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

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
[No Fee Required]
For the fiscal year ended December 31, 1997
or
[ ] Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
[No Fee Required]

For the transition period from to

Commission file number 1-19254

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

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

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No___

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

The aggregate market value of 6,361,000 shares of the voting stock held by non-affiliates of the registrant as of February 28, 1998 was approximately $64,803,000. Directors, executive officers, and trusts controlled by said individuals are considered affiliates for the purpose of this calculation, and should not necessarily be considered affiliates for any other purpose.

The number of shares of Common Stock, par value $.01 per share, outstanding as of February 28, 1998 was 12,549,109.

DOCUMENTS INCORPORATED BY REFERENCE

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

LIFETIME HOAN CORPORATION

FORM 10-K

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PART I

ITEM 1. BUSINESS

General

Forward Looking Statements: This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including statements concerning the Company's future products, results of operations and prospects. These forward-looking statements involve risks and uncertainties, including risks relating to general economic and business conditions, including changes which could affect customer payment practices or consumer spending; industry trends; the loss of major customers;

changes in demand for the Company's products; the timing of orders received from customers; cost and availability of raw materials; increases in costs relating to manufacturing and transportation of products; dependence on foreign sources of supply and foreign manufacturing; and the seasonal nature of the business as detailed elsewhere in this Annual Report on Form 10-K and from time to time in the Company's filings with the Securities and Exchange Commission. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties which could cause actual results to differ materially from those described in the forward-looking statements.

Lifetime Hoan Corporation designs, markets and distributes household cutlery, kitchenware, cutting boards and other houseware products. Items are sold under both owned and licensed tradenames. Owned tradenames include Hoffritzr, Tristarr, Old Homesteadr and Hoanr. Licensed tradenames include Farberwarer and various names under licenses from The Pillsbury Company and The Walt Disney Company, Inc. The Farberwarer tradename is used pursuant to a 200 year royalty-free license. The Company, incorporated in Delaware in 1983, is the successor to Lifetime Cutlery Corporation, which was founded in 1945. As used herein, unless the context requires otherwise, the terms "Company" and "Lifetime" mean Lifetime Hoan Corporation and its subsidiaries.

Sales growth is stimulated by expanding product offerings and penetrating various channels of distribution. Lifetime has developed a strong consumer franchise by promoting and marketing innovative products under Company trade names and through licensing agreements. In addition, the following acquisitions and agreements have been made which have had a favorable impact on the Company's business:

Hoffritzr

In September 1995, the Company acquired the Hoffritzr trademarks and brand name. The Company uses the name on various products including cutlery, scissors, personal care implements and kitchen tools. The Company believes that Hoffritzr is a respected name with a history of quality. The acquisition has enabled the Company to sell products at higher price points than the rest of the Company's products. The Company shipped over 275 types of items under the Hoffritz brandname during 1997, with the total line expected to exceed 300 items. In addition, the products are marketed through a "shop within a store" concept in department and specialty stores



Farberwarer

In April 1996, the Company entered into an agreement to acquire certain assets of Farberware, Inc. ("Farberware") for $12.7 million in cash. Under the terms of the acquisition agreement, and a joint venture agreed to by the Company and Syratech Corporation in connection therewith, the Company acquired a 200 year, royalty-free, exclusive right to use the Farberwarer name in connection with the product lines covered by its then existing license agreement, which included kitchen cutlery products (excluding flatware) and kitchen tools such as spatulas, barbecue forks and "gadgets" (but excluding appliances), plus certain limited additional products. This agreement enables the Company to market products under the Farberwarer name without paying additional royalties. The Company also acquired 50 Farberware outlet stores. In addition, rights to license the Farberwarer name for use by third parties in certain product categories are held by a joint venture, owned equally by the Company and a wholly owned subsidiary of Syratech Corporation

Microban

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

Meyer Agreement

In July 1997, the Company entered into an agreement with the Meyer Corporation, regarding the operation of the Company's Farberware retail outlet stores. Pursuant to the agreement, the Company continues to own and operate the Farberware retail outlet stores, which the Company acquired in 1996 and Meyer Corporation, the licensed manufacturer of Farberware branded cookware products, assumes responsibility for merchandising and stocking cookware products in the stores. Meyer Corporation receives all revenue from sales of Farberware cookware, and reimburses the Company for 62.5% of the operating expenses, as defined, attributable to the stores. Also, Meyer acquired all cookware inventory from the Company at its carrying value of approximately $3.1 million.

Products

The Company designs, markets and distributes a broad range of household cutlery, kitchenware items and cutting boards, marketing its products under various trade names including Farberware and Hoffritz.

Cutlery

The Company markets and distributes household cutlery under a variety of tradenames including Farberwarer, Hoffritzr and Tristarr. Cutlery is sold individually in blister packages, boxed sets and in sets fitted into wooden counter blocks, resin carousels and stainless carousels.

Cutlery is generally shipped as individual pieces from overseas manufacturers to the Company's warehouse facilities in central New Jersey. This permits the Company to configure the quantity, style and contents of cutlery sets to meet customer requirements as to product mix and pricing. The sets are then assembled and packaged for shipment to customers.



Kitchenware

The Company sells over 2,750 kitchenware items under various tradenames including Farberwarer, Hoffritzr, Hoanr, Smart Choice, HealthWorksT, Pillsbury and cDisney. The kitchenware items are manufactured to the Company's specifications outside the United States and are generally shipped fully assembled. These items are typically packaged on a card which can be mounted for sale on racks at the retailers' premises for maximum display visibility. Products include the following:

Kitchen Tools and Gadgets

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

Baking, measuring, and rangetop products such as cookie sheets, muffin, cake and pie pans, drip pans, bake, roast and loaf pans, scraper sets, whisks, cutters, spatulas, rolling pins, baking shells, baking cups, measuring devices, thermometers, timers and burner covers;

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

Mickey Unlimited and Mickey Stuff for Kids, child-oriented products featuring Mickey and Minnie Mouse on such items as bag clips, magnetic note holders, party goods, magnetic picture frames, can covers, bottle stoppers and flatware;

Pillsbury, one of America's best known brands of baking accessories featuring the Poppin-FreshT logo on such items as pastry brushes, spatulas, whisks, spoon and cup sets, cookie cutters, mixing spoons and magnets;

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

Impulse Purchase Products

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

Cutting Boards

The Company designs, markets and distributes a full range of cutting boards made of polyethylene, wood, glass and acrylic. All cutting boards except for glass are imported. Glass cutting board blanks are purchased domestically and are finished and packaged in the Company's warehouse facilities in central New Jersey. Boards are also packaged with cutlery items and kitchen gadgets.



New Products

The Company has a design department consisting of 12 employees who create new products, packaging and merchandising concepts. In excess of 300 items were developed or remodeled in 1997, including the following :

Hoffritz: The Company introduced approximately 125 Hoffritzr branded items in 1997 including barbecue accessories, colanders and bowls, various caddies and expansion of the pepper mills, cutting boards and personal care lines.

Cutlery: Introduction of stainless steel knife caddies with Ultrapro knives.

Gadgets: Introduction of various softgrip kitchen tools and gadgets.

Cutting Boards: Continued expansion of the value added approach, packaging boards with Farberwarer cutlery and kitchen gadgets.

Sources of Supply

The Company sources its products from approximately 45 manufacturers located primarily in the Far East, including the People's Republic of China, Indonesia, Taiwan, Thailand, Malaysia, Korea and to a smaller extent in the United States, India and Italy. In 1997, the majority of cutlery was purchased from four suppliers, who individually accounted for 30%, 21%, 18% and 18% of the total purchases. An interruption of supply from any of these manufacturers could have an adverse impact on the Company's ability to fill orders on a timely basis. However, the Company believes other manufacturers with whom the Company does business would be able to increase production to fulfill the Company's requirements.

The Company's policy is to maintain a large inventory base and, accordingly, it orders products substantially in advance of anticipated time of sale to its customers. While the Company does not have any long-term formal arrangements with any of its suppliers, in certain instances, particularly in the manufacture of cutlery, the Company places firm commitments for products up to twelve months in advance of receipt of firm orders from customers. Lifetime's arrangements with most manufacturers allow for flexibility in modifying the quantity, composition and delivery dates of each order. All purchase orders are in United States dollars.

Marketing

The Company markets its product lines directly through its own sales force and through a network of independent sales representatives. The Company's products are primarily sold in the United States to approximately 1,800 customers including national retailers, department store chains, mass merchant retail and discount stores, supermarket chains, warehouse clubs, direct marketing companies, specialty chains and through other channels of distribution. During the year ended December 31, 1997, Walmart accounted for approximately 17% of net sales. No other customer accounted for 10% or more of the Company's net sales.

Competition

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



Patents and Trademarks

The Company uses a number of owned trademarks, primarily Hoffritzr, Tristarr and Hoanr, as well as Farberwarer which is licensed under a 200 year royalty-free agreement, which the Company considers significant to its competitive position. Some of these trademarks are registered in the United States and others have become distinctive marks as to which the Company has acquired common law rights. The Company also has licensed several other trademarks from The Walt Disney Company and The Pillsbury Company which it uses in its business. The Company also owns several design and utility patents expiring from 2000 to 2013 on the overall design of some of its products. The Company also acquired patents, trademarks and copyrights as part of the Hoffritzr purchase, expiring from 1999 to 2022. The Company believes that the expiration of any of its patents would not have a material adverse effect on its business.

Seasonality

Although the Company sells its products throughout the year, the Company has traditionally had higher net sales during its third and fourth quarters. The following table sets forth the quarterly net sales for the years ended December 31, 1997, 1996 and 1995:

Net Sales (in thousands)

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|---|---|---|---|---|
| 1997 | $21,100 | $22,100 | $24,500 | $32,300 |
| 1996 | 19,300 | 21,000 | 25,100 | 33,000 |
| 1995 | 18,700 | 15,600 | 22,100 | 24,200 |

Backlog

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

Lifetime's backlog at December 31, 1997 and 1996 was $6,048,000 and $3,714,000, respectively. The Company expects to fill the 1997 backlog during 1998. The Company does not believe that backlog is indicative of its future results of operations or prospects. Although the Company seeks commitments from customers well in advance of shipment dates, actual confirmed orders are typically not received until close to the required shipment dates.

Employees

As of December 31, 1997, the Company had 527 full-time employees, of whom 4 were employed in an executive capacity, 50 in sales, marketing, design and product development, 59 in financial, administrative or clerical capacities, 228 in warehouse or distribution capacities and 186 were outlet store personnel. None of the Company's employees are represented by a labor union. The Company considers its employee relations to be good.



ITEM 2. PROPERTIES

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

The Company's primary warehouse and distribution facility located in central New Jersey occupies approximately 305,000 square feet. The facility is leased pursuant to a net lease subject to annual automatic renewals through January 31, 1999. The annual rent is approximately $1,084,000.

The Company leased approximately 136,000 square feet of additional warehouse and distribution space in 1995. The additional warehouse facility is leased through January 31, 1999 with an option to renew for an additional three years. The annual rent is approximately $429,000.

The Company also leases an approximately 2,000 square foot showroom in New York City. The annual rental is approximately $43,000 and the lease expires on June 30, 1999.

The Company is designing a new, more modern distribution center, which it expects to commence leasing in the beginning of 1999.

The Company's Outlet Store subsidiary leases approximately 50 stores in retail outlet centers located in 25 states throughout the United States. The square footage of the stores range from approximately 2,000 square feet to 4,500 square feet. The terms of these leases range from three to five years with expiration dates beginning in January 1998 and extending through December 2002.

ITEM 3. LEGAL PROCEEDINGS

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

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

Not applicable.



PART II

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

The Company's Common Stock is traded under the symbol "LCUT" on The Nasdaq National Market ("Nasdaq") and has been since its initial public offering in June 1991. On February 5, 1997, the Board of Directors of the Company declared a 10% stock dividend payable to shareholders of record on February 18, 1997. All share and per share data included in this report have been retroactively adjusted to reflect the declaration and payment of stock dividends. See Note A to the consolidated financial statements included elsewhere herein.

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

| | 1997 | | 1996 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| First Quarter | $12.25 | $8.38 | $9.32 | $7.27 |
| Second Quarter | $8.75 | $7.13 | $10.23 | $7.27 |
| Third Quarter | $9.63 | $7.75 | $10.00 | $8.30 |
| Fourth Quarter | $11.00 | $8.38 | $10.68 | $7.84 |

At December 31, 1997, the Company estimates that there were approximately 1,100 beneficial holders of the Common Stock of the Company.

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

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



ITEM 6. SELECTED FINANCIAL DATA

The selected financial data set forth below for the five years in the period ended December 31, 1997 have been derived from the audited financial statements of the Company. The data for 1995 through 1997 should be read in conjunction with "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited financial statements and related notes thereto included elsewhere herein.

(in thousands except per share data)

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 1997 | 1996 | 1995 | 1994 | 1993 |
| INCOME STATEMENT DATA: | | | | | |
| Net sales | $100,021 | $98,426 | $80,495 | $77,449 | $64,740 |
| Cost of sales | 51,419 | 50,528 | 43,531 | 41,726 | 34,991 |
| Gross profit | 48,602 | 47,898 | 36,964 | 35,723 | 29,749 |
| Selling, general and | 33,114 | 31,915 | 25,397 | 21,636 | 18,600 |
| Income from operations | 15,488 | 15,983 | 11,567 | 14,087 | 11,149 |
| Interest expense | 76 | 671 | 401 | 124 | 124 |
| Other income (net) | (149) | (100) | (148) | (165) | (357) |
| Income before income taxes | 15,561 | 15,412 | 11,314 | 14,128 | 11,382 |
| Income tax provision | 6,000 | 6,060 | 4,387 | 5,498 | 4,377 |
| Net income | $9,561 | $9,352 | $6,927 | $8,630 | $7,005 |
| Net income per share - basic | $0.77 | $0.75 | $0.56 | $0.71 | $0.58 |
| Weighted average shares outstanding - basic | 12,459 | 12,395 | 12,465 | 12,216 | 12,131 |
| Net income per share - diluted | $0.75 | $0.74 | $0.54 | $0.68 | $0.56 |
| Weighted average shares outstanding - diluted | 12,720 | 12,675 | 12,753 | 12,618 | 12,452 |

The earnings per share amounts prior to 1997 have been restated as required to comply with the Statement of Financial Accounting Standards No. 128, Earnings Per Share. For further discussion of earnings per share and the impact of Statement No. 128, see the notes to the consolidated financial statements beginning on page F-7.

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 1997 | 1996 | 1995 | 1994 | 1993 |
| BALANCE SHEET DATA: | | | | | |
| Current assets | $69,709 | $61,884 | $62,569 | $53,885 | $49,412 |
| Current liabilities | 12,051 | 13,213 | 13,836 | 8,916 | 8,435 |
| Working capital | 57,658 | 48,671 | 48,733 | 44,969 | 40,977 |
| Total assets | 92,957 | 84,772 | 75,756 | 64,696 | 53,610 |
| Current debt | - | 1,000 | 4,600 | - | - |
| Stockholders' equity | $80,906 | $71,559 | $61,920 | $55,780 | $45,175 |



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

RESULTS OF OPERATIONS

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| Net sales | 100.0 % | 100.0 % | 100.0 % |
| Cost of sales | 51.4 | 51.3 | 54.1 |
| Gross profit | 48.6 | 48.7 | 45.9 |
| Selling, general and adm. expenses | 33.1 | 32.4 | 31.5 |
| Income from operations | 15.5 | 16.3 | 14.4 |
| Interest expense | 0.1 | 0.8 | 0.5 |
| Other income (net) | (0.1) | (0.1) | (0.2) |
| Income before income taxes | 15.5 | 15.6 | 14.1 |

| | | | |
|---|---|---|---|
| Income tax provision | 6.0 | 6.2 | 5.5 |
| Net income | 9.5 % | 9.4 % | 8.6 % |

1997 COMPARED TO 1996

Net Sales

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

Net sales of Farberware outlet stores were $8.6 million in 1997 as compared to $10.4 million in 1996, reflecting the restructuring of the operations of the outlet stores, which became effective in the third quarter of 1997 pursuant to an agreement with the Meyer Corporation. In conjunction with the agreement, the Company continues to own and operate the Farberware retail outlet stores, and Meyer Corporation, the licensed manufacturer of Farberware branded cookware products, assumed responsibility for merchandising and stocking cookware products in the stores. As a result, Meyer Corporation receives all revenue from sales of cookware and is responsible for 62.5% of the operating expenses, as defined, attributable to the stores.

Gross Profit

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



Selling, General and Administrative Expenses

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

Interest Expense

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

1996 COMPARED TO 1995

Net Sales

Net sales for all products in 1996 were $98.4 million, an increase of $17.9 million or 22.3% over 1995. The sales growth was due principally to net sales from the Farberware Outlet Stores which were acquired in April 1996 and the Hoffritz line, plus increased net sales of cutting boards, the Smart Choice line, and Farberware gadgets, partially offset by reduced sales of other

Company products.

## Gross Profit

Gross profit for 1996 was $47.9 million, an increase of $10.9 million or 29.6% over 1995. Gross profit as a percentage of net sales was 48.7% in 1996 and 45.9% in 1995. The increase in gross profit as a percentage of sales was attributable to reduced royalty expense in connection with the Farberware acquisition as well as change in product mix.

## Selling, General and Administrative Expenses

As a percentage of net sales, selling, general and administrative expenses were 32.4% for 1996, as compared to 31.5% for 1995. Selling, general and administrative expenses for 1996 were $31.9 million, an increase of $6.5 million or 25.7% from 1995. This increase was primarily attributable to the operations of the Farberware Outlet Stores, investments in additional personnel and new facilities and increased freight out expenses directly related to the increased sales.

## Interest Expense

Interest expense for 1996 was $671,000, an increase of $270,000 over 1995. This increase was due to increased average borrowings under the Company's line of credit used to finance the Farberware acquisition.



## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1997, the Company had cash and cash equivalents of $7.8 million, an increase of $6.7 million from the prior year, working capital was $57.7 million, an increase of $9.0 million from 1996, and the current ratio improved to 5.8 to 1.0.

Cash provided by operating activities was approximately $7.1 million, consisting primarily of net income and increased accounts payable and trade acceptances, partially offset by increased merchandise inventories and accounts receivable. The increased merchandise inventory was primarily attributable to new products. Cash provided by investing activities was $845,000, consisting of the sale of inventory to Meyer Corporation offset by the purchases of property and equipment. In connection with the outlet store agreement, the Meyer Corporation acquired all cookware inventory from the Company for $3.1 million. Cash used in financing activities was $1.2 million, which included the repayment of $1.0 million of short term borrowings, the payment of dividends of $781,000 and the exercise of stock options of $551,000.

Capital expenditures were $2.3 million in 1997 and $2.0 million in 1996. Capital expenditures for 1997 consisted primarily of assets purchased for machinery and equipment for use in the warehouse, and fixtures for the Farberware outlet stores. Total planned capital expenditures for 1998 are estimated at $8.0 million. These expenditures are primarily for the equipment and a management system to be used in a new, more modern leased warehouse and distribution facility and the implementation of a new financial reporting system. These expenditures will be funded from current operations cash and cash equivalents and, if needed, short term borrowings.

The Company has available an unsecured $25,000,000 line of credit with a bank (the "Line") which may be used for revolving credit loans or letters of credit. Borrowings made under the Line bear interest payable daily at a negotiated short term borrowing rate. As of December 31, 1997, the Company had no outstanding borrowings and $11,790,000 of letters of credit and trade acceptances were outstanding under the Line and, as a result, the availability under the Line was $13,210,000. The Line is cancelable by either party at any time.

Products are sold to retailers primarily on 30-day credit terms, and to distributors primarily on 60-day credit terms. As of December 31, 1997, the Company had an aggregate of $465,000 of accounts receivable outstanding in excess of 60 days or approximately 3.3% of gross receivables, and had inventory of $42.8 million.

The Company is in the process of installing a new financial/accounting system and separate warehouse management system which the Company believes will significantly enhance capabilities. These systems are expected to be fully operational by early 1999 and function properly with respect to dates in the Year 2000 and beyond. The Company also has initiated discussions with its significant suppliers, large customers and financial institutions to ensure that those parties have appropriate plans to remediate Year 2000 issues where their systems interface with the Company's systems or otherwise impact its operations. The Company will assess the extent to which its operations are vulnerable should those organizations fail to remediate properly their computer systems. While the Company believes its planning efforts are adequate to address its Year 2000 concerns, there can be no guarantee that the systems of other companies on which the Company's systems and operations rely will be converted on a timely basis and will not have a material effect on the Company.

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



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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements are included herein commencing on page F-1.
The first three quarters of 1997 and the 1996 earnings per share amounts have been restated to comply with Statement of Financial Accounting Standards No. 128, Earnings Per Share.

The following is a summary of the quarterly results of operations for the years ended December 31, 1997 and 1996.

| | Three Months Ended | | | |
|---|---|---|---|---|
| | 3/31 | 6/30 | 9/30 | 12/31 |
| | (Thousands of dollars, except per share data) | | | |
| 1997 | | | | |
| Net sales | $21,108 | $22,133 | $24,516 | $32,264 |
| Cost of sales | 11,133 | 11,203 | 12,105 | 16,978 |

| | | | | |
|---|---|---|---|---|
| Net income | 1,363 | 1,538 | 3,054 | 3,606 |
| Net income per share - basic | $0.11 | $0.12 | $0.24 | $0.29 |
| Net income per share - diluted | $0.11 | $0.12 | $0.24 | $0.28 |

1996

| | | | | |
|---|---|---|---|---|
| Net sales | $19,273 | $20,990 | $25,116 | $33,046 |
| Cost of sales | 10,179 | 10,895 | 11,708 | 17,746 |
| Net income | 1,673 | 1,270 | 2,873 | 3,536 |
| Net income per share - basic | $0.14 | $0.10 | $0.23 | $0.28 |
| Net income per share - diluted | $0.13 | $0.10 | $0.23 | $0.28 |

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

None.



PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

| Name | Age | Position | Director or Executive Officer of Company or its Predecessor Since |
|---|---|---|---|
| Milton L. Cohen | 69 | Chairman of the Board of Directors and President | 1958 |
| Jeffrey Siegel | 55 | Executive Vice President and Director | 1967 |
| Craig Phillips | 48 | Vice-President - Distribution, Secretary and Director | 1973 |
| Robert McNally | 51 | Vice-President - Finance, Treasurer | 1997 |
| Ronald Shiftan | 53 | Director | 1991 |
| Howard Bernstein | 77 | Director | 1992 |

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

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

Mr. Phillips has been continuously employed by the

Company in his present capacity since 1981.

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

Mr. Shiftan has been Managing Director of Patriot Group, LLC, a financial advisory firm since 1996. From 1992 to 1996 Mr. Shiftan was Vice Chairman of HealthCare Investment Corporation, a manager of private venture capital partnerships. Prior thereto he was Managing Director of Sphere Capital Partners, a financial advisory firm which acted as financial advisor to the Company in connection with its initial public offering in 1991.

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

Jeffrey Siegel and Craig Phillips are cousins.

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



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

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

## ITEM 11. EXECUTIVE COMPENSATION

There is hereby incorporated by reference the information to appear under the caption "Executive Compensation" in the Company's definitive Proxy Statement for its 1998 Annual Meeting of Stockholders.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

There is hereby incorporated by reference the information to appear under the caption "Principal Stockholders" in the Company's definitive Proxy Statement for its 1998 Annual Meeting of Stockholders.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There is hereby incorporated by reference the information to appear under the caption "Certain Transactions" in the Company's definitive Proxy Statement for its 1998 Annual Meeting of Stockholders.

# PART IV

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

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

(b) Reports on Form 8-K in the fourth quarter of 1997.

None.

(c) Exhibits*:

| Exhibit No. | Description |
|---|---|
| 3.1 | Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3[a] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation). |
| 3.2 | Amendment dated June 9, 1994 to the Restated Certificate of Incorporation of the Company (incorporated herein by reference to the December 31, 1994 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation). |



| | |
|---|---|
| 3.3 | By-Laws of the Company (incorporated herein by reference to Exhibit 3[b] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation). |
| 10.1 | Loan Agreement dated as of May 11, 1988 with Bank of New York, as amended (incorporated by Reference to Exhibit 10[d] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation). |
| 10.2 | Amendment No. 6 dated as of March 5, 1992 between Lifetime Hoan Corporation and The Bank of New York (incorporated by reference to the December 31, 1991 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation). |
| 10.3 | Stock Option Plan for key employees of Lifetime Hoan Corporation, as amended June 9, 1994 (incorporated by reference to the December 31, 1994 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation). |
| 10.4 | Promissory notes dated December 17, 1985 of Milton L. Cohen, Jeffrey Siegel, Craig Phillips and Robert Phillips, as amended (incorporated by reference to Exhibit 10[f] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation). |
| 10.5 | Lease to Dayton, New Jersey premises dated August 20, 1987 and amendment between the Company and Isaac Heller (incorporated by reference to Exhibit 10[h] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation). |
| 10.6 | License Agreement dated December 14, 1989 between the Company and Farberware, Inc. (incorporated by reference to Exhibit 10[j] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation). |
| 10.7 | License Agreement dated as of April 19, 1991 between the Company and The Pillsbury Company (incorporated by reference to Exhibit 10[m] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation). |
| 10.8 | Real Estate Sales Agreement dated October 28, 1993 between the Company and The Olsten Corporation (incorporated by reference to the December 31, 1993 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation). |
| 10.9 | Amendment to the Real Estate Sales Agreement dated September 26, 1994 between the Company and The Olsten Corporation. (incorporated by reference to the December 31, 1995 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation). |

10.10 Lease to additional Dayton, New Jersey premises dated December 7, 1994. (incorporated by reference to the December 31, 1995 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation).

10.11 License Agreement dated December 21, 1995 between the Company and The Walt Disney Company.

10.12 Memorandum of purchase dated September 18, 1995 between the Company and Alco Capital Group, Inc. (incorporated by reference to the September 30, 1995 Form 10-Q [No. 1-19254] of Lifetime Hoan Corporation).



10.13 Registration Rights Agreement dated September 18, 1995 between the Company and Alco Capital Group, Inc. (incorporated by reference to the September 30, 1995 Form 10-Q [No. 1-19254] of Lifetime Hoan Corporation).

10.14 Amendment No. 1 dated September 26, 1995 to the Lease for the additional Dayton, New Jersey premises. (incorporated by reference to the September 30, 1995 Form 10-Q [No. 1-19254] of Lifetime Hoan Corporation).

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

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

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

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

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

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

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

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

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

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

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

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

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

21 Subsidiaries of the registrant

23 Consent of Ernst & Young LLP.

27 Financial Data Schedule

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

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



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

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

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



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



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



REPORT OF INDEPENDENT AUDITORS

Stockholders and Board of Directors
Lifetime Hoan Corporation

We have audited the accompanying consolidated balance sheets of Lifetime Hoan Corporation as of December 31, 1997 and 1996 and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1997. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lifetime Hoan Corporation at December 31, 1997 and 1996 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Melville, New York
February 18, 1998



CONSOLIDATED BALANCE SHEETS

LIFETIME HOAN CORPORATION
(in thousands, except share data)

| | December 31, 1997 | 1996 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $7,773 | $1,093 |
| Accounts receivable, less allowances of $851 - 1997 and $791 - 1996 | 13,274 | 14,000 |
| Merchandise inventories | 42,763 | 39,917 |
| Prepaid expenses | 3,290 | 4,931 |
| Deferred income taxes | 439 | 1,018 |
| Other current assets | 2,170 | 925 |
| TOTAL CURRENT ASSETS | 69,709 | 61,884 |
| PROPERTY AND EQUIPMENT | 9,434 | 8,697 |
| EXCESS OF COST OVER NET ASSETS ACQUIRED, net | 1,841 | 1,906 |
| OTHER INTANGIBLES, net | 10,950 | 11,341 |
| OTHER ASSETS | 1,023 | 944 |
| TOTAL ASSETS | $92,957 | $84,772 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable and trade acceptances | $5,360 | $4,012 |

| | | |
|---|---|---|
| Accrued expenses | 6,152 | 6,882 |
| Income taxes | 539 | 1,319 |
| Short term borrowings | - | 1,000 |
| TOTAL CURRENT LIABILITIES | 12,051 | 13,213 |
| | | |
| STOCKHOLDERS' EQUITY | | |
| Common stock, $.01 par value, authorized 25,000,000 shares; issued and outstanding 12,522,246 shares in 1997 and 12,406,509 shares in 1996 | 125 | 124 |
| Paid-in capital | 75,307 | 74,757 |
| Retained earnings (deficit) | 6,443 | (2,337) |
| | 81,875 | 72,544 |
| Less: | | |
| Notes receivable for shares issued to stockholders | 908 | 908 |
| Deferred compensation | 61 | 77 |
| TOTAL STOCKHOLDERS' EQUITY | 80,906 | 71,559 |
| | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $92,957 | $84,772 |

See notes to consolidated financial statements.



CONSOLIDATED STATEMENTS OF INCOME
LIFETIME HOAN CORPORATION

(in thousands - except per share data)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| Net sales | $100,021 | $98,426 | $80,495 |
| Cost of sales | 51,419 | 50,528 | 43,531 |
| | 48,602 | 47,898 | 36,964 |
| Selling, general and administrative expenses | 33,114 | 31,915 | 25,397 |
| INCOME FROM OPERATIONS | 15,488 | 15,983 | 11,567 |
| Interest expense | 76 | 671 | 401 |
| Other income, net | (149) | (100) | (148) |
| INCOME BEFORE INCOME TAXES | 15,561 | 15,412 | 11,314 |
| Provision for federal, state and local income taxes | 6,000 | 6,060 | 4,387 |
| NET INCOME | $9,561 | $9,352 | $6,927 |
| NET INCOME PER SHARE - BASIC | $0.77 | $0.75 | $0.56 |
| NET INCOME PER SHARE - DILUTED | $0.75 | $0.74 | $0.54 |

See notes to consolidated financial statements

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
LIFETIME HOAN CORPORATION
(in thousands)

| | Common Stock Shares | Common Stock Amount | Paid-in Capital | Retained Earning (Deficits) | Notes Receivable from Stockholders | Deferred Compensation | Total |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 1994 | 10,340 | $104 | $52,138 | $4,864 | ($1,184) | ($142) | $55,780 |
| Net income for 1995 | | | | 6,927 | | | 6,927 |
| Exercise of stock options | 40 | | 252 | | | | 252 |
| Exercise of warrants | 6 | | 43 | | | | 43 |
| Stock issued in exchange for intangibles | 47 | 1 | 476 | | | | 477 |
| Repurchase and retirement of common Stock | (199) | (2) | (1,006) | (736) | 136 | | (1,608) |
| Amortization of deferred compensation | | | | | | 49 | 49 |
| Stock dividend | 1,023 | 10 | 9,200 | (9,210) | | | - |
| Balance at December 31, 1995 | 11,257 | 113 | 61,103 | 1,845 | (1,048) | (93) | 61,920 |
| Net income for 1996 | | | | 9,352 | | | 9,352 |
| Exercise of stock options | 21 | | 125 | | | | 125 |
| Exercise of warrants | 1 | | 6 | | | | 6 |
| Repayment of note receivable | | | | | 140 | | 140 |
| Amortization of deferred compensation | | | | | | 16 | 16 |
| Stock dividend | 1,128 | 11 | 13,52 | (13,534) | | | - |
| Balance at December 31, 1996 | 12,407 | 124 | 74,757 | (2,337) | (908) | (77) | 71,559 |
| Net income for 1997 | | | | 9,561 | | | 9,561 |
| Exercise of stock options | 115 | 1 | 550 | | | | 551 |
| Amortization of deferred compensation | | | | | | 16 | 16 |
| Cash dividend | | | | (781) | | | (781) |
| Balance at December 31, 1997 | 12,522 | $125 | $75,307 | $6,443 | ($908) | ($61) | $80,906 |

See notes to consolidated financial statements



## CONSOLIDATED STATEMENTS OF CASH FLOWS
LIFETIME HOAN CORPORATION
(in thousands)

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Net income | $9,561 | $9,352 | $6,927 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |

| | | | |
|---|---|---|---|
| Depreciation and amortization | 1,974 | 1,572 | 906 |
| Deferred taxes | 579 | 168 | (357) |
| Amortization of deferred compensation | 16 | 16 | 49 |
| Provision for losses on accounts receivable | 2,112 | 500 | 534 |
| Reserve for sales returns and allowances......... | 3,533 | 3,589 | 3,686 |
| Changes in operating assets and liabilities, excluding Acquisitions and dispositions: | | | |
| Accounts receivable | (4,919) | (5,407) | (2,836) |
| Merchandise inventories | (5,946) | 6,920 | (12,330) |
| Prepaid expenses, other current assets And other assets | 317 | (645) | (104) |
| Accounts payable and trade acceptances And accrued expenses | 618 | 1,891 | 989 |
| Income taxes payable | (780) | 1,086 | (668) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 7,065 | 19,042 | (3,204) |
| INVESTING ACTIVITIES | | | |
| Purchases of property and equipment, net | (2,255) | (2,010) | (717) |
| Sale of inventory to Meyer Corporation........... | 3,100 | - | - |
| Purchase of intangibles and outlet store inventory | - | (12,700) | (2,000) |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | 845 | (14,710) | (2,717) |
| FINANCING ACTIVITIES | | | |
| (Payments of) proceeds from short term borrowings, net | (1,000) | (3,600) | 4,600 |
| Proceeds from the exercise of warrants | - | 6 | 43 |
| Proceeds from the exercise of stock options | 551 | 125 | 253 |
| Payment of cash dividends | (781) | - | - |
| Repayment of note receivable from stockholder | - | 140 | - |
| Repurchase of common stock, net | - | - | (1,609) |
| NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES | (1,230) | (3,329) | 3,287 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 6,680 | 1,003 | (2,634) |
| Cash and cash equivalents at beginning of year | 1,093 | 90 | 2,724 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $7,773 | $1,093 | $90 |

See notes to consolidated financial statements



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

LIFETIME HOAN CORPORATION
DECEMBER 31, 1997

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Business: The accompanying consolidated financial statements include the accounts of Lifetime Hoan Corporation ("Lifetime") and Outlet Retail Stores, Inc., ("Outlets") Lifetime's wholly-owned subsidiary, collectively the "Company".

The Company is engaged in the design, marketing and distribution of household cutlery, kitchenware and cutting boards, sold under a number of widely recognized tradenames and through licensing agreements. The Company sells its products primarily to retailers throughout the United States and to consumers through its Outlets subsidiary.

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

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

Property and Equipment: Property and equipment are recorded at cost. Fixed assets other than leasehold improvements are being depreciated on the straight-line method over the estimated useful lives of the assets. Building and improvements are being depreciated over 30 years and machinery, furniture, and equipment over 5 to 7 years. Leasehold improvements are being amortized over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

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

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

Excess of Cost Over Net Assets Acquired and Other Intangibles: Excess of cost over net assets acquired is being amortized on a straight-line basis over 40 years. Accumulated amortization at December 31, 1997 and 1996 was $839,000 and $773,000, respectively.

Other intangibles consist of a royalty-free license, trademark and brandname acquired pursuant to two acquisitions (see Note J) and are being amortized on a straight-line basis over 30 years. Accumulated amortization at December 31, 1997 and 1996 was $726,000 and $335,000 respectively.

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





NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings Per Share: In 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings per share. Statement No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excluded any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts have been presented, and where appropriate, restated to conform to Statement No. 128 requirements.

The following table sets forth the computation of basic and diluted earnings per share:

| | Year Ended December 31, (in thousands, except per share data) | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| Numerator for basic and diluted earnings per share - net income | $9,561 | $9,352 | $6,927 |
| Denominator: | | | |
| Denominator for basic earnings per share - weighed average shares | 12,459 | 12,395 | 12,465 |
| Effect of dilutive | | | |

| | | | |
|---|---|---|---|
| securities: | | | |
| Employee stock options | 261 | 281 | 288 |
| Denominator for diluted earnings per share - Adjusted weighted-average shares and Assumed conversions | 12,720 | 12,676 | 12,753 |
| Net income per share - basic | $0.77 | $0.75 | $0.56 |
| Net income per share - diluted | $0.75 | $0.74 | $0.54 |

Recent Accounting Pronouncements: In June 1997, the Financial Accounting Standards Board issued Statement No. 130, Reporting Comprehensive Income. Statement No. 130 requires disclosure of all components of comprehensive income on an annual and interim basis. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. Statement No. 130 is effective for fiscal years beginning after December 15, 1997. The Company will adopt this statement for 1998 and such adoption is not expected to have a material effect on the financial statements.





NOTE B - PROPERTY AND EQUIPMENT

Property and equipment consist of (in thousands)

| | December 31, 1997 | 1996 |
|---|---|---|
| Land......................... | $832 | $832 |
| Building and improvements................ | 4,649 | 4,616 |
| Machinery, furniture and equipment............ | 9,439 | 7,237 |
| Leasehold improvements................ | 28 | 28 |
| | 14,948 | 12,713 |
| Less accumulated depreciation and amortization...... | 5,514 | 4,016 |
| | $9,434 | $8,697 |

NOTE C - ACCRUED EXPENSES

Accrued expenses consist of (in thousands):

| | December 31, 1997 | 1996 |
|---|---|---|
| Royalties....................... | $67 | $466 |
| Commissions..................... | 489 | 557 |
| Contract costs.................... | 2,087 | 3,267 |
| Obligation to Meyer Corporation (See Note L)........ | 860 | - |
| Other.......................... | 2,649 | 2,592 |
| | $6,152 | $6,882 |

NOTE D - LINE OF CREDIT

The Company has available an unsecured $25,000,000 line of credit with a bank (the "Line") which may be used for short term borrowings, letters of credit or trade acceptances. As of December 31, 1997, the Company had letters of credit and trade acceptances of $11,790,000 outstanding and no outstanding borrowings. The Line is cancelable by either party at any time.

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

The Company paid interest of approximately $76,000, $671,000 and $401,000 during the years ended December 31, 1997, 1996 and 1995, respectively.

NOTE E - CAPITAL STOCK

Stock Dividends: In 1995, the Board of Directors of the Company declared a 10% stock dividend which was recorded at its market value of $9.00 per share. On February 5, 1997, the Board of Directors of the Company declared a 10% stock dividend to shareholders of record on February 18, 1997, payable February 26, 1997. The stock dividend was recorded at its market value, $12.00 per share and was reflected in the 1996 financial statements. All common stock data in the consolidated financial statements give retroactive effect to the stock dividends.





NOTE E - CAPITAL STOCK (continued)

Cash Dividends: On October 22, 1997, the Board of Directors of the Company declared a $0.0625 quarterly cash dividend per share, payable on November 5, 1997, and on January 28, 1998, the Board of Directors of the Company declared an additional $0.0625 quarterly cash dividend per share, payable on February 19, 1998.

Warrants: During the years ended December 31, 1996 and 1995, 1,058 and 6,810 of warrants were exercised, respectively. The net proceeds from the exercises in 1996 and 1995 were $6,147 and $43,447, respectively. There were no outstanding warrants.

Stock Option Plans: The Company has a Stock Option Plan (the "Plan") pursuant to which options may be granted to key employees of the Company, including directors and officers. On June 9, 1994, the shareholders of the Company approved an amendment to the Plan to increase the shares available for issuance from 500,000 to 1,500,000 shares of Common Stock. The Plan authorizes the Board of Directors of the Company to issue incentive stock options as defined in Section 422A (b) of the Internal Revenue Code and stock options that do not conform to the requirements of that Section of the Code. All options expire on the tenth anniversary of the date of grant and vest over a range of one to five years, from the date of grant.

In June 1996, the stockholders of the Company approved the adoption of the Lifetime Hoan Corporation 1996 Incentive Stock Option Plan (the "ISO Plan"). The ISO Plan authorizes the granting of 250,000 options to purchase common stock to officers of the Company and its subsidiary. No individual officer may be granted more than 175,000 options to purchase common stock. The ISO Plan authorizes the issuance of incentive stock options as defined in Section 422 of the Internal Revenue Code. All options expire on the fifth anniversary of the date of grant and vest in one year from the date of grant.

NOTE E - CAPITAL STOCK (continued)

The Company has elected to continue to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" ("Statement 123"), requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income and net income per share is required by Statement 123, and has been determined as if the Company has accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option valuation model with the following weighted average assumptions: risk free interest rates of 5.75%, 6.34% and 6.43% for years 1997, 1996 and 1995, respectively; 2.50% dividend yield in 1997 and no dividend yields in 1996 and 1995; volatility factor of the expected market price of the Company's common stock of 0.54 in 1997 and 0.35 in 1996 and 1995; and a weighted-average expected life of the options of 5.1, 4.8 and 6.0 years in 1997, 1996 and 1995, respectively.

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

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

s>

| | Year Ended December 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| Pro forma net income (in thousands) | $9,300 | $9,237 | $6,922 |
| Pro forma net income per share - basic | $0.75 | $0.75 | $0.56 |
| Pro forma net income per share - diluted | $0.73 | $0.73 | $0.54 |





NOTE E - CAPITAL STOCK (continued)

The following summarizes stock option activity:

| | 1997 | | 1996 | | 1995 | |
|---|---|---|---|---|---|---|
| | Shares Under Option | Weighted-Average Exercise Price | Shares Under Option | Weighted-Average Exercise Price | Shares Under Option | Weighted-Average Exercise Price |
| Balance - Jan 1, | 868,963 | $6.19 | 625,633 | $5.43 | 614,209 | $5.40 |
| Grants | 184,370 | $9.26 | 202,750 | $8.45 | 14,600 | $9.37 |
| Exercise | (114,737) | $5.10 | (20,356) | $5.57 | (40,046) | $5.19 |
| Canceled | (31,654) | $6.12 | (18,061) | $6.30 | (20,005) | $5.93 |
| Stock Dividends | - | | 78,997 | | 56,875 | |
| Balance - Dec 31, | 906,942 | $6.95 | 868,963 | $6.19 | 625,633 | $5.43 |

The weighted average fair value of options granted during the years ended December 31, 1997, 1996 and 1995 were $3.98, $3.85 and $5.19, respectively.

The following table summarizes information about employees stock options outstanding at December 31, 1997:

| Exercise Price | Options Outstanding | Options Exercisable | Weighted-Average Remaining Contractual Life - In Years | Weighted-Average Exercise Price-Options Outstanding | Weighted-Average Exercise Price-Options Exercisable |
|---|---|---|---|---|---|
| $4.14 - $5.51 | 268,817 | 268,817 | 4.3 | $4.59 | $4.59 |
| $6.39 - $8.41 | 365,586 | 166,337 | 6.6 | $6.81 | $6.44 |
| $8.83 - $10.87 | 272,539 | 95,328 | 7.6 | $9.47 | $9.68 |
| | 906,942 | 530,482 | 6.2 | $6.95 | $6.09 |

ding

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

In connection with the exercise of options under a stock option plan which has since expired, the Company received cash of $255,968 and notes in the amount of $903,712. The notes bear interest at 9% and are due no later than December 31, 2000.




NOTE F - INCOME TAXES

The Company uses the liability method, under which, deferred tax assets and liabilities are determined based on the differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

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

| | Year Ended December 31, 1997 | 1996 | 1995 |
|---|---|---|---|
| Current: | | | |
| Federal | $4,443 | $4,813 | $3,875 |
| State and local | 978 | 1,079 | 869 |
| Deferred | 579 | 168 | (357) |
| Income tax provision | $6,000 | $6,060 | $4,387 |

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

| | December 31, 1997 | 1996 |
|---|---|---|
| Merchandise inventories | $1,078 | $1,054 |
| Accounts receivable allowances | 289 | 313 |
| Depreciation and amortization | (687) | (311) |
| Other | (241) | (38) |
| | $439 | $1,018 |

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

| | Year Ended December 31, 1997 | 1996 | 1995 |
|---|---|---|---|
| Provision for Federal income taxes at the statutory rate | $5,291 | $5,240 | $3,847 |
| Increases (decreases): | | | |
| State and local income taxes net of Federal income tax benefit | 645 | 712 | 574 |
| Other | 64 | 108 | (34) |
| PROVISION FOR INCOME TAXES | $6,000 | $6,060 | $4,387 |

The Company paid income taxes (net of refunds) of approximately $6,258,000, $4,830,000 and $5,428,000 during the years ended December 1997, 1996, and 1995, respectively.





NOTE G - COMMITMENTS

Operating Leases: The Company has lease agreements for its warehouse, showroom facilities and outlet stores which expire through December 31, 2002. These leases provide for, among other matters, annual base rent escalations and additional rent for real estate taxes and other costs.

Aggregate minimum rentals on operating leases are as follows (in thousands):

Year ended December 31:

| | |
|---|---|
| 1998 | $3,035 |
| 1999 | 1,371 |
| 2000 | 784 |
| 2001 | 598 |
| 2002 | 362 |
| | $6,150 |

Meyer Corporation reimburses the Company 62.5% of the operating lease expense of the outlet stores, which is not a sublease commitment (See Note L). In 1997, Meyer reimbursed approximately $861,000 for operating lease expense to the Company.

Rental and related expenses on the operating leases were approximately $4,281,000, $3,570,000 and $1,315,000 for the years ended December 31, 1997, 1996 and 1995, respectively. Amounts for 1997 are prior to the reimbursement described above.

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

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

Year ended December 31:

| | |
|---|---|
| 1998 | $535 |
| 1999 | 400 |
| 2000 | 480 |
| 2001 | 640 |
| 2002 | 800 |
| | $2,855 |

Employment Agreements: In April 1996, as amended in June 1997, the Company entered into employment agreements with its President and Executive Vice President, providing for annual salaries of $700,000 and $400,000 respectively, and for the payment of bonuses pursuant to the Company's 1996 Incentive Bonus Compensation Plan (the "Bonus Plan") (see below). The employment agreements continue through April 1999, thereafter for additional periods of one year unless terminated by either the Company or the executive.

In April 1997, the Company entered into an employment agreement with its Vice President- Distribution, providing for an annual salary of $175,000 through April 6, 2000.




NOTE G - COMMITMENTS (continued)

Incentive Bonus Compensation Plan: In April 1996, the Board of Directors adopted and in June 1996, the stockholders approved the Bonus Plan. The Bonus Plan provides the award of a bonus, with respect to each of the ten fiscal years of the Company beginning with the 1996 fiscal year, to the President and the Executive Vice President of the Company. The bonus payable to each executive is an amount equal to 3.5% of pretax income, before any provision for executive compensation, stock options exercised during the year under the Company's 1991 Stock Option Plan and extraordinary items. During each of the years ended December 31, 1997 and 1996, the Company recorded annual compensation expense of approximately $1.2 million pursuant to the Bonus Plan.

NOTE H - RELATED PARTY TRANSACTION

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

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

NOTE I - RETIREMENT PLAN

The Company established a defined contribution retirement plan ("the Plan") for eligible employees under Section 401(k) of the Internal Revenue Code effective January 1, 1994. Participants can make voluntary contributions up to a maximum of 15% of their salary. The Company made no contributions to the Plan in 1997, 1996 and 1995.





NOTE J - ACQUISITIONS

Farberware Acquisition: In April, 1996, the Company together with an unrelated third party, Syratech Corporation, acquired certain assets of Farberware, Inc. ("Farberware") including the assignment to the Company of a 200 year, royalty-free, exclusive right to use the Farberwarer name in connection with the product lines covered by its previous license agreement with Farberware. The Company also acquired all of the Farberware outlet stores, including inventory. Rights to license the Farberwarer name for use by third parties are held by a joint venture, owned equally by the Company and Syratech Corporation. The Company's portion of the purchase price was $12.7 million, of which $9.2 million was attributed to the royalty-free exclusive right to use the Farberwarer name. The Company is jointly and severally liable for the obligations of Syratech Corporation under the terms of the agreement. The Company will be indemnified by Syratech Corporation for any losses it may incur as a result of its failure to perform such obligations.

Hoffritz Acquisition: In September 1995, the Company acquired the Hoffritzr trademarks and brand name. The purchase price consisted of cash and the issuance of 46,512 shares of Common Stock, valued at $10.25, the market price at the date of the issuance for a total consideration of $2.5 million.

NOTE K - CONCENTRATIONS OF CREDIT

Financial instruments which potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents and trade accounts receivable.

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

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

During the year ended December 31, 1997, one customer accounted for approximately 17% of net sales.

The Company sources its products from approximately 45 manufacturers located primarily in the Far East, including the People's Republic of China, Indonesia, Taiwan, Thailand, Malaysia, Korea and to a smaller extent in the United States, India and Italy. In 1997, the majority of cutlery was purchased from four suppliers, who individually accounted for 30%, 21%, 18% and 18% of the total purchases. An interruption of supply from any of these manufacturers could have an adverse impact on the Company's ability to fill orders on a timely basis. However, the Company believes other manufacturers with whom the Company does business would be able to increase production to fulfill the Company's requirements.





NOTE L - OTHER TRANSACTIONS

Meyer Agreement: On July 1, 1997, the Company entered into an agreement with Meyer Corporation, ("Meyer"), regarding the operation of the Company's Farberware retail outlet stores. Pursuant to the agreement, the Company continues to own and operate the Farberware retail outlet stores, which the Company acquired in 1996 (see Note J) and Meyer, the licensed manufacturer of Farberware branded cookware products, assumes responsibility for merchandising and stocking cookware products in the stores. Meyer receives all revenue from sales of Farberware cookware, and reimburses the Company for 62.5% of the operating expenses, as defined, attributable to the stores. Also, Meyer acquired all cookware inventory from the Company at its carrying value of approximately $3.1 million.



LIFETIME HOAN CORPORATION

Schedule II - Valuation and Qualifying Accounts

Lifetime Hoan Corporation
(in thousands)

| COL. A | COL. B | COL. C | COL. D | COL. E |
|---|---|---|---|---|
| Description | Balance Beginning of Period | Additions Charged to Costs and Expenses | Deductions (Describe) | Balance at end of period |
| Year ended December 31, 1997 | | | | |
| Deducted from asset accounts: | | | | |
| Allowance for doubtful accounts | $75 | $2,112 | $2,112 (a) | $75 |
| Reserve for sales returns and allowances | 716 | 3,533 (c) | 3,473 (b) | 776 |
| | $791 | $5,645 | $5,585 | $851 |
| Year ended December 31, 1996 | | | | |
| Deducted from asset accounts: | | | | |
| Allowance for doubtful accounts | $75 | $500 | $500 (a) | $75 |
| Reserve for sales returns and allowances | 588 | 3,589 (c) | 3,461 (b) | 716 |
| | $663 | $4,089 | $3,961 | $791 |
| Year ended December 31, 1995 | | | | |
| Deducted from asset accounts: | | | | |
| Allowance for doubtful accounts | $75 | $534 | $534 (a) | $75 |
| Reserve for sales returns and allowances | 485 | 3,686 (c) | 3,583 (b) | 588 |
| | $560 | $4,220 | $4,117 | $663 |

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

(b) Allowances granted.
(c) Charged to net sales.



SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Lifetime Hoan Corporation

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

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

| Signature | Title | Date |
|---|---|---|
| /s/ Milton Cohen<br>Milton L. Cohen | Chairman of the Board of Directors and President (Principal Executive Officer) | March 30, 1998 |
| /s/ Jeffrey Siegel<br>Jeffrey Siegel | Executive Vice-President and Director | March 30, 1998 |
| /s/ Craig Phillips<br>Craig Phillips | Vice-President - Distribution, Secretary and Director | March 30, 1998 |
| /s/ Robert McNally<br>Robert McNally | Vice-President - Finance and Treasurer (Principal Financial and Accounting Officer) | March 30, 1998 |
| /s/ Ronald Shiftan<br>Ronald Shiftan | Director | March 30, 1998 |
| /s/ Howard Bernstien<br>Howard Bernstein | Director | March 30, 1998 |

Exhibit 21. Subsidiaries of the Registrant

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

Exhibit 23. Consent of Ernst & Young LLP

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-51774) of Lifetime Hoan Corporation pertaining to the 1991 Stock Option Plan, of our report dated February 18, 1998, with respect to the consolidated financial statements and schedule of Lifetime Hoan Corporation included in the Annual Report (Form 10-K) for the year ended December 31, 1997.

Ernst & Young LLP

Melville, New York
March 30, 1998

Exhibit 27. Financial Data Schedule

Lifetime Hoan Corporation

Financial Data Schedule

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

This schedule contains summary financial information extracted from the financial statements included in the form 10-K for the twelve months ended December 31, 1997.

(in thousands)

| Item Number | Item Description | | Amount |
|---|---|---|---|
| 5-02(1) | Cash and Cash Items | $ | 7,773 |
| 5-02(2) | Marketable Securities | $ | 0 |
| 5-02(3)(a)(1) | Notes and Accounts Receivable - Trade | $ | 13,349 |
| 5-02(4) | Allowances for Doubtful Accounts | $ | 75 |
| 5-02(6) | Inventory | $ | 42,763 |
| 5-02(9) | Total Current Assets | $ | 69,709 |
| 5-02(13) | Property, Plant and Equipment | $ | 14,948 |
| 5-02(14) | Accumulated Depreciation | $ | 5,514 |
| 5-02(18) | Total Assets | $ | 92,957 |
| 5-02(21) | Total Current Liabilities | $ | 12,051 |
| 5-02(22) | Bonds, Mortgages and Similar Debt | $ | 0 |
| 5-02(28) | Preferred Stock - Mandatory Redemption | $ | 0 |
| 5-02(29) | Preferred Stock - No Mandatory Redemption | $ | 0 |
| 5-02(30) | Common Stock | $ | 125 |
| 5-02(31) | Other Stockholders' Equity | $ | 80,781 |
| 5-02(32) | Total Liabilities and Stockholders' Equity | $ | 92,957 |
| 5-03(b)1(a) | Net Sales of Tangible Products | $ | 99,356 |
| 5-03(b)1 | Total Revenues | $ | 100,021 |
| 5-03(b)2(a) | Cost of Tangible Goods Sold | $ | 51,419 |
| 5-03(b)2 | Total Costs and Expenses Applicable to Sales and Revenues | $ | 51,419 |
| 5-03(b)3 | Other Costs and Expenses | $ | 0 |
| 5-03(b)5 | Provision for Doubtful Accounts and Notes | $ | 2,112 |
| 5-03(b)(8) | Interest and Amortization of Debt Discount | $ | 76 |
| 5-03(b)(10) | Income Before Taxes and Other Items | $ | 15,561 |
| 5-03(b)(11) | Income Tax Expense | $ | 6,000 |
| 5-03(b)(14) | Income/Loss Continuing Operations | $ | 9,561 |
| 5-03(b)(15) | Discontinued Operations | $ | 0 |
| 5-03(b)(17) | Extraordinary Items | $ | 0 |

| | | | |
|---|---|---|---|
| 5-03(b)(18) | Cumulative effect - Changes in Accounting Principles | $ | 0 |
| | | $ | 0 |
| 5-03(b)(19) | Net Income or Loss | $ | 9,561 |
| 5-03(b)(20) | Earnings Per Share - Primary | $ | 0.77 |
| 5-03(b)(20) | Earnings Per Share - Fully Diluted | $ | 0.75 |

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