party hereto.

14. Counterparts. This Agreement may be signed in one or more counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

15. Headings. The section headings used herein are for convenience only and shall not affect the construction hereof.

16. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed in the State of New York. The parties hereto each hereby waive any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Agreement.

17. Severability. In the event that any one of more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected thereby, it being intended that all of the rights and privileges of the parties shall be enforceable to the fullest extent permitted by law.

18. Securities Held by the Company, etc. Whenever the consent or approval of Holders of a specified percentage of principal amount of Securities is required hereunder, Securities held by the Company or its affiliates (other than subsequent Holders of Securities if such subsequent Holders are deemed to be affiliates solely by reason of their holdings of such Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement between the Company and the several Initial Purchasers.

Very truly yours,

Lifetime Brands, Inc.

By: _____
Name:
Title:

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

Citigroup Global Markets Inc.

By _____
Name:
Title:

For itself and the other several
Initial Purchasers named in Schedule I
to the Purchase Agreement.

Exhibit 12.1

Computation of Ratio of Earnings to Fixed Charges
(In Thousands)

	Six Months Ended June 30,		Year Ended December 31,				
	2006	**2005**	**2005**	**2004**	**2003**	**2002**	**2001**
Earnings							
Income (loss) before taxes	$ (1,003)	$ 3,787	$ 22,756	$ 14,074	$ 13,989	$ 5,958	$ 6,061
Fixed charges	3,641	1,575	6,419	2,980	2,756	3,036	2,930
Total earnings	$ 2,638	$ 5,362	$ 29,175	$ 17,054	$ 16,745	$ 8,994	$ 8,991
Fixed Charges							
Interest expense & amortization of debt costs	$ 1,175	$ 512	$ 2,553	$ 1,047	$ 956	$ 1,236	$ 1,053
Interest expense in rent	2,466	1,063	3,866	1,933	1,800	1,800	1,877
Total fixed charges	$ 3,641	$ 1,575	$ 6,419	$ 2,980	$ 2,756	$ 3,036	$ 2,930
Insufficient coverage	$ 1,003	N/A	N/A	N/A	N/A	N/A	N/A
Ratio of earnings to fixed charges	N/A	3.4x	4.5x	5.7x	6.1x	3.0x	3.1x

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

We are aware of the incorporation by reference in the Registration Statement on Form S-3 of Lifetime Brands, Inc. for the registration of its $75,000,000 of 4.75% Convertible Senior Notes due July 15, 2011 (the “Notes”) and 2,678,571 shares of its common stock issuable upon conversion of the Notes, of our reports dated May 2, 2006 and August 4, 2006 relating to the unaudited condensed consolidated interim financial statements of Lifetime Brands, Inc. and subsidiaries that are included in its Forms 10-Q for the quarters ended March 31, 2006 and June 30, 2006.

/s/ Ernst & Young LLP

Melville, New York
September 21, 2006

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” in the Registration Statement (Form S-3 No. 333-00000) and related Prospectus of Lifetime Brands, Inc. for the registration of its $75,000,000 of 4.75% Convertible Senior Notes due July 15, 2011 (the “Notes”) and 2,678,571 shares of its common stock issuable upon conversion of the Notes and to the incorporation by reference therein of our reports dated March 8, 2006, with respect to the consolidated financial statements and schedule of Lifetime Brands, Inc., Lifetime Brands, Inc. management’s assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Lifetime Brands, Inc. included in its Annual Report (Form 10-K) for the year ended December 31, 2005, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Melville, New York
September 21, 2006