

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

[No Fee Required]

For the fiscal year ended December 31, 2002

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

(State or other jurisdiction of incorporation or organization)

11-2682486

(I.R.S. Employer Identification No.)

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

11590
(Zip Code)

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

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

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

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

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

Yes No

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

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Act).

Yes No

The aggregate market value of 6,071,000 shares of the voting stock held by non-affiliates of the registrant as of June 30, 2002 was approximately \$43,286,000. 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, 2003 was 10,560,704.

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 products, results of operations and prospects. These forward-looking statements involve risks and uncertainties, including risks relating to general economic and business conditions, as well as 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 the manufacture 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 other 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.

The Company is required to file its annual reports on Forms 10-K and quarterly reports on Forms 10-Q, and other reports and documents as required from time to time with the United States Securities and Exchange Commission (the "SEC"). The public may read and copy any materials which we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. Such information may be obtained on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding the Company's electronic filings with the SEC at <http://www.sec.gov>. The Company also maintains a website at <http://www.lifetime.hoan.com> where users can access the Company's electronic filings free of charge.

Lifetime Hoan Corporation designs, markets and distributes a broad range of household cutlery, kitchen tools and gadgets, cutting boards, pantryware and bakeware products. The Company has developed a strong consumer franchise by promoting and marketing innovative products under both owned and licensed trade names. Owned trade names include Hoffritz(R), Roshco(R), Baker's Advantage(R), Kamenstein(R), Casa Moda(TM), Hoan(R), Tristar(R) and Old Homestead(R). Licensed trade names include Farberware(R), KitchenAid(R), Cuisinart(R) and various names under license from The Pillsbury Company. The Farberware(R) trade name is used pursuant to a 200 year royalty-free license. As used herein, unless the context requires otherwise, the terms "Company" and "Lifetime" mean Lifetime Hoan Corporation and its subsidiaries.

Sales growth is stimulated by expanding product offerings and penetrating various channels of distribution, both domestically and to a lesser extent internationally. In addition, the Company has entered into the following acquisitions and agreements since 1995:

Hoffritz(R)

In 1995, the Company acquired the Hoffritz(R) trademarks and brand name. The Company uses the name on various products including cutlery, scissors, personal care implements, kitchen tools, bakeware, barware and barbecue accessories. The Company believes that Hoffritz(R) is a well-known, respected name with a history of quality. The acquisition of the brand name has enabled the Company to sell products at higher price points than the rest of the Company's products. Since acquiring the brand name, the Company has continuously designed and developed new items each year and currently sells approximately 600 types of items under the Hoffritz brand name. The Company markets these products primarily through major department stores and high end specialty stores nationwide.

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Farberware(R)

In 1996, the Company entered into an agreement to acquire certain assets of Farberware, Inc. ("Farberware"). Under the terms of the acquisition agreement the Company acquired a 200 year, royalty-free, exclusive right to use the Farberware(R) name in connection with the product lines covered by its then existing license agreements, which included kitchen cutlery products (excluding flatware) and kitchen tools such as spatulas, barbecue forks and kitchen "gadgets" (but excluding appliances), plus certain limited additional products. The Company also acquired 50 Farberware retail

outlet stores as part of the acquisition agreement. In addition, rights to license the Farberware(R) name for use by third parties in certain product categories are held by a joint venture, owned equally by the Company and Farberware Licensing Corporation.

Meyer Agreement

In 1997, the Company entered into an agreement with Meyer Corporation, regarding the operation of the Company's Farberware(R) retail outlet stores. Pursuant to the agreement, the Company continues to own and operate the Farberware(R) retail outlet stores, which the Company acquired in 1996, and Meyer Corporation, the licensed manufacturer of Farberware(R) branded cookware products, assumes responsibility for merchandising and stocking cookware products in the stores. Meyer Corporation receives all revenue from sales of Farberware(R) cookware, currently occupies 50% of the space in each store and reimburses the Company for 50% of the operating expenses of the stores. In fiscal years 2000 and 2001, the Company and Meyer Corporation each occupied 40% of the space in the outlet stores, as Salton, Inc. was responsible for the other 20% of the space. See paragraph below entitled "Salton Agreement".

Roshco Acquisition

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

Kamenstein Acquisition

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

KitchenAid Agreement

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

Cuisinart Agreement

On March 19, 2002, the Company entered into a licensing agreement with Conair Corporation. This agreement allows the Company to design, manufacture and market a wide variety of kitchen cutlery products under the Cuisinart(R) brand name. Shipments of products under the Cuisinart(R) name began in the fourth quarter of 2002.

Salton Agreement

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

Prestige Acquisition and Disposition

In September 1999, the Company acquired 51% of the capital stock of Prestige Italiana, Spa. ("Prestige Italy") and Prestige Haushaltswaren GmbH ("Prestige Germany" and together with Prestige Italy, the "Prestige Companies") for approximately \$1.3 million in cash. Effective September 27, 2002, the Company sold its interest in Prestige Italiana, Spa and, together with its minority interest shareholder, caused Prestige Haushaltswaren GmbH to sell all of its receivables and inventory to a European housewares distributor. As a result the Company received approximately \$1.0 million in cash. The sale resulted in a net loss of approximately \$811,000 which included the write-off of goodwill of approximately \$540,000. For 2000, 2001 and 2002, the Company has reclassified its financial statements to classify the operations of the Prestige Companies as discontinued operations.

The Prestige Companies marketed and distributed kitchen tools, gadgets, cutlery and bakeware under the Prestige(R) trade name in Italy and Germany.

Products

The Company designs, markets and distributes a broad range of household cutlery, kitchenware, cutting boards, pantryware and bakeware, marketing its products under various trade names including Farberware(R), KitchenAid(R), Cuisinart(R), Hoffritz(R), Kamenstein(R), Hoan(R) and Baker's Advantage(R).

Cutlery

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

Kitchen Tools and Gadgets

The Company sells over 4,000 kitchen tools and gadget items under various trade names including Farberware(R), Hoffritz(R), KitchenAid(R), Hoan(R) and Smart Choice. The kitchenware items are manufactured to the Company's

specifications outside the United States and are generally shipped fully assembled. These items are typically packaged on a card, which can be mounted for sale on racks at the retailers' premises for maximum display visibility. Products include the following:

Kitchen Tools and Gadgets

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

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

Impulse Purchase Products

J-Hook and Clip Strip merchandising systems are distributed by the Company to create additional selling space for this line in 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.

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Cutting Boards

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

Bakeware

The Company designs, markets and distributes a variety of bakeware and baking related products. Trade names that these products are sold under include Hoffritz(R), KitchenAid(R), Baker's Advantage(R), Roshco(R) and under a license from Pillsbury, one of America's best known brands of baking accessories, on such items as pastry brushes, spatulas, whisks, spoon and cup sets, cookie cutters, mixing spoons and magnets.

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

Pantryware

In September 2000 with the acquisition of Kamenstein, the Company began to design, market and distribute pantryware, teakettles, spice racks and home organization accessories. Products are distributed under the trade names Kamenstein(R), MKI(R), Farberware(R), Norman Rockwell(R), Gracie Knight(R), Warren Kimble(R) and Debbie Mumm(R).

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

New Products

The Company has a design and development department consisting of 24 employees who create new products,

packaging and merchandising concepts. In excess of 600 items were developed or remodeled in 2002, including the following:

KitchenAid: Expansion of over 80 new items in the Company's premium line of culinary tools, gadgets, and cutting boards. Most significantly were the digital timer, multi-chopper, multi-slicer, rotary grater, silicone cookware "grabbers", innovative patented silicone spatulas, full line of barbecue equipment, a wide array of gift sets at key price points, and a full assortment of cutting boards with non-slip corners.

Cutlery and Cutting Boards: Introduction of 3 lines of Cuisinart(R) branded cutlery, an Ultra-Edge series, featuring the finest quality cutlery steel available, with a unique handle design. Combined, the lines offer over 70 items of open stock, wood presentation box gift sets, and knife block sets. Continued expansion of the Farberware(R) brand to include the 200CX line of stainless and the Contour series with a wire and wood block, plus carving sets and steak sets in wood presentation gift boxes. Also a new Eurostar line that includes open stock and cutlery carousels, new black and stainless steel carousel designs for many lines, 6-piece cutting board and cutlery sets in both Farberware(R) Professional and Farberware(R) Pro Stainless, Tristar(R) 15-piece and 21-piece block sets, 23-piece sets in Farberware(R) Pro Forged and Farberware(R) Pro Stainless, and steak and carving sets in pine storage cases in Farberware(R) Pro Forged. Also, the introduction of Polypropylene cutting boards with non-slip corners as well as glass cutting boards with non-slip corners.

Gadgets: Completion of the entire redesign of all Farberware(R) lines, as well as, the introduction of 25 new items in Farberware(R) Professional, and a new line of over 20 items of Farberware(R) Soft Handle.

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Bakeware: Introduction of 18 items of premium quality, heavy duty KitchenAid(R) bakeware, featuring a revolutionary patented "Slider" cookie sheet in 3 sizes and Create 'N Present baking pans. Expansion of Roshco(R) ceramic bakeware, including large piece-count sets, Roshco(R) glass-bottom springform pan, Roshco(R) fondues and roasters, and many specialty items such as shaped fluted tube pans and copper cookie cutter sets.

Kamenstein: 2 new lines of wood pantryware in both natural and black wood finishes, new line of Soho-style pantryware, expansion of the Chromeworks line, introduction of "Scribe", a wire based line of pantryware, 2 new Noveltea(R) teakettles, the American as Apple Pie series, 2 new lines, Savannah and Fruit, under the Cheri Blum(R) license, a new Debbie Mumm(R) collection of Lavender Tea Garden, and 3 collections of Pfaltzgraff branded pantry ware, French Quarter, Naturewood, and Orleans. In all, over 100 new products were introduced in Kamenstein in 2002.

Casa Moda(TM): Creation of a new division that will encompass barware, serveware, and entertaining. The first offerings will be a line of barware in 6 colors to include such items as ice buckets, cocktail shakers and wine coolers, as well as, innovative stainless steel ice buckets and bar and wine accessories like wine racks and corkscrews. There will also be a full array of hostess and serving items, such as cheese boards, chip and dip sets, serving trays, and drinkware, using combinations of wood, ceramic, marble, glass, and steel.

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Sources of Supply

The Company sources its products from approximately 48 manufacturers located primarily in the People's Republic of China, and to a smaller extent in the United States, Thailand, Malaysia, Indonesia, Taiwan, and Italy. A

majority of the Company's cutlery was purchased from three suppliers in 2002 who accounted for 58%, 20%, and 10% of the total purchases, respectively, and from five suppliers in 2001 who accounted for 28%, 21%, 14%, 11% and 10% of the total purchases, respectively. A majority of the Company's pantryware was purchased from three suppliers in 2002 that accounted for 37%, 19%, and 13% of the total purchases, respectively, and from four suppliers in 2001 that accounted for 23%, 19%, 17%, and 16% of the total purchases, respectively. An interruption of supply from any of these manufacturers could have an adverse impact on the Company's ability to fill orders on a timely basis. However, the Company believes other manufacturers with whom the Company does business would be able to increase production to fulfill the Company's requirements.

The Company's policy is to maintain several months supply of inventory 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 several months in advance of receipt of firm orders from customers. Lifetime's arrangements with most manufacturers allow for flexibility in modifying the quantity, composition and delivery dates of each order. All purchase orders are in United States dollars.

Marketing

The Company markets its product lines directly through its own sales force and through a network of independent sales representatives. The Company's products are sold primarily in the United States to approximately 800 customers including national retailers, department store chains, mass merchant retail and discount stores, supermarket chains, warehouse clubs, direct marketing companies and specialty chains and through other channels of distribution. During the years ended December 31, 2002, 2001 and 2000, Wal-Mart Stores, Inc. accounted for approximately 20%, 18% and 12% of net sales, respectively. No other customer accounted for 10% or more of the Company's net sales during 2002, 2001 and 2000.

Competition

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

Patents and Trademarks

The Company uses a number of owned trademarks, primarily Hoffritz(R), Baker's Advantage(R), Roshco(R), Kamenstein(R), Tristar(R) and Hoan(R), as well as Farberware(R) which is licensed under a 200 year royalty-free agreement, which the Company considers significant to its competitive position. Some of these trademarks are registered in the United States and others have become distinctive marks as to which the Company has acquired common law rights. The Company also has licensed trademarks from The Pillsbury Company, KitchenAid which is a division of the Whirlpool Corporation and Cuisinart which is a division of Conair Corporation, which the Company uses in its business. The Company also owns several design and utility patents expiring from 2003 to 2017 on the overall design of some of its products. The Company also acquired patents, trademarks and copyrights as part of the Hoffritz(R), Roshco and Kamenstein acquisitions that expire from 2003 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 from continuing operations for the years ended December 31, 2002, 2001 and 2000:

Net Sales (in thousands)

1st
2nd
3rd
4th
Quarter
Quarter
Quarter
Quarter
2002
\$24,200
\$27,300
\$32,200
\$47,500
2001
28,600
25,700
34,400
46,400
2000
25,500
23,200
31,800
40,600

Backlog

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

The Company's backlog at December 31, 2002 and 2001 was \$7,555,000 and \$8,368,000, respectively. The Company expects to fill the 2002 backlog during 2003. 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, 2002, Lifetime had 657 full-time employees, of whom 5 were employed in an executive capacity, 80 in sales, marketing, design or product development, 63 in financial, administrative or clerical capacities, 249 in warehouse or distribution capacities and 260 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 following table describes the facilities at which the Company operates its business:

Approximate
Owned-Lease
Description/Use
of Square or
Expiration
Property

~~Location~~
~~Footage Leased~~
~~Date Corporate~~
~~Westbury,~~
~~headquarters~~
~~and New York~~
~~47,000 Owned~~
~~N/A outlet~~
~~store Warehouse~~
~~and~~
~~Robbinsville,~~
~~distribution~~
~~New Jersey~~
~~550,000 Leased~~
~~7/9/16 facility~~
~~Warehouse and~~
~~Cranbury,~~
~~distribution~~
~~New Jersey~~
~~152,000 Leased~~
~~6/30/04~~
~~facility~~
~~Bentonville,~~
~~Showroom~~
~~Arkansas 1,000~~
~~Leased 3/31/04~~
~~Chicago, Sales~~
~~office Illinois~~
~~1,000 Leased~~
~~12/31/03 Tsim~~
~~Sha Tsui,~~
~~Showroom/Office~~
~~Hong Kong 2,541~~
~~Leased 11/30/03~~
~~Kamenstein~~
~~Elmsford,~~
~~corporate New~~
~~York 7,000~~
~~Leased 1/31/04~~
~~headquarters~~
~~Kamenstein~~
~~Winchendon,~~
~~warehouse and~~
~~Massachusetts~~
~~169,000 Owned~~
~~N/A~~
~~distribution~~
~~facility~~

In addition to the properties listed above, the Company's Outlet Store subsidiary leases approximately 58 stores in retail outlet centers located in 24 states throughout the United States. The square footage of the stores range from approximately 2,000 square feet to 5,500 square feet. The terms of these leases range from month-to-month to five years with expiration dates beginning in January 2003 and extending through April 2008.

ITEM 3. LEGAL PROCEEDINGS

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

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

Not applicable.

PART II

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

RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded under the symbol "LCUT" on The Nasdaq National Market ("Nasdaq") and has been since its initial public offering in June 1991. The Board of Directors of the Company has authorized a repurchase of up to 3,000,000 of its outstanding shares of common stock in the open market. Through December 31, 2002, a total of 2,128,000 shares of common stock had been repurchased and retired at a cost of approximately \$15,235,000.

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

2002
2001
High
Low
High
Low
First
Quarter
\$7.20
\$5.70
\$7.50
\$4.50
Second
Quarter
\$7.21
\$6.29
\$7.35
\$4.03
Third
Quarter
\$7.19
\$4.26
\$7.70
\$5.76
Fourth
Quarter
\$5.55
\$4.65
\$6.41
\$5.01

At December 31, 2002, the Company estimates that there were approximately 700 beneficial holders of the Common Stock of the Company.

The Company is authorized to issue 2,000,000 shares of Series B Preferred Stock, none of which is outstanding.

The Company paid quarterly cash dividends of \$0.0625 per share, or a total annual cash dividend of \$0.25 per share, on its Common Stock in each of 2002 and 2001. The Board of Directors currently intends to continue to pay quarterly cash dividends of \$0.0625 per share of Common Stock for the foreseeable future, although the Board may in its discretion determine to modify or eliminate such dividends at any time.

The following table summarizes the Company's equity compensation plans as of December 31, 2002:

Plan
category
Number of
Weighted
Number of
securities
to average
securities
to be issued
exercise
remaining
upon
exercise
price of
available
for of
outstanding

future
outstanding
options
issuance
options
Equity
compensation
plans
919,291
\$6.98
725,000
approved by
security
holders
Equity
compensation
plans not —

approved by
security
holders
Total
919,291
\$6.98
725,000

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated income statement data for the years ended December 31, 2002, 2001 and 2000, and the consolidated balance sheet data as of December 31, 2002 and 2001, have been derived from the Company's audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated income statement data for the years ended December 31, 1999 and 1998, and the selected consolidated balance sheet data as of December 31, 2000, 1999 and 1998, are derived from the Company's audited consolidated financial statements which are not included in this Annual Report on Form 10-K.

(in thousands
except per
share data)
Year Ended
December 31,
2002-2001
2000-1999
1998 INCOME
STATEMENT
DATA: Net
sales
\$131,219
\$135,068
\$121,124
\$104,713
\$116,746 Cost
of sales
73,145-75,626
70,189-56,905
60,507
Distribution
expenses
21,363-21,186
15,752-14,775
12,050
Selling,
general and
administrative
expenses
29,815-31,278
27,685-26,282
23,256 Income
from
operations

~~6,896~~ ~~6,978~~
~~7,498~~ ~~6,751~~
~~20,933~~
Interest
expense ~~1,004~~
~~1,015~~ ~~730~~ ~~255~~
~~203~~ Other
income, net
~~(66)~~ ~~(98)~~
~~(82)~~ ~~(294)~~
~~(200)~~ Income
before income
taxes ~~5,958~~
~~6,061~~ ~~6,850~~
~~6,790~~ ~~20,930~~
Income taxes
~~2,407~~ ~~2,449~~
~~2,786~~ ~~2,743~~
~~8,372~~ Income
from
continuing
operations
~~\$3,551~~ ~~\$3,612~~
~~\$4,064~~ ~~\$4,047~~
~~\$12,558~~ Basic
earnings per
common share
from
continuing
operations
~~\$0.34~~ ~~\$0.34~~
~~\$0.37~~ ~~\$0.32~~
\$1.00
Weighted
average
shares—
basic ~~10,516~~
~~10,492~~ ~~10,095~~
~~12,572~~ ~~12,570~~
Diluted
earnings per
common share
from
continuing
operations
~~\$0.34~~ ~~\$0.34~~
~~\$0.37~~ ~~\$0.32~~
\$0.98
Weighted
average
shares—
diluted
~~10,541~~ ~~10,537~~
~~11,079~~ ~~12,671~~
~~12,843~~ Cash
dividends
paid per
common share
~~\$0.25~~ ~~\$0.25~~
~~\$0.25~~ ~~\$0.25~~
\$0.25

December 31,
2002 2001
2000 1999
1998 BALANCE
SHEET DATA:
Current
assets
\$64,661
\$74,000
\$72,092
\$82,304
\$72,265
Current
liabilities
33,277
44,925
34,074
27,688

13,925
Working
capital
31,384
29,075
38,018
54,616
58,340 Total
assets
111,586
123,370
112,119
116,384
105,072
Borrowings
14,200
22,847
10,746 8,073
-
Stockholders'
equity
78,309
78,061
77,517
87,808
91,147

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

RESULTS OF OPERATIONS

General

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

Critical Accounting Policies and Estimates

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

Merchandise inventories, principally finished goods, are priced by the lower of cost (first-in, first-out basis) or market method. Reserves for excess or obsolete inventory reflected in the Company's consolidated balance sheets at December 31, 2002 and 2001 are determined to be adequate by the Company's management; however, there can be no assurance that these reserves will prove to be adequate over time to provide for ultimate losses in connection with the Company's inventory. The Company's management periodically reviews and analyzes inventory reserves based on a number of factors including, but not limited to, future product demand of items and estimated profitability of merchandise.

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be

accounted for using the purchase method. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed at least annually for impairment. In 2002, the Company completed its initial assessment, as of January 1, 2002, of the assets impacted by the adoption of SFAS No. 142, and its annual assessment as of December 31, 2002. Based upon such reviews, no impairment to the carrying value of goodwill was identified, and the Company ceased amortizing goodwill effective January 1, 2002.

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,	
2002-2001	
2000	Net
sales 100.0%	100.0%
100.0%	100.0%
% Cost of	
sales 55.7	
56.0	57.9
Distribution	
expenses 16.3	
15.7	13.0
Selling,	
general and	
administrative	
expenses 22.7	
23.1	22.9
Income from	
operations	
5.3	5.2
6.2	
Interest	
expense 0.8	
0.8	0.6
Other	
income, net	
(0.1)	(0.1)
Income before	
income taxes	
4.5	4.5
5.7	
Income taxes	
1.8	1.8
2.3	
Income from	
continuing	
operations	
2.7%	2.7%
3.4%	

2002 COMPARED TO 2001

Net Sales

Net sales in 2002 were \$131.2 million, a decrease of approximately \$3.8 million, or 2.8% lower than 2001. The lower sales volume was primarily the result of decreased sales in the Kamenstein business due to lost sales to customers that were no longer in business in 2002 as compared to 2001 and a major fall promotion that did not perform as projected. Sales were also lower in the Company's traditional or core business as first quarter 2002 shipments were negatively impacted by issues related to the January 2002 startup of the Company's new automated warehouse in Robbinsville, New Jersey, offset by increased sales in the Company's Farberware Outlet stores.

Cost of Sales

Cost of sales for 2002 was \$73.1 million, a decrease of approximately \$2.5 million, or 3.3% lower than 2001. Cost of sales as a percentage of net sales decreased to 55.7% in 2002 from 56.0% in 2001, due primarily to higher gross margins generated by the Company's Kamenstein business, the result of better sourcing of products from suppliers and changes in product mix.

Distribution Expenses

Distribution expenses were \$21.4 million for 2002 as compared to \$21.2 million for 2001. These expenses included relocation charges, duplicate rent and other costs associated with the Company's move into its Robbinsville, New Jersey warehouse amounting to \$2.2 million in 2002 and \$2.9 million in 2001. Excluding these moving related costs, distribution expenses were 4.9% higher in 2002 as compared to 2001 due to higher depreciation expense related to capital expenditures for the new automated warehouse system and related equipment and higher freight out costs, partially offset by lower payroll costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for 2002 were \$29.8 million, a decrease of \$1.5 million, or 4.7%, from 2001. The decrease in selling, general and administrative expenses is primarily attributable to less bad debt expense and decreased selling costs on lower sales volume.

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2001 COMPARED TO 2000

Net Sales

Net sales in 2001 were \$135.1 million, an increase of approximately \$13.9 million, or 11.5% higher than 2000. The sales increase was primarily attributable to the M. Kamenstein, Inc. business, acquired in September 2000, which contributed \$21.6 million to net sales during the full year in 2001 as compared to \$7.6 million for the last four months in 2000.

Cost of Sales

Cost of sales for 2001 was \$75.6 million, an increase of approximately \$5.4 million, or 7.7% higher than 2000. Cost of sales as a percentage of net sales decreased to 56.0% from 57.9%. The increase in cost of sales was primarily the result of adding a full year of sales in 2001 for the M. Kamenstein, Inc. business acquired in September 2000 as compared to the last four months of 2000. The improvement in the cost of sales-to-sales relationship was attributed to higher cost of sales in 2000, which included the impact of a \$4.0 million charge due to an inventory shortfall revealed during the 2000 year-end physical inventory.

Distribution Expenses

Distribution expenses were \$21.2 million for 2001, or 34.5% higher than 2000. Distribution expenses in 2001 included \$2.9 million of relocation charges and duplicate rent and other expenses associated with the Company's move into its new New Jersey warehouse. Excluding these moving related costs, distribution expenses in 2001 increased by \$2.5 million, or 15.8% over 2000. The increased costs were primarily attributable to the added distribution expenses of the M. Kamenstein, Inc. business for an entire year in 2001 as compared to only four months in 2000 and higher fourth quarter warehouse operating expenses in the Company's traditional or core business.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for 2001 were \$31.3 million, an increase of \$3.6 million, or 13.0%

over 2000. The increase in selling, general and administrative expenses was primarily attributable to the added selling, general and administrative expenses of the M. Kamenstein, Inc. business for an entire year in 2001 as compared to only four months in 2000 and higher operational payroll and payroll related expenses for the year 2001 as compared to 2000.

Interest Expense

Interest expense for 2001 was \$1.0 million, an increase of \$285,000 from 2000. This increase was attributable to a higher level of borrowings throughout 2001 under the Company's lines of credit, offset in part by lower rates of interest in 2001.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2002, the Company had cash and cash equivalents of \$62,000, a decrease of \$5.0 million from the prior year, borrowings decreased from the prior year by \$8.6 million to \$14.2 million at December 31, 2002, working capital was \$31.4 million, an increase of \$2.3 million from December 31, 2001, and the current ratio was 1.94 to 1. The increase in working capital primarily resulted from an increase in merchandise inventories and a decrease in accounts payable and trade acceptances.

Cash provided by operating activities was approximately \$6.8 million, primarily resulting from net income before depreciation, amortization, provisions for losses on accounts receivable and other non-cash charges, offset partially by net changes in other working capital items. Cash used in investing activities was approximately \$822,000, which was primarily the result of the purchase of fixed assets offset by cash received from the disposal of the Prestige Companies. Cash used in financing activities was approximately \$11.0 million, primarily resulting from the payment of short term borrowings and cash dividends paid.

Capital expenditures were \$1.8 million in 2002 and \$13.3 million in 2001. Approximately \$11.4 million of the 2001 capital expenditures were for equipment and leasehold improvements for the Company's new warehouse facility in New Jersey. Total planned capital expenditures for 2003 are estimated at \$2.0 million. These expenditures are expected to be funded from current operations, cash and cash equivalents and, if necessary, borrowings under the revolving credit agreement.

As of December 31, 2002, the Company's contractual obligations were as follows (in thousands of dollars):

Payments
Due by
Period
Contractual
Less More
Obligations
than 1-1-3
3-5 Than
Total Year
Years
Years-5
Years
Operating
Leases
\$41,740
\$5,464
\$6,883
\$5,578
\$23,815
Royalty
License
Agreements

5,779
1,547
3,557-675
—
Employment
Agreements
3,025-950
2,075
—Totals
\$50,544
\$7,961
\$12,515
\$6,253
\$23,815

The Company has a \$40 million three-year, secured, reducing revolving credit facility under an agreement (the "Agreement") with a group of banks. The Agreement is secured by all of the assets of the Company and reduces to \$35 million at December 31, 2003 and through the maturity date. Under the terms of the Agreement, the Company is required to satisfy certain financial covenants, including limitations on indebtedness and sale of assets; a minimum fixed charge ratio; and net worth maintenance. Borrowings under the Agreement have different interest rate options that are based on either an alternate base rate, LIBOR rate, or a lender's cost of funds rate. As of December 31, 2002, the Company had \$2.5 million of letters of credit and trade acceptances outstanding and \$14.2 million of borrowings under the Agreement and, as a result, the availability under the Agreement was \$23.3 million. Interest rates on borrowings at December 31, 2002 ranged from 4.125% to 4.75%.

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Products are sold to retailers primarily on 30-day credit terms, and to distributors primarily on 60-day credit terms. As of December 31, 2002, the Company had an aggregate of \$2.1 million of accounts receivable outstanding in excess of 60 days or approximately 7.7% of gross receivables, and had inventory of \$41.3 million.

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

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact the consolidated financial position, results of operations or cash flows of the Company. The Company is exposed to market risk associated with changes in interest rates. The Company's revolving credit facility bears interest at variable rates and, therefore, the Company is subject to increases and decreases in interest expense on its variable rate debt resulting from fluctuations in interest rates. There have been no changes in interest rates that would have a material impact on the consolidated financial position, results of operations or cash flows of the Company for the year ended December 31, 2002.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's Consolidated Financial Statements as of and for year ended December 31, 2002 are included herein commencing on page F-1.

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2002 and 2001.

Three	
Months	
Ended (in	
thousands,	
except per	
share data)	
3/31 6/30	
9/30 12/31	
2002-Net	
sales	
\$24,188	
\$27,281	
\$32,235	
\$47,515	
Cost of	
sales	
13,126	
14,462	
17,612	
27,945	
(Loss)	
income from	
continuing	
operations	
(1,080) 616	
1,227 2,788	
Loss from	
discontinued	
operations,	
net of tax	
(117) (227)	
(151) —	
Loss on	
disposal,	
net of tax	
benefit —	
(534) (277)	
Net (loss)	
income	
(1,197) 389	
542 2,511	
Basic and	
diluted	
(loss)	
earnings	
per common	
share from	
continuing	
operations	
(\$0.10)	
\$0.06 \$0.12	
\$0.26 Basic	
and diluted	
loss per	
common	
share from	
discontinued	
operations	
(\$0.01)	
(\$0.02)	
(\$0.07)	
(\$0.02)	
Basic and	
diluted	
(loss)	
earnings	
per common	
share	
(\$0.11)	
\$0.04 \$0.05	

\$0.24	2001
Net sales	
\$28,623	
\$25,682	
\$34,381	
\$46,382	
Cost of sales	
15,723	
14,131	
19,101	
26,671	
Income from continuing operations	
711	327
1,236	1,338
Loss from discontinued operations	
(72)	(123)
(210)	(289)
Net income	
639	204
1,026	1,049
Basic and diluted earnings per common share from continuing operations	
\$0.07	\$0.03
\$0.12	\$0.13
Basic and diluted loss per common share from discontinued operations	
(\$0.01)	
(\$0.01)	
(\$0.02)	
(\$0.03)	
Basic and diluted earnings per common share	
\$0.06	
\$0.02	\$0.10
	\$0.10

The unaudited quarterly results of operations shown above have been adjusted to present the results of operations of the Prestige Companies (sold in September 2002) as discontinued operations.

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:

Director or Executive Officer of Company or Its Predecessor	Name	Age	Position	Since
------------------------------------------------------------------------	-----------------	----------------	---------------------	------------------

~~Jeffrey 60
Chairman of
the 1967
Siegel Board
of
Directors,
Chief
Executive
Officer and
President
Bruce Cohen
44 Executive
Vice 1998
President
and a
Director
Evan Miller
38 Executive
Vice 2002
President
Robert 54
Executive
Vice 2002
Reichenbach
President
Craig 53
Vice
President
1973
Phillips
Distribution,
Secretary
and a
Director
Robert 56
Vice
President
1997 McNally
Finance, and
Treasurer
Ronald 58
Director
1991 Shifan
Howard 82
Director
1992
Bernstein
Leonard 71
Director
2000
Florence~~

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

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

Mr. Miller was named Executive Vice President in 2002. Prior thereto Mr. Miller was a Senior Vice President - Sales for the Company since 2000. Prior thereto, Mr. Miller was Vice President - National Sales Manager for the Company since 1985.

Mr. Reichenbach was named Executive Vice President in 2002. Prior thereto Mr. Reichenbach was President of the Cutlery Division for the Company since 2001. Prior thereto, Mr. Reichenbach was Senior Vice President - General Merchandise Manager for Linen's N Things since 1998.

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 1997.

Mr. Shiftan has been a consultant to the Company since 2002. Prior thereto, Mr. Shiftan had served as Deputy Executive Director of The Port Authority of New York & New Jersey from 1998 to 2002. Mr. Shiftan is also a director of Rumson Fair Haven Bank & Trust Co., the shares of which are traded on the NASDAQ Bulletin Board (RFHB.OB).

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

Mr. Florence has been Chairman of the Board of Syratech, Inc., a consumer products company, since 1986. Mr. Florence was Chief Executive Officer and President of Syratech, Inc. from 1986 to 2001.

Jeffrey Siegel and Craig Phillips are cousins.

Bruce Cohen and Evan Miller are brothers-in-law.

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

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

Directors who are not employees of the Company receive a retainer of \$10,000 per year, and an additional fee of \$1,000 for each Board meeting attended, plus reimbursement of reasonable out-of-pocket expenses. Directors who are employees of the Company do not receive compensation for serving as directors or attending meetings. The Company has entered into indemnification agreements with the directors and officers of the Company.

ITEM 11. EXECUTIVE COMPENSATION

This information is hereby incorporated by reference, to appear under the caption "Executive Compensation" in the Company's definitive Proxy Statement for its 2003 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

This information is hereby incorporated by reference, to appear under the caption "Principal Stockholders" in the Company's definitive Proxy Statement for its 2003 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This information is hereby incorporated by reference, to appear under the caption "Certain Transactions" in the Company's definitive Proxy Statement for its 2003 Annual Meeting of Stockholders.

ITEM 14. CONTROLS AND PROCEDURES

The Chief Executive Officer and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of a date within

90 days prior to the date of the filing of this Annual Report on Form 10-K, that the Company's controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed by it under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer of the Company, as appropriate to allow timely decisions regarding required disclosure.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of such evaluation.

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PART IV

ITEM 15. 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 2002.

None.

(c) Exhibits*:

Exhibit

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3[a] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation).
3.2	Amendment dated June 9, 1994 to the Restated Certificate of Incorporation of the Company (incorporated herein by reference to the December 31, 1994 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation).
3.3	By-Laws of the Company (incorporated herein by reference to Exhibit 3[b] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation).
10.1	Loan Agreement dated as of May 11, 1988 with Bank of New York, as amended (incorporated by reference to Exhibit 10[d] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation).
10.2	Amendment No. 6 dated as of March 5, 1992 between Lifetime Hoan Corporation and The Bank of New York (incorporated by reference to the December 31, 1991 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation).
10.3	Stock Option Plan for key employees of Lifetime Hoan Corporation, as amended June 9, 1994 (incorporated by reference to the December 31, 1994 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation).
10.4	Promissory notes dated December 17, 1985 of Milton L. Cohen, Jeffrey Siegel, Craig Phillips and Robert Phillips, as amended (incorporated by reference to Exhibit 10[f] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation).
10.5	Lease to Dayton, New Jersey premises dated August 20, 1987 and amendment between the Company and Isaac Heller (incorporated by reference to Exhibit 10[h] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation).

- 10.6 License Agreement dated December 14, 1989 between the Company and Farberware, Inc. (incorporated by reference to Exhibit 10[j] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation).
- 10.7 License Agreement dated as of April 19, 1991 between the Company and The Pillsbury Company (incorporated by reference to Exhibit 10[m] to Form S-1 [No. 33-40154] of Lifetime Hoan Corporation).

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- 10.8 Real Estate Sales Agreement dated October 28, 1993 between the Company and The Olsten Corporation (incorporated by reference to the December 31, 1993 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation).
- 10.9 Amendment to the Real Estate Sales Agreement dated September 26, 1994 between the Company and The Olsten Corporation. (incorporated by reference to the December 31, 1995 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation).
- 10.10 Lease to additional Dayton, New Jersey premises dated December 7, 1994. (incorporated by reference to the December 31, 1995 Form 10-K [No. 1-19254] of Lifetime Hoan Corporation).
- 10.11 License Agreement dated December 21, 1995 between the Company and The Walt Disney Company.
- 10.12 Memorandum of purchase dated September 18, 1995 between the Company and Alco Capital Group, Inc. (incorporated by reference to the September 30, 1995 Form 10-Q [No. 1-19254] of Lifetime Hoan Corporation).
- 10.13 Registration Rights Agreement dated September 18, 1995 between the Company and Alco Capital Group, Inc. (incorporated by reference to the September 30, 1995 Form 10-Q [No. 1-19254] of Lifetime Hoan Corporation).
- 10.14 Amendment No. 1 dated September 26, 1995 to the Lease for the additional Dayton, New Jersey premises. (incorporated by reference to the September 30, 1995 Form 10-Q [No. 1-19254] of Lifetime Hoan Corporation).
- 10.15 Form of Extension Agreement dated as of December 15, 1995 between Milton L. Cohen and Lifetime Hoan Corporation (incorporated by reference to the January 8, 1996 Form 8-K [No. 1-19254] of Lifetime Hoan Corporation).
- 10.16 Form of Extension Agreement dated as of December 15, 1995 between Jeffrey Siegel and Lifetime Hoan Corporation (incorporated by reference to the January 8, 1996 Form 8-K [No. 1-19254] of Lifetime Hoan Corporation).
- 10.17 Form of Extension Agreement dated as of December 15, 1995 between Craig Phillips and Lifetime Hoan Corporation (incorporated by reference to the January 8, 1996 Form 8-K [No. 1-19254] of Lifetime Hoan Corporation).
- 10.18 Asset Purchase Agreement by and between Farberware, Inc., Far-b Acquisition Corp., Syratch Corporation and Lifetime Hoan Corporation, dated February 2, 1996.
- 10.19 Joint Venture Agreement by and among Syratch Corporation, Lifetime Hoan Corporation and Far-b Acquisition Corp., dated February 2, 1996.
- 10.20 Employment Agreement dated April 7, 1996 with Milton L. Cohen (incorporated by reference to the March 31, 1996 10-Q).

- 10.21 Employment Agreement dated April 7, 1996 with Jeffrey Siegel (incorporated by reference to the March 31, 1996 10-Q).
- 10.22 Employment Agreement dated April 7, 1996 with Craig Phillips (incorporated by reference to the March 31, 1996 10-Q).
- 10.23 Lifetime Hoan 1996 Incentive Stock Option Plan (incorporated by reference to the March 31, 1996 10-Q).

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- 10.24 Lifetime Hoan 1996 Incentive Bonus Compensation Plan (incorporated by reference to the March 31, 1996 10-Q).
- 10.25 Meyer Operating Agreement dated July 1, 1997 between Lifetime Hoan Corporation and Meyer Corporation and Amendment to Agreement dated July 1, 1998.
- 10.26 Jeffrey Siegel Employment Agreement Amendment No. 1, dated June 6, 1997
- 10.27 Milton L. Cohen Employment Agreement Amendment No. 1, dated June 6, 1997
- 10.28 Stock Purchase Agreement between Lifetime Hoan Corporation and Roshco, Inc. dated August 10, 1998.
- 10.29 Stock Purchase Agreement between Lifetime Hoan Corporation and Meyer International Holdings Limited and Prestige Italiana, SPA dated September 2, 1999.
- 10.30 Stock Purchase Agreement between Lifetime Hoan Corporation and Meyer International Holdings Limited and Prestige Haushaltswaren GmbH, dated September 2, 1999.
- 10.31 Asset Purchase Agreement between MK Acquisition Corp., a wholly owned subsidiary of Lifetime Hoan Corporation, and M. Kamenstein, Inc., dated September 28, 2000.
- 10.32 Employment Agreement dated April 6, 2001 between Jeffrey Siegel and Lifetime Hoan Corporation.
- 10.33 Consulting Agreement dated April 7, 2001 between Milton L. Cohen and Lifetime Hoan Corporation.
- 10.34 Credit Facility Agreement between Lifetime Hoan Corporation and The Bank of New York, HSBC Bank USA, Citibank, N.A., Wells Fargo Bank, N.A., and Bank Leumi USA, dated November 9, 2001.
- 10.35 Stock Sale Agreement of Prestige Italiana, SPA, between Lifetime Hoan Corporation, Meyer International Holdings Limited and Meyer Prestige Holdings Ltd and Meyer Prestige GmbH, dated October 11, 2002.
- 10.36 Consulting Agreement dated October 1, 2002 between Lifetime Hoan Corporation and Ronald Shiftan.
- 21 Subsidiaries of the registrant
- 23 Consent of Ernst & Young LLP.
- 99.1 Certification by Jeffrey Siegel, Chief Executive Officer and Robert McNally, Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*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.

SIGNATURES

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

Lifetime Hoan Corporation

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

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

Signature	Title	Date
/s/ Jeffrey Siegel Jeffrey Siegel	Chairman of the Board of Directors, Chief Executive Officer, President and Director	March 28, 2003
/s/ Craig Phillips Craig Phillips	Vice-President - Distribution, Secretary and Director	March 28, 2003
/s/ Robert McNally Robert McNally	Vice-President - Finance and Treasurer (Principal Financial and Accounting Officer)	March 28, 2003
/s/ Bruce Cohen Bruce Cohen	Executive Vice-President and Director	March 28, 2003
/s/ Ronald Shiftan Ronald Shiftan	Director	March 28, 2003
/s/ Howard Bernstein Howard Bernstein	Director	March 28, 2003
/s/ Leonard Florence Leonard Florence	Director	March 28, 2003

CERTIFICATIONS

I, Jeffrey Siegel, certify that:

1. I have reviewed this annual report on Form 10-K of Lifetime Hoan Corporation ("the registrant");
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report:
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows

of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

___/s/ Jeffrey Siegel_____
Jeffrey Siegel
President and Chief Executive Officer

CERTIFICATIONS

I, Robert McNally, certify that:

1. I have reviewed this annual report on Form 10-K of Lifetime Hoan Corporation ("the registrant");
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules

13a-14 and 15d-14) for the registrant and we have:

- a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

____/s/ Robert McNally_____
Robert McNally
Vice President and Chief Financial
Officer

FORM 10-K - ITEM 15(a)(1) and (2)
LIFETIME HOAN CORPORATION

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT
SCHEDULE

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

Report of Independent Auditors	F-2
Consolidated Balance Sheets as of December 31, 2002 and 2001	F-3
Consolidated Statements of Income for the Years ended December 31, 2002, 2001 and 2000	F-4
Consolidated Statements of Stockholders' Equity for the Years ended December 31, 2002, 2001 and 2000	F-5
Consolidated Statements of Cash Flows for the Years ended December 31, 2002, 2001 and 2000	F-6
Notes to Consolidated Financial Statements	F-7

The following financial statement schedule of Lifetime Hoan Corporation is included in Item 15 (d);

Schedule II - Valuation and qualifying accounts	S-1
-------------------------------------------------	-----

All other schedules in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or

are inapplicable, and therefore have been omitted.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders
Lifetime Hoan Corporation

We have audited the accompanying consolidated balance sheets of Lifetime Hoan Corporation as of December 31, 2002 and 2001 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lifetime Hoan Corporation at December 31, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note A to the consolidated financial statements, effective January 1, 2002, the Company changed its method of accounting for goodwill.

Ernst & Young LLP

Melville, New York
February 26, 2003

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LIFETIME HOAN CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

~~December 31,~~
~~ASSETS 2002~~
~~2001 CURRENT~~
~~ASSETS Cash~~
~~and cash~~
~~equivalents~~

~~\$ 62~~ ~~\$ 5,021~~
Accounts
receivable,
less
allowances
of ~~\$3,888~~ in
2002 and
~~\$3,649~~ in
2001 ~~19,143~~
~~18,696~~
Merchandise
inventories
~~41,333~~
~~39,681~~
Prepaid
expenses
~~1,603~~ ~~2,084~~
Deferred
income taxes
~~15~~ ~~148~~ Other
current
assets ~~2,505~~
~~2,411~~
Current
assets of
discontinued
operations —
~~5,959~~ TOTAL
CURRENT
ASSETS
~~64,661~~
~~74,000~~
PROPERTY AND
EQUIPMENT,
net ~~20,850~~
~~22,111~~
GOODWILL
~~14,952~~
~~14,952~~ OTHER
INTANGIBLES,
net ~~9,000~~
~~9,390~~ OTHER
ASSETS ~~2,123~~
~~2,106~~ OTHER
ASSETS OF
DISCONTINUED
OPERATIONS —
~~811~~ TOTAL
ASSETS
~~\$111,586~~
~~\$123,370~~
LIABILITIES
AND
STOCKHOLDERS'
EQUITY
CURRENT
LIABILITIES
Short-term
borrowings \$
~~14,200~~ \$
~~22,847~~
Accounts
payable and
trade
acceptances
~~2,720~~ ~~3,946~~
Accrued
expenses
~~13,894~~
~~15,233~~
Income taxes
payable
~~2,463~~
Current
liabilities
of
discontinued
operations —
~~2,899~~ TOTAL
CURRENT
LIABILITIES

~~33,277~~
~~44,925~~
 MINORITY
 INTEREST
 DISCONTINUED
 OPERATIONS —
~~384~~
 STOCKHOLDERS'
 EQUITY
 Common
 stock, \$.01
 par value,
 shares
 authorized:
~~25,000,000;~~
 shares
 issued and
 outstanding:
~~10,560,704~~
 in 2002 and
~~10,491,101~~
 in 2001 ~~106~~
~~105~~ Paid in
 capital
~~61,405~~
~~61,087~~
 Retained
 earnings
~~17,277~~
~~17,660~~ Notes
 receivable
 for shares
 issued to
 stockholders
~~(479)~~ ~~(486)~~
 Accumulated
 other
 comprehensive
 loss — ~~(305)~~
 TOTAL
 STOCKHOLDERS'
 EQUITY
~~78,309~~
~~78,061~~ TOTAL
 LIABILITIES
 AND
 STOCKHOLDERS'
 EQUITY
~~\$111,586~~
~~\$123,370~~

See notes to consolidated financial statements.

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LIFETIME HOAN CORPORATION

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

Year Ended
~~December 31,~~
~~2002 2001~~
~~2000~~ Net
 Sales
~~\$131,219~~
~~\$135,068~~
~~\$121,124~~ Cost
 of Sales
~~73,145~~ ~~75,626~~
~~70,189~~
 Distribution
 Expenses
~~21,363~~ ~~21,186~~
~~15,752~~
~~Selling,~~
~~General and~~
 Administrative
 Expenses

29,815	31,278
27,685	Income
	from
	Operations
6,896	6,978
7,498	Interest
Expense	1,004
1,015	730
Other Income,	net (66) (98)
(82)	Income
Before Income	Taxes 5,958
6,061	6,850
Income Taxes	2,407 2,449
2,786	Income
	from
	Continuing
	Operations
3,551	3,612
4,064	Discontinued
Operations:	Loss from
Operations,	net of tax
(495) (694)	(630)
Loss on	Disposal, net
of income tax	benefit of
\$225 (811)	Total Loss
from	Discontinued
Operations	(1,306) (694)
(630)	NET
INCOME \$2,245	\$2,918 \$3,434
BASIC AND	DILUTED
INCOME PER	COMMON SHARE
FROM	CONTINUING
OPERATIONS	\$0.34 \$0.34
\$0.37	LOSS
PER COMMON	SHARE FROM
DISCONTINUED	OPERATIONS
(\$0.13)	(\$0.06)
(\$0.06)	BASIC
AND DILUTED	EARNINGS PER
COMMON SHARE	\$0.21 \$0.28
\$0.31	\$0.31

See notes to consolidated financial statements.

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

Notes

Accumulated	
Paid—	
Receivable	
Deferred	
Other Common	
Stock in	
Retained	
From Compen—	
Comprehensive	
Comprehensive	
Shares	
Amount	
Capital	
Earnings	
Stockholders	
sation Loss	
Total Income	
Balance at	
December 31,	
1999 11,818	
\$118 \$71,957	
\$16,671	
(\$908) (\$30)	
\$87,808 Net	
income for	
2000 3,434	
3,434 \$3,434	
Exercise of	
stock	
options 15	
74 74	
Repurchase	
and	
retirement	
of common	
stock	
(1,331) (13)	
(10,876)	
(10,889)	
Amortization	
of deferred	
compensation	
16 16	
Foreign	
currency	
translation	
adjustment	
(\$180) (180)	
(180)	
Comprehensive	
income	
\$3,254 Cash	
dividends	
(2,746)	
(2,746)	
Balance at	
December 31,	
2000 10,502	
105 61,155	
17,359 (908)	
(14) (180)	
77,517 Net	
income for	
2001 2,918	
2,918 \$2,918	
Exercise of	
stock	
options 4 20	
20	
Repurchase	
and	
retirement	
of common	
stock (15)	
(88) (88)	
Amortization	
of deferred	
compensation	
14 14	
Reclass of	
notes	

receivable
~~422 422~~
 Foreign
 currency
 translation
 adjustment
~~(125) (125)~~
~~(125)~~
 Comprehensive
 income
~~\$2,793~~ Cash
 dividends
~~(2,617)~~
~~(2,617)~~
 Balance at
 December 31,
 2001 ~~10,491~~
~~105 61,087~~
~~17,660 (486)~~
~~— (305)~~
~~78,061~~ Net
 income for
 2002 ~~2,245~~
~~2,245~~ \$2,245
 Exercise of
 stock
 options ~~70 1~~
~~318 319~~
 Repayment of
 notes
 receivable ~~7~~
~~7~~ Foreign
 currency
 translation
 adjustment
~~305 305 305~~
 Comprehensive
 income
~~\$2,550~~ Cash
 dividends
~~(2,628)~~
~~(2,628)~~
 Balance at
 December 31,
 2002 ~~10,561~~
~~\$106 \$61,405~~
~~\$17,277~~
~~(\$479) —~~
~~\$78,309~~

See notes to consolidated financial statements.

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LIFETIME HOAN CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
 (in thousands)

~~Year Ended~~
~~December~~
~~31, 2002~~
~~2001-2000~~
 OPERATING
 ACTIVITIES
 Net income
~~\$2,245~~
~~\$2,918~~
~~\$3,434~~
 Adjustments
 to
 reconcile
 net income
 to net cash
 provided by
 operating
 activities:
 Loss on
 sale of
 discontinued
 operations
~~811 —~~
 Depreciation

and
 amortization
~~3,457~~ ~~3,709~~
~~3,461~~
 Deferred
 income
 taxes ~~133~~
~~722~~ ~~387~~
 Provision
 for losses
 on accounts
 receivable
~~386~~ ~~1,396~~
~~1,077~~
 Reserve for
 sales
 returns and
 allowances
~~7,453~~ ~~6,513~~
~~5,859~~
 Minority
 interest
~~(476)~~ ~~(144)~~
~~(360)~~ Loss
 on sale of
 property
 and
 equipment—
~~1,243~~—
 Changes in
 operating
 assets and
 liabilities,
 excluding
 the effects
 of the sale
 of the
 Prestige
 companies:
 Accounts
 receivable
~~(6,880)~~
~~(10,493)~~
~~500~~
 Merchandise
 inventories
~~1,022~~ ~~3,292~~
~~11,753~~
 Prepaid
 expenses,
 other
 current
 assets and
 other
 assets
~~1,853~~ ~~(70)~~
~~(2,797)~~
 Accounts
 payable,
 trade
 acceptances
 and accrued
 expenses
~~(5,654)~~
~~(1,250)~~
~~(483)~~
 Income
 taxes ~~2,463~~
~~(392)~~ NET
 CASH
 PROVIDED BY
 OPERATING
 ACTIVITIES
~~6,813~~ ~~7,836~~
~~22,439~~
 INVESTING
 ACTIVITIES
 Purchases
 of property
 and
 equipment,

~~net (1,807)~~
~~(13,267)~~
~~(2,025)~~
Proceeds
from sale
of
marketable
securities
—15
Proceeds
from
disposition
of Prestige
Companies
985—
Acquisition
of Roshco,
Inc. —
(1,043)
Acquisition
of M.
Kamenstein,
Inc. —
(164) (125)
NET CASH
USED IN
INVESTING
ACTIVITIES
(822)
(13,431)
(3,178)
FINANCING
ACTIVITIES
Repurchase
of common
stock—
(88)
(10,889)
(Payments)
proceeds of
short term
borrowings,
net (8,647)
12,101
(5,758)
Proceeds
from the
exercise of
stock
options 318
20—74
Repayment
of Note
Receivable
7— Cash
dividends
paid
(2,628)
(2,617)
(2,746) NET
CASH (USED
IN)
PROVIDED BY
FINANCING
ACTIVITIES
(10,950)
9,416
(10,319)
EFFECT OF
EXCHANGE
RATE ON
CASH AND
CASH
EQUIVALENTS
—(125)
(180)
(DECREASE)
INCREASE IN
CASH AND
CASH
EQUIVALENTS

~~(4,959)~~
~~3,696 (238)~~
Cash and
cash
equivalents
at
beginning
of year
5,021 1,325
1,563 CASH
AND CASH
EQUIVALENTS
AT END OF
YEAR \$62
\$5,021
\$1,325

See notes to consolidated financial statements.

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Organization and Business: The accompanying consolidated financial statements include the accounts of Lifetime Hoan Corporation ("Lifetime") and its wholly-owned subsidiaries, Outlet Retail Stores, Inc. ("Outlets"), Roshco, Inc. ("Roshco") and M. Kamenstein Corp. ("Kamenstein"), collectively, the "Company". Effective September 27, 2002, the Company sold its 51% owned and controlled subsidiaries, Prestige Italiana, Spa. ("Prestige Italy") and Prestige Haushaltswaren GmbH ("Prestige Germany" and together with Prestige Italy, the "Prestige Companies"). Accordingly, the Company has classified the Prestige Companies business as discontinued operations. Significant intercompany accounts and transactions have been eliminated in consolidation.

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

The Company also operates approximately 58 retail outlet stores in 24 states under the Farberware(R) name. Under an agreement with the Meyer Corporation, Meyer Corporation receives all revenue from sales of Farberware(R) cookware, occupies 50% of the space in each store and reimburses the Company for 50% of the operating expenses of the stores.

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

Revenue Recognition: Revenue is recognized upon the shipment of merchandise. Related freight-out costs are included in distribution expenses and amounted to \$2.7 million, \$2.3 million, and \$2.2 million for 2002, 2001 and 2000, respectively.

Distribution Expenses: Distribution expenses primarily consist of freight-out, warehousing expenses, and handling costs of products sold. These expenses include relocation charges, duplicate rent and other costs associated with the Company's move into its Robbinsville, New Jersey warehouse, amounting to \$2.2 million in 2002 and \$2.9 million in 2001.

Inventories: Merchandise inventories, principally finished goods, are priced by the lower of cost (first-in, first-out basis) or market method. Reserves for excess or obsolete inventory reflected in the Company's consolidated balance sheets at December 31, 2002 and 2001 are considered adequate by the Company's management; however, there can be no assurance that these reserves will prove to be adequate over time to provide for ultimate losses in connection with the Company's inventory.

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

allowances may be required.

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

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

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

Fair Value of Financial Instruments: The carrying amounts of the Company's financial instruments approximate their fair values because of the short-term nature of these items.

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill and Other Intangible Assets: Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed at least annually for impairment. In 2002, the Company completed its initial assessment, as of January 1, 2002, of the assets impacted by the adoption of SFAS No. 142, and its annual assessment as of December 31, 2002. Based upon such reviews, no impairment to the carrying value of goodwill was identified, and the Company ceased amortizing goodwill effective January 1, 2002. Had this standard been applied for the year ended December 31, 2001, net income would have been increased by \$343,000 and basic and diluted earnings per share would have been \$0.31 and for the year ended December 31, 2000, net income would have been increased by \$287,000 and basic and diluted earnings per share would have been \$0.34.

Other intangibles consist of a royalty-free license, trademarks and brand names acquired pursuant to two acquisitions and are being amortized by the straight-line method over 30 years. Accumulated amortization at December 31, 2002 and 2001 was \$2.7 million and \$2.3 million, respectively. Amortization expense with respect to these intangible assets for each of five succeeding fiscal years is estimated to be \$390,000.

Amortization expense for the years ended December 31, 2002, December 31, 2001 and December 31, 2000 was \$390,000, \$961,000 and \$868,000, respectively.

Long-Lived Assets: Effective January 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"), which supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." The primary objectives of SFAS No. 144 are to develop one accounting model based on the framework established in SFAS No. 121 for long-lived assets to be disposed of by sale, and to address significant implementation issues. The adoption of this statement did not have an impact on the Company's consolidated results of operations or financial position. The Company accounted for the disposal of the Prestige Companies in accordance with SFAS No. 144.

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

Earnings Per Share: Basic earnings per share has been computed by dividing net income by the weighted average number of common shares outstanding of 10,516,000 in 2002, 10,492,000 in 2001 and 10,995,000 in 2000. 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 10,541,000 in 2002, 10,537,000 in 2001 and 11,079,000 in 2000.

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for Stock Option Plan: At December 31, 2002, the Company has a stock option plan, which is more fully described in Note D. The Company accounts for the plan under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market values of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" to stock-based employee compensation.

Year ended
December
31, (in
thousands,
except per
share data)
2002-2001
2000 Net
income, as
reported
\$2,245
\$2,918
\$3,434
Deduct:
Total stock
option
employee
compensation
expense
determined
under fair
value based
method for
all awards,
net of
related tax
effects
(156) (188)
(210)
Proforma
net income
\$2,089
\$2,730
\$3,224
Earnings
per share:
Basic as
reported
\$0.21 \$0.28
\$0.31 Basic
— proforma
\$0.20 \$0.26
\$0.29
Diluted—
as reported
\$0.21 \$0.28
\$0.31
Diluted—
proforma
\$0.20 \$0.26
\$0.29

New Accounting Pronouncements: In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations", which addresses the financial accounting and reporting for obligations associated with the retirement of long-lived assets and the associated retirement costs. The

Company has adopted SFAS No. 143 as of January 1, 2002. The adoption of SFAS No. 143 did not have a material impact on the Company's consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This pronouncement is effective for exit or disposal activities that are initiated after December 31, 2002, and requires these costs to be recognized when the liability is incurred and not at project initiation. The Company does not expect this statement to have a material impact on its consolidated financial statements.

Reclassifications: Certain 2001 and 2000 balances have been reclassified to conform with the 2002 presentation.

NOTE B - ACQUISITIONS, DISPOSALS AND LICENSES

Kamenstein Acquisition: In September 2000, the Company acquired certain assets and certain liabilities of M. Kamenstein, Inc. ("Kamenstein"), a privately-held 107-year old housewares company whose products include pantryware, teakettles, and home organization accessories. Kamenstein's revenues were approximately \$21.0 million for the twelve month period ended August 31, 2000. In acquiring Kamenstein, the Company assumed bank debt and other indebtedness of approximately \$10.0 million. The Company is obligated to make contingent payments in the future based on the annual gross profit achieved by the Kamenstein business for a 3 -year period. This acquisition was accounted for using the purchase method and accordingly the Company recorded goodwill of \$6.1 million. Operations of the acquired entity have been included since the date of acquisition.

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

2000 Net
sales (in
thousands)
\$142,296
Net income
(in
thousands)
1,130
Basic
earnings
per common
share
\$0.10
Diluted
earnings
per common
share
\$0.10

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE B - ACQUISITIONS DISPOSALS AND LICENSES (continued)

Prestige Acquisition and Disposition: In September 1999, the Company acquired 51% of the capital stock and controlling interest in each of Prestige Italy and Prestige Germany. The Company paid approximately \$1.3 million for its majority interests in the Prestige Companies. This acquisition was accounted for using the purchase method and the Company recorded goodwill of \$586,000. Effective September 27, 2002, the Company sold its 51% controlling interest in Prestige Italiana, Spa and, together with its minority interest shareholder, caused Prestige Haushaltswaren GmbH (combined, "the Prestige Companies") to sell all of its receivables and inventory to a European housewares distributor. As a result the Company received approximately \$1.0 million in cash on October 21, 2002. The sale resulted in a net loss of approximately \$811,000 that includes the write-off of goodwill of approximately \$540,000. Accordingly, the Company has classified the Prestige Companies business as discontinued operations. For 2000 and 2001, the Company has reclassified its financial statements to reflect the discontinued operations of the Prestige Companies. Net sales of the Prestige Companies included in loss from discontinued operations

were \$6.4 million, \$8.5 million and \$8.3 million for 2002, 2001 and 2000, respectively.

Cuisinart License Agreement: On March 19, 2002, the Company entered into a licensing agreement with Conair Corporation. This agreement allows the Company to design, manufacture and market a wide variety of cutlery products under the Cuisinart(R) brand name. Shipments of products under the Cuisinart(R) name began in the fourth quarter of 2002.

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

NOTE C - CREDIT FACILITIES

On November 9, 2001, the Company entered into a \$45 million three-year, secured, reducing revolving credit agreement (the "Agreement") with a group of banks and, in conjunction therewith, canceled its \$40 million short-term line of credit. The Credit Facility reduced to \$40 million at December 31, 2002 in accordance with the terms of the agreement and will further reduce to \$35 million at December 31, 2003, and through the maturity date. The Credit Facility is secured by all of the assets of the Company and the Company is required to satisfy certain financial covenants, including limitations on indebtedness and sale of assets; a minimum fixed charge ratio; and net worth maintenance. Borrowings under the Agreement have different interest rate options that are based upon either an alternate base rate, LIBOR, or a lender's cost of funds rate. As of December 31, 2002 and 2001, the Company had \$2.5 million of letters of credit and trade acceptances outstanding and \$14.2 million and \$20.0 million of borrowings under the Agreement, respectively, and, as a result, the availability under the Agreement at December 31, 2002 and 2001 was \$23.3 million and \$22.5 million, respectively. Interest rates on borrowings at December 31, 2002 ranged from 4.125% to 4.75%, while interest rates on borrowings at December 31, 2001 ranged from 3.875% to 3.9375%.

At September 30, 2002, the Company was in violation of the leverage ratio covenant. The Company obtained a waiver for the covenant violation and, as of December 31, 2002, the Company was in compliance with all financial covenants.

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

The Company paid interest of approximately \$1.0 million, \$1.3 million and \$913,000 during the years ended December 31, 2002, 2001 and 2000, respectively.

NOTE D - CAPITAL STOCK

Cash Dividends: The Company paid regular quarterly cash dividends of \$0.0625 per share on its Common Stock, or a total annual cash dividend of \$0.25 per share, in 2002, 2001 and 2000. The Board of Directors currently intends to maintain a quarterly cash dividend of \$0.0625 per share of Common Stock for the foreseeable future, although the Board may in its discretion determine to modify or eliminate such dividend at any time.

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE D - CAPITAL STOCK (continued)

Common Stock Repurchase and Retirement: In December 1999, the Board of Directors of the Company authorized the repurchase of up to 1,000,000 of the outstanding shares of Common Stock in the open market. In 2000, the Board of Directors increased the authorized amount of Common Stock that could be bought back from 1,000,000 shares to 3,000,000 shares. Through December 31, 2002, 2,128,000 shares were repurchased for approximately \$15.2 million (none in 2002).

Preferred Stock: The Company is authorized to issue 2,000,000 shares of Series B Preferred Stock, none of which is outstanding.

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

As of December 31, 2002, approximately 725,000 shares were available for grant under the Company's stock option plans and all options granted through December 31, 2002 under the plan have exercise prices equal to the market value of the Company's stock on the date of grant.

The weighted average fair values of options granted during the years ended December 31, 2002, 2001 and 2000 were \$0.16, \$0.27 and \$0.64, respectively. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rates of 3.47%, 4.55% and 6.01% for 2002, 2001 and 2000, respectively; 4.33% dividend yield in 2002, 4.25% dividend yield in 2001 and 3.67% dividend yield in 2000; volatility factor of the expected market price of the Company's common stock of 0.06 in 2002, 0.07 in 2001 and 0.45 in 2000; and a weighted-average expected life of the options of 6.0, 4.7 and 5.0 years in 2002, 2001 and 2000, respectively.

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

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE D - CAPITAL STOCK (continued)

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

2002
2001
2000
Weighted
Weighted
Weighted
Average
Average
Average
Exercise
Exercise
Exercise
Options
Price
Options
Price
Options
Price
Balance
Jan 1,
1,031,830
\$6.94
1,245,335
\$7.39
1,209,165
\$7.49
Grants
175,000

~~\$6.30~~
~~140,000~~
~~\$5.68~~
~~109,500~~
~~\$7.17~~
 Exercised
~~(94,153)~~
~~\$5.00~~
~~(3,971)~~
~~\$5.00~~
~~(14,984)~~
~~\$4.91~~
 Canceled
~~(193,386)~~
~~\$7.09~~
~~(349,534)~~
~~\$8.16~~
~~(58,346)~~
~~\$9.16~~
 Balance—
~~Dec 31,~~
~~919,291~~
~~\$6.98~~
~~1,031,830~~
~~\$6.94~~
~~1,245,335~~
~~\$7.39~~

The following table summarizes information about employees' stock options outstanding at December 31, 2002:

Weighted	Weighted	Weighted	Average	Average	Average	Exercise	Exercise	Remaining	Price—	Price—	Exercise	Options	Options	Contractual	Options	Options	Price	Outstanding	Exercisable	Life	Outstanding	Exercisable			
\$4.14	\$5.51	260,700	170,020	7.7 years	\$5.52	\$5.51	\$6.00	\$8.41	497,111	463,487	5.4 years	\$6.62	\$6.61	\$8.64	\$10.87	161,410	156,410	2.2 years	\$10.44	\$10.47	919,291	789,917	5.5 years	\$6.98	\$7.14

At December 31, 2001 and 2000, there were 680,858 and 865,239 options exercisable, respectively, at weighted-average exercise prices per share of \$7.20 and \$7.39, respectively.

In connection with the grant of certain options in prior years, the Company recorded, and amortized, deferred compensation. As of December 31, 2001, such deferred compensation had been fully amortized.

In connection with the exercise of options under a stock option plan which has since expired, the Company received cash of \$255,968 and notes in the amount of \$908,000 in 1985. The notes bear interest at 9% and are due no later than December 31, 2005. During 2001, a note from Milton L. Cohen, a director of the Company in the amount of \$422,000 was canceled. During 2001, a new note was received from Milton L. Cohen in the amount of \$855,000, which consolidated all amounts due to the Company.

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE E - INCOME TAXES

Pre-tax income from continuing operations for the years ended December 31, 2002, 2001 and 2000 was \$6.0 million, \$6.1 million and \$6.9 million, respectively.

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

Year
Ended
December
31, 2002
2001
2000
Current:
Federal
\$2,035
\$1,431
\$1,918
State
and
local
239 296
481
Deferred
133 722
387
Income
tax
provision
\$2,407
\$2,449
\$2,786

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, 2002
2001
Merchandise
inventories
\$1,058
\$1,138
Accounts
receivable
allowances
740 496
Depreciation
and
amortization
(1,783)
(1,486) Net
deferred

~~tax assets~~
~~\$15,148~~

While management believes that the Company's deferred tax asset will be realized based on its generation of taxable income in recent years and its future projected taxable income, the substantial restrictions on and time periods required to realize certain of the Company's NOL's made it appropriate to record a valuation allowance against a portion of those NOL's. A valuation allowance had been provided against all of the Company's foreign net operating loss carryforwards. Accordingly, the Company had provided a total valuation allowance \$226,000 as of December 31, 2001.

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, 2002
2001-2000
Provision
for Federal
income
taxes at
the
statutory
rate \$2,026
\$2,061
\$2,329
Increases
(decreases):
State and
local
income
taxes, net
of Federal
income tax
benefit 158
195-318
Other 223
193-139
Provision
for income
taxes
\$2,407
\$2,449
\$2,786

The Company received income tax refunds (net of payments) of approximately \$328,000 and \$218,000 during the years ended December 2002 and 2001, respectively. The Company paid income taxes of approximately \$5.0 million during the year ended 2000.

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE F - COMMITMENTS

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

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

Year ended
December
31, 2003
\$5,464
2004 3,742
2005 3,141
2006 2,752
2007 2,826
Thereafter
23,815
\$41,740

Under an agreement with Meyer Corporation regarding the operation of the Company's Farberware(R) retail outlet stores, the Company is reimbursed for use of floor space in its outlet stores. Meyer Corporation receives all revenue from sales of Farberware(R) cookware, currently occupies 50% of the space in each store and reimburses the Company for 50% of the operating expenses of the stores. In fiscal years 2001 and 2000, the Company and Meyer Corporation each occupied 40% of the space in the outlet stores, as Salton, Inc. was responsible for the other 20% of the space. In 2002, 2001 and 2000, Meyer Corporation reimbursed the Company approximately \$1.7 million, \$1.3 million and \$1.5 million, respectively, for operating lease expense. Salton Inc. reimbursed in 2001 and 2000 approximately \$668,000 and \$731,000, respectively, for operating lease expense to the Company. Salton, Inc. terminated its agreement effective December 31, 2001.

Rental and related expenses under the operating leases were approximately \$7.1 million, \$7.6 million and \$5.9 million for the years ended December 31, 2002, 2001 and 2000, respectively. Amounts for 2002, 2001 and 2000 are prior to the Meyer Corporation and Salton Inc. reimbursements described above.

Royalties: The Company has royalty licensing agreements that require payments of royalties on sales of licensed products which expire through December 31, 2007. Future minimum royalties payable under these agreements are as follows (in thousands):

Year ended
December
31, 2003
\$1,547
2004 1,824
2005 1,733
2006 336
2007 339
Thereafter
—\$5,779

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE F - COMMITMENTS (continued)

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

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

Incentive Bonus Compensation Plan: In April 1996, the Board of Directors adopted and in June 1996, the stockholders approved an incentive

bonus compensation plan ("1996 Bonus Plan"). The 1996 Bonus Plan provided for the award of a bonus, with respect to each of the ten fiscal years of the Company beginning with the 1996 fiscal year, to each of the then President and the Executive Vice President of the Company. The bonus payable to each executive was an amount equal to 3.5% of pretax income, before any provision for executive compensation, stock options exercised during the year under the Company's stock option plans and extraordinary items. In June 2000, the stockholders of the Company approved the adoption of an incentive bonus compensation plan ("2000 Bonus Plan"), which provides for the award of a bonus, to designated Senior Executive Officers based on a predetermined financial performance measurement. For 2002 and 2001, the Chief Executive Officer was the only designated officer and for 2000, the then Chief Executive Officer and then President were both designated officers. In each year the amount of the bonus payment was equal to 3.5% of pretax income, before any provision for executive compensation, stock options exercised during the year under the Company's stock option plans, extraordinary items and non-recurring charges. During the years ended December 31, 2002, 2001 and 2000, the Company recorded annual compensation expense of approximately \$323,000, \$346,000, and \$600,000, respectively, pursuant to the bonus plans.

In February 2001, the Board of Directors declared special bonuses for Milton L. Cohen and Jeffrey Siegel aggregating approximately \$850,000 which were charged to operations for the year ended December 31, 2000.

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

In March 2002, the Company awarded Mr. Jeffrey Siegel a special bonus of \$129,600.

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LIFETIME HOAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

NOTE G - RELATED PARTY TRANSACTIONS

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

As of December 31, 2002 and December 31, 2001, Milton L. Cohen owed the Company approximately \$579,000 and \$739,000, respectively. Milton L. Cohen remits \$48,404 quarterly, inclusive of interest and principal, and the loan matures on March 31, 2006. The loan due from Milton L. Cohen is included within other assets in the accompanying balance sheets.

As of December 31, 2002 and December 31, 2001, Jeffrey Siegel owed the Company approximately \$439,000 and \$659,000, respectively, which, for each year, included \$344,000 of an outstanding loan related to the exercise of stock options under a stock option plan which has since expired. Approximately \$95,000 and \$315,000 of the amounts due from Jeffrey Siegel are included in other current assets in the accompanying balance sheets at December 31, 2002 and 2001, respectively.

As of December 31, 2002 and December 31, 2001, Craig Phillips, a vice president of the Company, owed the Company approximately \$135,000 for an outstanding loan related to the exercise of stock options under a stock option plan which has since expired.

Notes receivable totaling \$479,000 and \$486,000 related to the exercise of stock options under a stock option plan which has since expired are included within total stockholders' equity in the accompanying balance sheets at December 31, 2002 and 2001, respectively.

On October 1, 2002 the Company entered into a consulting agreement with Ronald Shiftan, a director of the Company. The term of the consulting agreement is a period of one year commencing October 1, 2002, which automatically renews for additional one year periods unless either party terminates the agreement by providing written notice of such termination to the other party thereto at least thirty days prior to the expiration of the initial or additional term then in effect. The compensation to be paid to Mr. Shiftan under the consulting agreement is at a rate of \$30,000 per month.

NOTE H - RETIREMENT PLAN

The Company maintains a defined contribution retirement plan ("the Plan") for eligible employees under Section 401(k) of the Internal Revenue

Code. Participants can make voluntary contributions up to a maximum of 15% of their respective salaries. The Company made matching contributions to the Plan of approximately \$220,000, \$178,000 and \$50,000 in 2002, 2001 and 2000, respectively.

NOTE I - CONCENTRATION OF CREDIT RISK

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

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

During the years ended December 31, 2002, 2001 and 2000, Wal-Mart Stores, Inc. accounted for approximately 20%, 18% and 12% of net sales, respectively. No other customer accounted for 10% or more of the Company's net sales during 2002, 2001 and 2000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

LIFETIME HOAN CORPORATION

NOTE J - OTHER

Property and Equipment:

Property and equipment consist of (in thousands):

December
31, 2002
2001 Land
\$932 \$932
Building
and
improvements
7,075 6,963
Machinery,
furniture
and
equipment
23,823
22,800
Leasehold
improvements
1,594 1,687
33,424
32,382
Less:
accumulated
depreciation
12,574
10,271
\$20,850
\$22,111

Depreciation expense for the years ended December 31, 2002, 2001 and 2000 was \$3.1 million, \$2.7 million and \$2.6 million, respectively.

Accrued Expenses:

Accrued expenses consist of (in thousands):

December
31, 2002
2001
Commissions
\$683 \$715
Accrued
customer
allowances
and
rebates
3,290
4,029
Obligation
to Meyer
Corporation
1,983

~~2,681~~ Due
~~to M.~~
~~Kamenstein,~~
~~Inc. 333~~
~~Officer~~
~~and~~
~~employee~~
~~bonuses~~
~~1,439~~
~~1,340~~
~~Accrued~~
~~health~~
~~insurance~~
~~756 443~~
~~Accrued~~
~~salaries,~~
~~vacation~~
~~and~~
~~temporary~~
~~labor~~
~~billings~~
~~1,562~~
~~1,745~~
~~Other~~
~~4,181~~
~~3,947~~
~~\$13,894~~
~~\$15,233~~

Sources of Supply: The Company sources its products from approximately 48 manufacturers located primarily in People's Republic of China, and to a smaller extent in the United States, Thailand, Malaysia, Indonesia, Taiwan, and Italy. A majority of its cutlery was purchased from three suppliers in 2002 who accounted for 58%, 20%, and 10% of the total purchases, respectively, and from five suppliers in 2001 who accounted for 28%, 21%, 14%, 11% and 10% of the total purchases, respectively. A majority of its pantryware was purchased from three suppliers in 2002 who accounted for 37%, 19% and 13%, respectively, of the total purchases and from four suppliers in 2001 who accounted for 23%, 19%, 17% and 16%, respectively. An interruption of supply from any of these manufacturers could have an adverse impact on the Company's ability to fill orders on a timely basis. However, the Company believes other manufacturers with whom the Company does business would be able to increase production to fulfill the Company's requirements.

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

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LIFETIME HOAN CORPORATION

Schedule II - Valuation and Qualifying Accounts

Lifetime Hoan Corporation

(in thousands)

~~COL. A~~
~~COL. B~~
~~COL. C~~
~~COL. D~~
~~COL. E~~
~~Additions~~
~~Balance at~~
~~Charged to~~
~~Beginning~~
~~of Costs~~
~~and~~
~~Deductions~~
~~Balance at~~
~~Description~~
~~Period~~
~~Expenses~~
~~(Describe)~~
~~End of~~
~~Period~~
~~Year ended~~

December
 31, 2002
 Deducted
 from asset
 accounts:
 Allowance
 for
 doubtful
 Accounts
~~\$315~~ ~~\$386~~
~~\$89~~ (a)
~~\$612~~
 Reserve
 for sales
 returns
 and
 allowances
~~3,334~~
~~7,453~~ (c)
~~7,511~~ (b)
~~3,276~~
~~\$3,649~~
~~\$7,839~~
~~\$7,600~~
~~\$3,888~~
 Year ended
 December
 31, 2001
 Deducted
 from asset
 accounts:
 Allowance
 for
 doubtful
 Accounts
~~\$385~~
~~\$1,396~~
~~\$1,466~~ (a)
~~\$315~~
 Reserve
 for sales
 returns
 and
 allowances
~~3,197~~
~~6,513~~ (c)
~~6,376~~ (b)
~~3,334~~
~~\$3,582~~
~~\$7,909~~
~~\$7,842~~
~~\$3,649~~
 Year ended
 December
 31, 2000
 Deducted
 from asset
 accounts:
 Allowance
 for
 doubtful
 Accounts
~~\$85~~ ~~\$1,077~~
~~\$777~~ (a)
~~\$385~~
 Reserve
 for sales
 returns
 and
 allowances
~~2,524~~
~~5,859~~ (c)
~~5,186~~ (b)
~~3,197~~
~~\$2,609~~
~~\$6,936~~
~~\$5,963~~
~~\$3,582~~

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

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

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Exhibit 21. Subsidiaries of the Registrant

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

Roshco, Inc.
Incorporated in the state of Illinois

M. Kamenstein Corp.
Incorporated in the state of Delaware

Consent of Ernst & Young LLP Independent Auditors

Exhibit 23

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-51774) pertaining to the Lifetime Hoan Corporation 1991 Stock Option Plan, of our report dated February 26, 2003, 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, 2002.

Ernst & Young LLP

Melville, New York
March 28, 2003

EXHIBIT 99.1

Certification by Jeffrey Siegel, Chief Executive Officer and Robert McNally, Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

I, Jeffrey Siegel, Chief Executive Officer, and I, Robert McNally, Chief Financial Officer, of Lifetime Hoan Corporation, a Delaware corporation (the "Company"), each hereby certifies that:

- (1) the Company's Annual Report on Form 10-K for the annual period ended December 31, 2002 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey Siegel
Jeffrey Siegel
Chief Executive Officer

/s/ Robert McNally
Robert McNally
Chief Financial Officer

Date: March 28, 2003

Date: March 28, 2003