FORM 10-Q

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For quarter ended September 30, 2001

Commission file number 1-19254

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

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

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

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

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

APPLICABLE ONLY TO CORPORATE ISSUERS
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $.01 Par Value, 10,491,101 shares outstanding as of October 31, 2001

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LIFETIME HOAN CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	September 30, 2001 (unaudited)	December 31, 2000
ASSETS		

CURRENT ASSETS		
Cash and cash equivalents	$67	$1,325
Accounts receivable, less allowances of $3,289 in 2001 and $3,582 in 2000	24,021	18,158
Merchandise inventories	55,265	45,595
Prepaid expenses	1,842	3,477
Deferred income taxes	374	870
Other current assets	3,168	2,667
TOTAL CURRENT ASSETS	84,737	72,092
PROPERTY AND EQUIPMENT, net	21,961	13,085
EXCESS OF COST OVER NET ASSETS ACQUIRED, net	15,649	15,906
OTHER INTANGIBLES, net	9,479	9,780
OTHER ASSETS	2,296	1,256
TOTAL ASSETS	$134,122	$112,119
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$29,725	$10,746
Accounts payable and trade acceptances	10,438	6,709
Accrued expenses	16,006	16,619
TOTAL CURRENT LIABILITIES	56,169	34,074
MINORITY INTEREST	140	528
STOCKHOLDERS' EQUITY		
Common stock, $0.01 par value, shares authorized 25,000,000: shares issued and outstanding 10,491,101 in 2001 and 10,501,630 in 2000	105	105
Paid-in capital	61,087	61,155
Retained earnings	17,269	17,359
Notes receivable for shares issued to stockholders	(486)	(908)
Deferred compensation	(2)	(14)
Accumulated other comprehensive loss	(160)	(180)
TOTAL STOCKHOLDERS' EQUITY	77,813	77,517
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$134,122	$112,119

See notes to condensed consolidated financial statements.

LIFETIME HOAN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Net Sales.....................	$36,600	$33,505	$95,478	$86,661
Cost of Sales.................	20,407	17,585	52,987	45,354
Gross Profit..................	16,193	15,920	42,491	41,307
Selling, General and Administrative Expenses.	14,167	11,896	38,590	32,896
Interest Expense..............	394	283	940	477
Other (Income),net............	(240)	(244)	(473)	(470)
Income Before Income Taxes....	1,872	3,985	3,434	8,404
Income Taxes..................	846	1,706	1,564	3,589
NET INCOME....................	$1,026	$2,279	$1,870	$4,815
EARNINGS PER COMMON SHARE-BASIC	$0.10	$0.22	$0.18	$0.43
EARNINGS PER COMMON SHARE-DILUTED	$0.10	$0.21	$0.18	$0.43

See notes to condensed consolidated financial statements.

LIFETIME HOAN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2001	2000
OPERATING ACTIVITIES		
Net income	$1,870	$4,815
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,740	2,493
Deferred tax (benefit)	496	454
Provision for losses on accounts receivable	480	74
Reserve for sales returns and allowances	4,809	4,110
Minority Interest	(388)	(185)
Changes in operating assets and liabilities, excluding the effects of the M. Kamenstein, Inc. acquisition:		
Accounts receivable	(11,153)	(1,091)
Merchandise inventories	(9,670)	1,409
Prepaid expenses, other current assets and other assets	518	(1,365)
Accounts payable, trade acceptances and accrued expenses	3,118	483
Income taxes payable	-	(182)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(7,180)	11,015
INVESTING ACTIVITIES		
Purchase of property and equipment, net	(10,883)	(1,668)
M. Kamenstein, Inc. acquisition costs.	(164)	-
NET CASH (USED IN) INVESTING ACTIVITIES	(11,047)	(1,668)
FINANCING ACTIVITIES		
Proceeds from short-term borrowings, net	18,979	2,135
Proceeds from the exercise of stock options	20	47
Repurchase of Common Stock................	(88)	(10,653)
Cash dividends paid	(1,960)	(2,083)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	16,951	(10,554)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	18	-
(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,258)	(1,207)
Cash and cash equivalents at beginning of period	1,325	1,563
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$67	$356

See notes to condensed consolidated financial statements.

LIFETIME HOAN CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note A - Basis of Presentation
The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended September 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. It is suggested that these condensed financial statements be read in conjunction with the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

Recent Accounting Pronouncements: In June 2000, SFAS No. 133 was amended by SFAS No.138, "Accounting for Certain Derivative Financial Instruments and Certain Hedging Activities", which amended or modified certain issues discussed in SFAS No. 133. SFAS No. 138 is effective for all fiscal years beginning after June 15, 2000. SFAS No. 133 and SFAS No. 138 establish accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either as an asset or a liability measured at its fair value. The statements also require that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The adoption did not have a material effect on the Company's consolidated financial statements.

In July 2001, the FASB issued SFAS No.'s 141 and 142, "Business Combinations" and "Goodwill and Other Intangibles". FASB 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under FASB 142, goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill is subject to at least an annual assessment for impairment, applying a fair-value based test. Additionally, an acquired intangible asset should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented, or exchanged, regardless of the acquirer's intent to do so. Other intangible assets will continue to be valued and amortized over their estimated lives; in-process research and development will continue to be written off immediately. Statement No. 142 is effective for fiscal years beginning after December 15, 2001. The Company does not expect that the implementation of these guidelines will have a material impact on its consolidated financial position or results of operations.

Note B - Inventories
Merchandise inventories, principally finished goods, are priced at the lower of cost (first-in, first-out basis) or market.

Note C - BORROWINGS
On November 9, 2001, the Company entered into a $45 million three-year secured revolving credit agreement and in conjunction therewith canceled its $40 million short-term lines of credit. Under the terms of the Agreement, the Company is required to satisfy certain financial covenants, which, among other things, include: a limitation on indebtedness based upon EBITDA, as defined; a fixed charge ratio; and a minimum net worth. Borrowings under the credit facility have different interest rate options that are based on either an alternate base rate, LIBO rate, or lender's cost of funds rate.

At September 30, 2001, the Company had available an unsecured $30,000,000 line of credit with one bank, which was used for short-term borrowings or letters of credit. Borrowings under the line bore interest payable daily at a negotiated short-term borrowing rate. The effective interest rate at September 30, 2001 was 4.50%. As of September 30, 2001, the Company had $6,434,000 of letters of credit and trade acceptances outstanding and $16,300,000 of borrowings.

In April 2001, the Company obtained an additional $10,000,000 line of credit with a second bank which was used for short-term borrowings. Borrowings under this line bore interest payable monthly at a negotiated short-term borrowing rate. The effective interest rate at September 30, 2001 was 4.75%. As of September 30, 2001, the Company had $10,000,000 of borrowings under this line. Both lines were canceled on November 9, 2001 in conjunction with the new three-year secured revolving credit agreement.

In addition to the lines above, the Prestige Companies (the Company's 51% controlled European subsidiaries) have three lines of credit with three separate banks for a total available credit facility of approximately $3.6 million. As of September 30, 2001, the Prestige Companies had approximately $3,425,000 of borrowings against these lines. Interest rates on these lines of credit range from 6.125% to 8.9%.

Note D - Capital Stock
Cash Dividends: On July 31, 2001, the Board of Directors declared a regular quarterly cash dividend of $0.0625 per share to shareholders of record on August 3, 2001 paid on August 17, 2001. On October 26, 2001, the Board of Directors of the Company declared a regular quarterly cash dividend of $0.0625 per share to shareholders of record on November 6, 2001, payable on November 20, 2001.

Earnings Per Share: Basic earnings per share has been computed by dividing net income by the weighted average number of common shares outstanding of 10,491,000 for the three months ended September 30, 2001 and 10,567,000 for the three months ended September 30, 2000. For the nine month periods ended September 30, 2001 and September 30, 2000, the weighted average numbers of common shares outstanding were 10,492,000 and 11,159,000 respectively. Diluted earnings per share has been computed by dividing net income by the weighted average number of common shares outstanding, including the dilutive effects of stock options, of 10,549,000 for the three months ended September 30, 2001 and 10,646,000 for the three months ended September 30, 2000. For the nine month periods ended September 30, 2001 and September 30, 2000, the diluted weighted average numbers of common shares outstanding were 10,548,000 and 11,243,000, respectively.

Common Stock Buy Back: The Board of Directors of the Company has authorized a repurchase of up to 3,000,000 of its outstanding common shares in the open market. As of September 30, 2001, a total of 2,128,000 common shares had been repurchased and retired at a cost of approximately $15,235,000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Net Sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	55.8	52.5	55.5	52.3
Gross profit	44.2	47.5	44.5	47.7
Selling, general and administrative expenses	38.7	35.5	40.4	38.0
Interest expense	1.1	0.8	1.0	0.6
Other (income), net	(0.7)	(0.7)	(0.5)	(0.5)
Income before income taxes	5.1	11.9	3.6	9.6
Tax provision	2.3	5.1	1.6	4.1
Net Income	2.8 %	6.8 %	2.0 %	5.5 %

Three Months Ended September 30, 2001
Compared to Three Months ended September 30, 2000

Net Sales
Net sales for the three months ended September 30, 2001 were $36.6 million, $3.1 million or 9.2% greater than the comparable 2000 quarter. The sales increase was attributable to the M. Kamenstein, Inc. business, acquired in September 2000, which contributed $7.0 million of net sales to the third quarter results as compared to $2.0 million in the 2000 quarter. Excluding Kamenstein, sales were 5.9% lower in the 2001 quarter, due primarily to the effects of an uncertain economic climate and retail environment on the Company's retail customers.

Gross Profit
Gross profit for the three months ended September 30, 2001 was $16.2 million, an increase of $273,000 or 1.7% from the comparable 2000 period. Gross profit as a percentage of net sales decreased to 44.2% from 47.5%, due to of the impact of the increase in sales of M.Kamenstein, Inc., which currently generate lower gross margins than the Company's traditional business and to a lesser extent, product mix and customer mix in the Company's business.

Selling, General and Administrative Expenses
Selling, general and administrative expenses for the three months ended September 30, 2001 were approximately $14.2 million, an increase of $2.3 million or 19.1% from the comparable 2000 quarter. The increase was primarily attributable to the added operating expenses of the M. Kamenstein, Inc. business acquired in September 2000, and relocation charges and excess rent expense associated with the Company's move into its new warehouse.

Nine Months Ended September 30, 2001
Compared to Nine Months ended September 30, 2000

Net Sales
For the nine months ended September 30, 2001 net sales were $95.5 million, an increase of $8.8 million or 10.2% compared to the corresponding 2000 period. The sales increase was attributable to the M. Kamenstein, Inc. business, acquired in September 2000, which contributed an additional $13.3 million to net sales. Excluding Kamenstein, sales were 5.3% lower in the 2001 period, due primarily to the effects of an uncertain economic climate and retail environment on the Company's retail customers.

Gross Profit
Gross profit for the nine months ended September 30, 2001 was $42.5 million, an increase of $1.2 million or 2.9% from the comparable 2000 period. Gross profit as a percentage of net sales was 44.5% for the nine months ended September 30, 2001 as compared to 47.7% in the comparable 2000 period, due primarily to the impact of the added sales of M.Kamenstein, Inc., which currently generate lower gross margins than the Company's traditional business.

Selling, General and Administrative Expenses
Selling, general and administrative expenses for the nine months ended September 30, 2001 were $38.6 million, an increase of $5.7 million or 17.3% from the comparable 2000 period. The increase was primarily attributable to the added operating expenses of the M. Kamenstein, Inc. business acquired in September 2000, and relocation charges and excess rent expense associated with the Company's move into its new warehouse.

Forward Looking Statements: This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including statements concerning the Company's future products, results of operations and prospects. These forward-looking statements involve risks and uncertainties, including risks relating to general economic and business conditions, including changes which could affect customer payment practices or consumer spending; industry trends; the loss of major customers; changes in demand for the Company's products; the timing of orders received from customers; cost and availability of raw materials; increases in costs relating to manufacturing and transportation of products; dependence on foreign sources of supply and foreign manufacturing; and the seasonal nature of the business as detailed elsewhere in this Quarterly Report on Form 10-Q and from time to time in the Company's filings with the Securities and Exchange Commission. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties which could cause actual results to differ materially from those described in the forward-looking statements.

LIQUIDITY AND CAPITAL RESOURCES

On November 9, 2001, the Company entered into a $45 million three-year secured revolving credit agreement and in conjunction therewith canceled its $40 million short-term lines of credit. Under the terms of the Agreement, the Company is required to satisfy certain financial covenants, which, among other things, include: a limitation on indebtedness based upon EBITDA, as defined; a fixed charge ratio; and a minimum net worth. Borrowings under the credit facility have different interest rate options that are based on either an alternate base rate, LIBO rate, or lender's cost of funds rate.

At September 30, 2001, the Company had a $30,000,000 unsecured line of credit with one bank, which was used for short-term borrowings or letters of credit and trade acceptances. Borrowings under the line bore interest payable daily at a negotiated short-term borrowing rate. The effective interest rate at September 30, 2001 was 4.50%. As of September 30, 2001, the Company had $6,434,000 of letters of credit and trade acceptances outstanding and $16,300,000 of borrowings and, as a result, the availability under the line was $7,266,000.

In April 2001, the Company obtained an additional $10,000,000 line of credit with a second bank which was used for short-term borrowings. Borrowings under this line bore interest payable monthly at a negotiated short-term borrowing rate. The effective interest rate at September 30, 2001 was 4.75%. As of September 30, 2001, the Company had $10,000,000 of borrowings under this line. Both lines were canceled November 9, 2001 in conjunction with the new three year secured revolving credit agreement.

In addition to the lines above, the Prestige Companies (the Company's 51% controlled European subsidiaries) have three lines of credit with three separate banks for a total available credit facility of approximately $3.6 million. As of September 30, 2001, the Prestige Companies had approximately $3,425,000 of borrowings against these lines. Interest rates on these lines of credit range from 6.125% to 8.9%.

At September 30, 2001, the Company had cash and cash equivalents of $67,000 versus $1.3 million at December 31, 2000. In addition short-term borrowings increased by $19.0 million during the first nine months of 2001. The decrease in cash and increase in short-term borrowings was primarily attributable to capital expenditures made for the Company's new leased warehouse facility and to fund increased inventory levels and accounts receivable.

On October 26, 2001, the Board of Directors declared a regular quarterly cash dividend of $0.0625 per share to shareholders of record on November 6, 2001, to be paid on November 20, 2001. The dividend to be paid will be approximately $656,000.

The Company believes that all capital expenditures expected to be incurred in 2001 will be financed from current operations, cash and cash equivalents and additional borrowings under its credit agreement.

The Company believes that its cash and cash equivalents, internally generated funds and its existing credit arrangements will be sufficient to finance its operations for at least the next 12 months.

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

Company believes it would be able to compensate for any such price increase.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact the consolidated financial position, results of operations or cash flows of the Company. The Company is exposed to market risk associated with changes in interest rates. The Company's lines of credits bear interest at variable rates. The Company is subject to increases and decreases in interest expense on its variable rate debt resulting from fluctuations in the interest rates of such debt. There have been no changes in interest rates that would have a material impact on the consolidated financial position, results of operations or cash flows of the Company during the nine month period ended September 30, 2001.

PART II - OTHER INFORMATION

Item 6. Exhibit(s) and Reports on Form 8-K.

(a) Exhibit(s) in the third quarter of 2001: NONE

(b) Reports on Form 8-K in the third quarter of 2001: NONE

SIGNATURES

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

Lifetime Hoan Corporation

November 10, 2001

/s/ Jeffrey Siegel
____
Jeffrey Siegel
Chairman of the Board of Directors
(Principal Executive Officer)

November 10, 2001

/s/ Robert McNally
____
Robert McNally
Vice President - Finance and Treasurer
(Principal Financial and Accounting Officer)