

LIFETIME BRANDS, INC  
Form 10-Q  
August 08, 2013  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2013

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-19254

**LIFETIME BRANDS, INC.**

(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.)

**1000 Stewart Avenue, Garden City, New York, 11530**

(Address of principal executive offices) (Zip Code)

**(516) 683-6000**

(Registrant's telephone number, including area code)

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

## Edgar Filing: LIFETIME BRANDS, INC - Form 10-Q

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of the registrant's common stock outstanding as of August 8, 2013 was 12,695,757.

**Table of Contents**

**LIFETIME BRANDS, INC.**

**FORM 10-Q**

**FOR THE QUARTER ENDED JUNE 30, 2013**

**INDEX**

	<b>Page No.</b>
<b>Part I.</b>	
<b><u>Financial Information</u></b>	
Item 1.	
<u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets June 30, 2013 (unaudited) and December 31, 2012</u>	2
<u>Condensed Consolidated Statements of Operations (unaudited) Three and Six Months Ended June 30, 2013 and 2012</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited) Three and Six Months Ended June 30, 2013 and 2012</u>	4
<u>Condensed Consolidated Statements of Cash Flows (unaudited) Six Months Ended June 30, 2013 and 2012</u>	5
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	6
<u>Review Report of Independent Registered Public Accounting Firm</u>	17
Item 2.	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 3.	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	27
Item 4.	
<u>Controls and Procedures</u>	27
<b>Part II.</b>	
<b><u>Other Information</u></b>	
Item 1.	
<u>Legal Proceedings</u>	28
Item 1A.	
<u>Risk Factors</u>	28
Item 2.	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
Item 6.	
<u>Exhibits</u>	29
<u>Signatures</u>	30

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****LIFETIME BRANDS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share data)

(unaudited)

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,182	\$ 1,871
Accounts receivable, less allowances of \$3,718 at June 30, 2013 and \$3,996 at December 31, 2012	57,472	97,369
Inventory (Note A)	112,554	104,584
Prepaid expenses and other current assets	8,681	5,393
Deferred income taxes (Note G)	3,362	3,542
<b>TOTAL CURRENT ASSETS</b>	<b>183,251</b>	<b>212,759</b>
PROPERTY AND EQUIPMENT, net	29,791	31,646
INVESTMENTS (Note B)	43,238	43,685
INTANGIBLE ASSETS, net (Note C)	56,496	57,842
OTHER ASSETS	2,933	2,865
<b>TOTAL ASSETS</b>	<b>\$ 315,709</b>	<b>\$ 348,797</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Revolving Credit Facility (Note D)	\$ 7,000	\$ 7,000
Current maturity of Senior Secured Term Loan (Note D)	2,625	4,375
Accounts payable	24,528	18,555
Accrued expenses	25,845	33,354
Income taxes payable (Note G)		3,615
<b>TOTAL CURRENT LIABILITIES</b>	<b>59,998</b>	<b>66,899</b>
DEFERRED RENT & OTHER LONG-TERM LIABILITIES	19,366	21,565
DEFERRED INCOME TAXES (Note G)	3,606	3,510
REVOLVING CREDIT FACILITY (Note D)	34,915	53,968
SENIOR SECURED TERM LOAN (Note D)	28,875	30,625
<b>STOCKHOLDERS EQUITY</b>		
Preferred stock, \$.01 par value, shares authorized: 100 shares of Series A and 2,000,000 shares of Series B; none issued and outstanding		
Common stock, \$.01 par value, shares authorized: 25,000,000; shares issued and outstanding: 12,695,257 at June 30, 2013 and 12,754,467 at December 31, 2012	127	128
Paid-in capital	144,557	142,489
Retained earnings	28,621	33,849

Edgar Filing: LIFETIME BRANDS, INC - Form 10-Q

Accumulated other comprehensive loss (Note J)	(4,356)	(4,236)
TOTAL STOCKHOLDERS EQUITY	168,949	172,230
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 315,709</b>	<b>\$ 348,797</b>

See accompanying independent registered public accounting firm review report and notes to unaudited condensed consolidated financial statements.

-2-

**Table of Contents****LIFETIME BRANDS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)

(unaudited)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net sales	\$ 96,976	\$ 94,939	\$ 195,633	\$ 203,980
Cost of sales	60,620	59,565	122,965	128,146
Gross margin	36,356	35,374	72,668	75,834
Distribution expenses	10,129	9,663	20,925	21,407
Selling, general and administrative expenses	25,927	23,558	51,558	49,042
Restructuring expenses (Note A)	288		288	
Income (loss) from operations	12	2,153	(103)	5,385
Interest expense (Note D)	(1,149)	(1,675)	(2,311)	(3,373)
Loss on early retirement of debt		(348)		(348)
Income (loss) before income taxes and equity in earnings	(1,137)	130	(2,414)	1,664
Income tax benefit (provision) (Note G)	477	(94)	876	(682)
Equity in earnings, net of taxes (Note B)	92	523	338	921
<b>NET INCOME (LOSS)</b>	<b>\$ (568)</b>	<b>\$ 559</b>	<b>\$ (1,200)</b>	<b>\$ 1,903</b>
<b>BASIC INCOME (LOSS) PER COMMON SHARE (NOTE F)</b>	<b>\$ (0.04)</b>	<b>\$ 0.04</b>	<b>\$ (0.09)</b>	<b>\$ 0.15</b>
<b>DILUTED INCOME (LOSS) PER COMMON SHARE (NOTE F)</b>	<b>\$ (0.04)</b>	<b>\$ 0.04</b>	<b>\$ (0.09)</b>	<b>\$ 0.15</b>
Cash dividends declared per common share	\$ 0.03125	\$ 0.025	\$ 0.0625	\$ 0.075

See accompanying independent registered public accounting firm review report and notes to unaudited condensed consolidated financial statements.

**Table of Contents****LIFETIME BRANDS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(In thousands)

(unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net income (loss)	\$ (568)	\$ 559	\$ (1,200)	\$ 1,903
Other comprehensive income (loss), net of taxes:				
Translation adjustment	(1,515)	(1,874)	(390)	207
Derivative fair value adjustment	231		244	
Effect of retirement benefit obligations	13	(688)	26	(688)
Other comprehensive income (loss), net of taxes	(1,271)	(2,562)	(120)	(481)
Comprehensive income (loss)	\$ (1,839)	\$ (2,003)	\$ (1,320)	\$ 1,422

See accompanying independent registered public accounting firm review report and notes to unaudited condensed consolidated financial statements.

**Table of Contents****LIFETIME BRANDS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (1,200)	\$ 1,903
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for doubtful accounts	32	
Depreciation and amortization	5,190	4,469
Deferred rent	(459)	(252)
Deferred income taxes	180	
Stock compensation expense	1,393	1,452
Undistributed equity in earnings, net	234	(506)
Loss on early retirement of debt		348
Changes in operating assets and liabilities (excluding the effects of business acquisitions)		
Accounts receivable	39,877	21,343
Inventory	(7,970)	(10,755)
Prepaid expenses, other current assets and other assets	(3,246)	433
Accounts payable, accrued expenses and other liabilities	(3,112)	(8,846)
Income taxes payable	(3,615)	(2,603)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>27,304</b>	<b>6,986</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(1,992)	(2,030)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,992)</b>	<b>(2,030)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds (repayments) of Revolving Credit Facility	(19,053)	5,751
Repayments of Senior Secured Term Loan	(3,500)	
Repayments of Term Loan		(10,000)
Payments for common stock repurchases	(3,229)	
Proceeds from exercise of stock options	676	213
Cash dividends paid (Note J)	(720)	(622)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(25,826)</b>	<b>(4,658)</b>
Effect of foreign exchange on cash	(175)	(491)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(689)</b>	<b>(193)</b>
Cash and cash equivalents at beginning of period	1,871	2,972
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 1,182</b>	<b>\$ 2,779</b>



Edgar Filing: LIFETIME BRANDS, INC - Form 10-Q

See accompanying independent registered public accounting firm review report and notes to unaudited condensed consolidated financial statements.

-5-

---

**Table of Contents**

**LIFETIME BRANDS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2013**

(unaudited)

**NOTE A BASIS OF PRESENTATION AND SUMMARY ACCOUNTING POLICIES**

**Organization and business**

Lifetime Brands, Inc. (the Company) designs, sources and sells branded kitchenware, tabletop and other products used in the home and markets its products under a number of brand names and trademarks, which are either owned or licensed by the Company or through retailers' private labels. The Company markets and sells its products principally on a wholesale basis to retailers. The Company also markets and sells a limited selection of its products directly to consumers through its Pfaltzgraff®, Mikasa®, Housewares Deals® and Lifetime Sterling® Internet websites.

**Basis of presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation, have been included. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. Operating results for the three and six month periods ended June 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

The Company's business and working capital needs are highly seasonal, with a majority of sales occurring in the third and fourth quarters. In 2012 and 2011, net sales for the third and fourth quarters accounted for 58% and 59% of total annual net sales, respectively. In anticipation of the pre-holiday shipping season, inventory levels increase primarily in the June through October time period.

**Revenue recognition**

The Company sells products wholesale, to retailers and distributors, and retail, directly to consumers. Wholesale sales and retail sales are recognized when title passes to the customer, which is primarily at the shipping point for wholesale sales and upon delivery to the customer for retail sales. Shipping and handling fees that are billed to customers in sales transactions are included in net sales and amounted to \$360,000 and \$234,000 for the three months ended June 30, 2013 and 2012, respectively, and \$809,000 and \$587,000 for the six months ended June 30, 2013 and 2012, respectively. Net sales exclude taxes that are collected from customers and remitted to the taxing authorities.

The Company offers various sales incentives and promotional programs to its customers from time to time in the normal course of business. These incentives and promotions typically include arrangements such as cooperative advertising, buydowns, volume rebates and discounts. These arrangements and an estimate of sales returns are reflected as reductions in net sales in the Company's condensed consolidated statements of operations.

**Cost of sales**

Cost of sales consist primarily of costs associated with the production and procurement of product, inbound freight costs, purchasing costs, royalties and other product procurement related charges.

**Distribution expenses**

Distribution expenses consist primarily of warehousing expenses and freight-out expenses.



**Table of Contents****LIFETIME BRANDS, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2013**

(unaudited)

**NOTE A BASIS OF PRESENTATION AND SUMMARY ACCOUNTING POLICIES (continued)****Inventory**

Inventory consists principally of finished goods sourced from third-party suppliers. Inventory also includes finished goods, work in process and raw materials related to the Company's manufacture of sterling silver products. Inventory is priced using the lower of cost (first-in, first-out basis) or market method. The Company estimates the selling price of its inventory on a product by product basis based on the current selling environment. If the estimated selling price is lower than the inventory's cost, the Company reduces the value of the inventory to its net realizable value.

The components of inventory are as follows:

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
	(in thousands)	
Finished goods	\$ 107,354	\$ 101,021
Work in process	2,550	2,046
Raw materials	2,650	1,517
Total	\$ 112,554	\$ 104,584

**Fair value of financial instruments**

The Company determined the carrying amounts of cash and cash equivalents, accounts receivable and accounts payable are reasonable estimates of their fair values because of their short-term nature. The Company determined that the carrying amounts of borrowings outstanding under its revolving credit facility and senior secured term loan approximate fair value since such borrowings bear interest at variable market rates.

**Derivatives**

The Company accounts for derivative instruments in accordance with ASC Topic No. 815, Derivatives and Hedging. ASC Topic No. 815 requires that all derivative instruments be recognized on the balance sheet at fair value as either an asset or liability. Changes in the fair value of derivatives that qualify as hedges and have been designated as part of a hedging relationship for accounting purposes have no net impact on earnings to the extent the derivative is considered highly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, until the hedged item is recognized in earnings. If the derivative which is designated as part of a hedging relationship is considered ineffective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, the changes in fair value are recorded in operations. For derivatives that do not qualify or are not designated as hedging instruments for accounting purposes, changes in fair value are recorded in operations.

The Company is a party to an interest rate swap agreement with a notional amount of \$31.5 million to manage interest rate exposure in connection with its variable interest rate borrowings. The hedge period in the agreement commenced in March 2013 and expires in June 2018 and the notional amount amortizes over this period. The interest rate swap agreement was designated as a cash flow hedge under ASC Topic

## Edgar Filing: LIFETIME BRANDS, INC - Form 10-Q

No. 815. The effective portion of the fair value gain or loss on this agreement is recorded as a component of accumulated other comprehensive loss. The effect of recording this derivative at fair value resulted in an unrealized gain of \$231,000, net of taxes, for the three months ended June 30, 2013 and \$244,000, net of taxes, for the six months ended June 30, 2013. No amounts recorded in accumulated other comprehensive loss are expected to be reclassified to interest expense in the next twelve months.

-7-

**Table of Contents**

**LIFETIME BRANDS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2013**

(unaudited)

**NOTE A BASIS OF PRESENTATION AND SUMMARY ACCOUNTING POLICIES (continued)**

The fair value of the derivative has been obtained from the counterparty to the agreement and was based on Level 2 observable inputs using proprietary models and estimates about relevant future market conditions. The aggregate fair value of the Company's derivative instruments was a liability of \$47,000 at June 30, 2013 and is included in accrued expenses and other long-term liabilities.

**Employee Healthcare**

The Company self-insures certain portions of its health insurance plan. The Company maintains an accrual for unpaid claims and estimated claims incurred but not yet reported ( IBNR ). Although management believes that it uses the best information available to estimate IBNR, actual claims may vary significantly from estimated claims.

**Restructuring Expenses**

Costs associated with restructuring activities are recorded at fair value when a liability has been incurred. A liability has been incurred at the point of closure for any remaining operating lease obligations and at the communication date for severance.

In April 2013, the Company commenced a plan to close the Fred® & Friends distribution center and eliminate certain employee positions in conjunction with the closure. The Company recorded \$0.3 million of restructuring expenses during the three and six months ended June 30, 2013 related to the execution of this plan.

**Adoption of New Accounting Pronouncements**

Effective January 1, 2013, the Company adopted ASU No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, which requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income (e.g., net periodic pension benefit cost), an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. In connection with the adoption of this standard, the Company added additional disclosure about the Company's accumulated other comprehensive income to Note J of its financial statements.

**Table of Contents****LIFETIME BRANDS, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2013**

(unaudited)

**NOTE B INVESTMENTS**

The Company owns approximately a 30% interest in Grupo Vasconia S.A.B. ( Vasconia ), an integrated manufacturer of aluminum products and one of Mexico's largest housewares companies. Shares of Vasconia's capital stock are traded on the Bolsa Mexicana de Valores, the Mexican Stock Exchange (www.bmv.com.mx). The Quotation Key is VASCONI. The Company accounts for its investment in Vasconia using the equity method of accounting and records its proportionate share of Vasconia's net income in the Company's statement of operations. Accordingly, the Company has recorded its proportionate share of Vasconia's net income (reduced for amortization expense related to the customer relationships acquired) for the three and six month periods ended June 30, 2013 and 2012 in the accompanying condensed consolidated statements of operations. The value of the Company's investment balance has been translated from Mexican Pesos ( MXN ) to U.S. Dollars ( USD ) using the spot rate of MXN 13.00 and MXN 12.97 at June 30, 2013 and December 31, 2012, respectively. The Company's proportionate share of Vasconia's net income has been translated from MXN to USD using the average exchange rate of MXN 12.46 and MXN 13.51 during the three months ended June 30, 2013 and 2012, respectively, and 12.57 to 12.79 and 13.24 to 13.29 during the six months ended June 30, 2013 and 2012, respectively. The effect of the translation of the Company's investment resulted in a decrease to the investment of \$0.1 million during the six months ended June 30, 2013 and an increase to the investment of \$0.2 million during the six months ended June 30, 2012 (also see Note J). These translation effects are recorded in accumulated other comprehensive loss. Included in prepaid expenses and other current assets at June 30, 2013 and December 31, 2012 are amounts due from Vasconia of \$63,000 and \$71,000, respectively. During the three months ended June 30, 2013, the Company received a cash dividend of \$571,000 from Vasconia related to its 2012 earnings, which was accounted for as a reduction of the carrying value of the investment.

Summarized statement of income information for Vasconia in USD and MXN is as follows:

	<b>Three Months Ended June 30,</b>			
	<b>2013</b>		<b>2012</b>	
	USD	MXN	USD	MXN
	(in thousands)			
Net Sales	\$ 38,572	\$ 480,602	\$ 40,195	\$ 543,184
Gross Profit	5,953	74,175	8,664	117,081
Income (loss) from operations	(587)	(7,310)	3,144	42,481
Net Income	1,421	17,708	2,252	30,426

	<b>Six Months Ended June 30,</b>			
	<b>2013</b>		<b>2012</b>	
	USD	MXN	USD	MXN
	(in thousands)			
Net Sales	\$ 78,811	\$ 991,481	\$ 68,882	\$ 915,673
Gross Profit	13,870	174,694	16,832	223,145
Income from operations	1,553	19,859	6,465	85,615
Net Income	2,647	33,276	4,216	55,937

The Company recorded equity in earnings of Vasconia, net of taxes, of \$0.4 million and \$0.6 million for the three months ended June 30, 2013 and 2012, respectively, and \$0.6 million and \$1.1 million for the six months ended June 30, 2013 and 2012, respectively.





**Table of Contents****LIFETIME BRANDS, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2013**

(unaudited)

**NOTE B INVESTMENTS (continued)**

The Company has a 40% equity interest in GS Internacional S/A ( GSI ), a leading wholesale distributor of branded housewares products in Brazil, which the Company acquired in December 2011. The Company recorded equity in losses of GSI of \$243,000 and \$39,000, net of taxes, for the three months ended June 30, 2013 and 2012, respectively, and \$266,000 and \$172,000, net of taxes, for the six months ended June 30, 2013 and 2012, respectively.

**NOTE C INTANGIBLE ASSETS**

Intangible assets consist of the following (in thousands):

	<b>June 30, 2013</b>			<b>December 31, 2012</b>		
	<b>Gross</b>	<b>Accumulated Amortization</b>	<b>Net</b>	<b>Gross</b>	<b>Accumulated Amortization</b>	<b>Net</b>
<b>Goodwill</b>	\$ 5,085		\$ 5,085	\$ 5,085		\$ 5,085
<b>Indefinite-lived intangible assets:</b>						
Trade names	18,364		18,364	18,364		18,364
<b>Finite-lived intangible assets:</b>						
Licenses	15,847	(7,324)	8,523	15,847	(7,096)	8,751
Trade names	10,056	(2,237)	7,819	10,056	(1,800)	8,256
Customer relationships	18,406	(2,073)	16,333	18,406	(1,409)	16,997
Patents	584	(212)	372	584	(195)	389
<b>Total</b>	<b>\$ 68,342</b>	<b>\$ (11,846)</b>	<b>\$ 56,496</b>	<b>\$ 68,342</b>	<b>\$ (10,500)</b>	<b>\$ 57,842</b>

**NOTE D DEBT***Revolving Credit Facility*

The Company has a \$175.0 million secured credit agreement (the Revolving Credit Facility ), maturing on July 27, 2017, with a bank group led by JPMorgan Chase Bank, N.A.

Borrowings under the Revolving Credit Facility bear interest, at the Company's option, at one of the following rates: (i) the Alternate Base Rate, defined as the greater of the Prime Rate, Federal Funds Rate plus 0.5% or the Adjusted LIBO Rate plus 1.0%, plus a margin of 1.0% to 1.75%, or (ii) the Eurodollar Rate, defined as the Adjusted LIBO Rate plus a margin of 2.0% to 2.75%. The respective margins are based upon availability. Interest rates on outstanding borrowings at June 30, 2013 ranged from 2.50% to 4.50%. In addition, the Company pays a commitment fee of 0.375% to 0.50% on the unused portion of the Revolving Credit Facility.

At June 30, 2013, borrowings outstanding under the Revolving Credit Facility were \$41.9 million and open letters of credit were \$1.1 million. Availability under the Revolving Credit Facility was approximately \$81.9 million, or 46.8% of the total loan commitment at June 30, 2013.

## Edgar Filing: LIFETIME BRANDS, INC - Form 10-Q

The Company classifies a portion of the Revolving Credit Facility as a current liability if the Company's intent and ability is to repay the loan from cash flows from operations which are expected to occur within the next 12 months. Repayments and borrowings under the facility can vary significantly from planned levels based on cash flow needs and general economic conditions. The Company expects that it will continue to borrow and repay funds, subject to availability, under the facility based on working capital and other corporate needs.

-10-

**Table of Contents****LIFETIME BRANDS, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2013**

(unaudited)

**NOTE D DEBT (continued)***Senior Secured Term Loan*

The Company has a second lien credit agreement (the Senior Secured Term Loan), which matures on July 27, 2018, with JPMorgan Chase Bank, N.A. At June 30, 2013, the Senior Secured Term Loan balance was \$31.5 million.

The Senior Secured Term Loan bears interest, at the Company's option, at the Alternate Base Rate (as defined) plus 4.00%, or the Adjusted LIBOR Rate (as defined) plus 5.00%. The Company is a party to an interest rate swap agreement with a notional amount of \$31.5 million to manage interest rate exposure in connection with its variable interest rate borrowings. The hedge period in the agreement commenced in March 2013 and expires in June 2018, and the notional amount amortizes over this period. The hedge provides for a fixed payment of interest at an annual rate of 1.05% in exchange for the Adjusted LIBOR Rate. In March 2013, based on the interest rate swap agreement, the Company commenced the payment of interest at a fixed annual rate of 6.05%.

The Senior Secured Term Loan provides that for any four consecutive fiscal quarters, (x) if EBITDA (as defined) is less than \$34.0 million but equal to or greater than \$30.0 million, the ratio of Indebtedness (as defined) to EBITDA shall not exceed 3.0 to 1.0 and (y) EBITDA shall not be less than \$30.0 million. Capital expenditures are limited and for the year ended December 31, 2013, such limit is \$9.0 million.

The Revolving Credit Facility and Senior Secured Term Loan provide for other customary restrictions and events of default. Restrictions include limitations on additional indebtedness, acquisitions, investments and payment of dividends, among others. The Company was in compliance with the financial covenants of the Senior Secured Term Loan and Revolving Credit Facility at June 30, 2013.

**NOTE E STOCK COMPENSATION**

A summary of the Company's stock option activity and related information for the six months ended June 30, 2013 is as follows:

	Options	Weighted-average exercise price	Weighted-average remaining contractual life (years)	Aggregate intrinsic value
<b>Options outstanding, January 1, 2013</b>	2,528,177	\$ 13.06		
Grants	390,800	12.26		
Exercises	(165,677)	4.08		
Cancellations	(45,000)	19.37		
Expirations	(231,500)	22.46		
<b>Options outstanding, June 30, 2013</b>	2,476,800	12.54	6.71	\$ 7,203,758
<b>Options exercisable, June 30, 2013</b>	1,566,750	12.84	5.83	\$ 5,793,539

## Edgar Filing: LIFETIME BRANDS, INC - Form 10-Q

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that would have been received by the option holders had all option holders exercised their stock options on June 30, 2013. The intrinsic value is calculated for each in-the-money stock option as the difference between the closing price of the Company's common stock on June 28, 2013 and the exercise price.

The total intrinsic value of stock options exercised for the six months ended June 30, 2013 and 2012 was \$1.4 million and \$0.7 million, respectively. The intrinsic value of a stock option that is exercised is calculated at the date of exercise.

**Table of Contents****LIFETIME BRANDS, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2013**

(unaudited)

**NOTE E STOCK COMPENSATION (continued)**

The Company recognized stock option compensation expense of \$722,000 and \$754,000 for the three months ended June 30, 2013 and 2012, respectively, and \$1.4 million and \$1.5 million for the six months ended June 30, 2013 and 2012, respectively.

Total unrecognized stock option compensation expense at June 30, 2013, before the effect of income taxes, was \$5.2 million and is expected to be recognized over a weighted-average period of 2.65 years.

During the three months ended June 30, 2013, the Company granted an aggregate of 20,688 shares of restricted stock to its independent directors as part of their annual retainer that vest 100% one year from the date of grant. The restricted stock had a fair value of \$270,000 at the grant date that will be recognized in stock compensation expense over the one year vesting period. Total unrecognized restricted stock compensation expense at June 30, 2013 was \$248,000 and is expected to be recognized over a weighted-average period of 0.92 years.

At June 30, 2013, there were 642,532 shares available for awards that could be granted under the company's 2000 Long-Term Incentive Plan.

**NOTE F INCOME (LOSS) PER COMMON SHARE**

Basic income (loss) per common share has been computed by dividing net income (loss) by the weighted-average number of shares of the Company's common stock outstanding. Diluted income (loss) per common share adjusts net income (loss) and basic income (loss) per common share for the effect of all potentially dilutive shares of the Company's common stock. The calculations of basic and diluted income (loss) per common share for the three and six month periods ended June 30, 2013 and 2012 are as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	(in thousands, except per share amounts)			
<b>Net income (loss) basic and diluted</b>	\$ (568)	\$ 559	(1,200)	\$ 1,903
<b>Weighted-average shares outstanding basic</b>	12,808	12,469	12,784	12,450
Effect of dilutive securities:				
Stock options		308		321
<b>Weighted-average shares outstanding diluted</b>	12,808	12,777	12,784	12,771
<b>Basic income (loss) per common share</b>	\$ (0.04)	\$ 0.04	\$ (0.09)	\$ 0.15
<b>Diluted income (loss) per common share</b>	\$ (0.04)	\$ 0.04	\$ (0.09)	\$ 0.15

The computation of diluted income (loss) per common share for the three months ended June 30, 2013 and 2012 excludes options to purchase 2,476,800 shares and options to purchase 1,638,250 shares, respectively. The computation of diluted income (loss) per common share for the six months ended June 30, 2013 and 2012 excludes options to purchase 2,497,790 shares and options to purchase 1,413,525 shares, respectively.

The above shares were excluded due to their antidilutive effects.

**Table of Contents**

**LIFETIME BRANDS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2013**

(unaudited)

**NOTE G INCOME TAXES**

The Company has generated various state net operating loss carryforwards of which \$18.7 million remains at June 30, 2013 that begin to expire in 2014. The Company has net operating losses in foreign jurisdictions of \$2.1 million at June 30, 2013 that begin to expire in 2016. The valuation allowance of \$1.2 million which exists as of June 30, 2013 relates to certain state net operating losses.

The estimated value of the Company's uncertain tax positions at June 30, 2013 is a gross liability of \$204,000. If the Company's tax positions are sustained by the taxing authorities in favor of the Company, the Company's net liability would be reduced by \$204,000, all of which would benefit the Company's tax provision. On a quarterly basis, the Company evaluates its tax positions and revises its estimates accordingly. The Company believes that \$204,000 of its tax positions will be resolved within the next twelve months.

The Company has identified the following jurisdictions as major tax jurisdictions: U.S. Federal, California, Massachusetts, New York, New Jersey and the United Kingdom. The Company is no longer subject to U.S. Federal income tax examinations for the years prior to 2009. At June 30, 2013, the periods subject to examination for the Company's major state jurisdictions are the years ended 2008 through 2012.

The Company's policy for recording interest and penalties is to record such items as a component of income taxes. Interest and penalties were not material to the Company's financial position, results of operations or cash flows as of and for the three and six months ended June 30, 2013 and 2012.

**NOTE H BUSINESS SEGMENTS**

The Company operates in two reportable business segments: the Wholesale segment, the Company's primary business segment, in which the Company designs, markets and distributes products to retailers and distributors, and the Retail Direct segment, in which the Company markets and sells a limited selection of its products directly to consumers through its Pfaltzgraff®, Mikasa®, Housewares Deals® and Lifetime Sterling® Internet websites. The operating results of Fred® & Friends since December 20, 2012, the date of the acquisition, are included in the Wholesale segment.

The Company has segmented its operations to reflect the manner in which management reviews and evaluates the results of its operations. While both segments distribute similar products, the segments have been distinct due to the different methods the Company uses to sell, market and distribute the products. Management evaluates the performance of the Wholesale and Retail Direct segments based on net sales and income (loss) from operations. Such measures give recognition to specifically identifiable operating costs such as cost of sales, distribution expenses and selling, general and administrative expenses. Certain general and administrative expenses, such as senior executive salaries and benefits, stock compensation, director fees and accounting, legal and consulting fees, are not allocated to the specific segments and are reflected as unallocated corporate expenses.

**Table of Contents****LIFETIME BRANDS, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2013**

(unaudited)

**NOTE H BUSINESS SEGMENTS (continued)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	(in thousands)			
<b>Net sales</b>				
Wholesale	\$ 93,269	\$ 91,161	\$ 186,387	\$ 194,500
Retail Direct	3,707	3,778	9,246	9,480
Total net sales	\$ 96,976	\$ 94,939	\$ 195,633	\$ 203,980
<b>Income (loss) from operations</b>				
Wholesale	\$ 3,420	\$ 5,377	\$ 5,979	\$ 11,538
Retail Direct	(276)	(278)	(266)	(286)
Unallocated corporate expenses	(3,132)	(2,946)	(5,816)	(5,867)
Total income (loss) from operations	\$ 12	\$ 2,153	\$ (103)	\$ 5,385
<b>Depreciation and amortization</b>				
Wholesale	\$ (2,601)	\$ (2,202)	\$ (5,059)	\$ (4,352)
Retail Direct	(66)	(60)	(131)	(117)
Total depreciation and amortization	\$ (2,667)	\$ (2,262)	\$ (5,190)	\$ (4,469)

**NOTE I CONTINGENCIES**

Wallace Silversmiths de Puerto Rico, Ltd. ( Wallace de Puerto Rico ), a wholly-owned subsidiary of the Company, operates a manufacturing facility in San Germán, Puerto Rico that is leased from the Puerto Rico Industrial Development Company ( PRIDCO ). In March 2008, the United States Environmental Protection Agency (the EPA ) announced that the San Germán Ground Water Contamination site in Puerto Rico (the Site ) had been added to the Superfund National Priorities List due to contamination present in the local drinking water supply.

In May 2008, Wallace de Puerto Rico received from the EPA a Notice of Potential Liability and Request for Information Pursuant to 42 U.S.C. Sections 9607(a) and 9604(e) of the Comprehensive Environmental Response, Compensation, Liability Act. The Company responded to the EPA s Request for Information on behalf of Wallace de Puerto Rico. In July 2011, Wallace de Puerto Rico received a letter from the EPA requesting access to the property that it leases from PRIDCO, and the Company granted such access. In February 2013, the EPA requested access to conduct further environmental investigation at the property during September 2013.

The Company is not aware of any determination by the EPA that any remedial action is required for the Site, and, accordingly, is not able to estimate the extent of any possible liability.

The Company is, from time to time, involved in other legal proceedings. The Company believes that other current litigation is routine in nature and incidental to the conduct of the Company s business and that none of this litigation, individually or collectively, would have a material



adverse effect on the Company's consolidated financial position, results of operations or cash flows.

**Table of Contents****LIFETIME BRANDS, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2013**

(unaudited)

**NOTE J OTHER****Cash dividends**

Dividends declared in the six months ended June 30, 2013 are as follows:

<b>Dividend per share</b>	<b>Date declared</b>	<b>Date of record</b>	<b>Payment date</b>
\$ 0.03125	March 12, 2013	May 1, 2013	May 15, 2013
\$ 0.03125	June 13, 2013	August 1, 2013	August 15, 2013

On February 15, 2013 and May 15, 2013, the Company paid cash dividends of \$319,000 and \$401,000, respectively, which reduced retained earnings. In the three months ended June 30, 2013, the Company reduced retained earnings for the accrual of \$397,000 relating to the dividend payable on August 15, 2013.

On August 2, 2013, the Board of Directors declared a quarterly dividend of \$0.03125 per share payable on November 15, 2013 to shareholders of record on November 1, 2013.

Dividends declared in the six months ended June 30, 2012 are as follows:

<b>Dividend per share</b>	<b>Date declared</b>	<b>Date of record</b>	<b>Payment date</b>
\$ 0.025	January 11, 2012	February 1, 2012	February 15, 2012
\$ 0.025	March 6, 2012	May 1, 2012	May 15, 2012
\$ 0.025	June 13, 2012	August 1, 2012	August 15, 2012

**Stock repurchase program**

On April 30, 2013, Lifetime's Board of Directors authorized the repurchase of up to \$10.0 million of the Company's common stock. The repurchase authorization permits the Company to effect the repurchases from time to time through open market purchases and privately negotiated transactions. During the three months ended June 30, 2013, the Company repurchased 245,575 shares under the April 2013 authorization for a total cost of \$3.2 million and thereafter retired the shares.

**Supplemental cash flow information**

	<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in thousands)</b>	
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 1,842	\$ 3,033

Edgar Filing: LIFETIME BRANDS, INC - Form 10-Q

Cash paid for taxes	4,891	3,117
<b>Non-cash investing activities:</b>		
Translation adjustment	\$ 390	\$ (207)

-15-

**Table of Contents****LIFETIME BRANDS, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2013**

(unaudited)

**NOTE J OTHER (continued)****Components of accumulated other comprehensive loss, net**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	(in thousands)			
<i>Accumulated translation adjustment:</i>				
Balance at beginning of period	\$ (1,679)	\$ (3,800)	\$ (2,804)	\$ (5,881)
Translation gain (loss) during period	(1,515)	(1,874)	(390)	207
Balance at end of period	\$ (3,194)	\$ (5,674)	\$ (3,194)	\$ (5,674)
<i>Accumulated deferred losses on cash flow hedges:</i>				
Balance at beginning of period	\$ (259)	\$	\$ (272)	\$
Derivative fair value adjustment, net of taxes of \$154 and \$163 for the three and six months ended June 30, 2013, respectively	231		244	
Balance at end of period	\$ (28)	\$	\$ (28)	\$
<i>Accumulated effect of retirement benefit obligations:</i>				
Balance at beginning of period	\$ (1,147)	\$	\$ (1,160)	\$
Net loss arising from retirement benefit obligations, net of taxes of \$483 for the three and six months ended June 30, 2012		(702)		(702)
Amounts reclassified from accumulated other comprehensive loss:				
Amortization of actuarial losses, net of taxes of \$9 for the three months ended June 30, 2013 and 2012 and \$18 and \$9 for the six months ended June 30, 2013 and 2012, respectively	13	14	26	14
Balance at end of period	\$ (1,134)	\$ (688)	\$ (1,134)	\$ (688)
<b>Total accumulated other comprehensive loss at end of period</b>	<b>\$ (4,356)</b>	<b>\$ (6,362)</b>	<b>\$ (4,356)</b>	<b>\$ (6,362)</b>

**Reclassifications out of accumulated other comprehensive loss**

	<b>Statement of Operations</b>	
	<b>Three Months Ended June 30,</b>	<b>Six Months Ended June 30,</b>
	<b>line item</b>	

Edgar Filing: LIFETIME BRANDS, INC - Form 10-Q

	2013	2012	2013	2012	
	(in thousands)				
<b>Effect of retirement benefit obligations:</b>					
Actuarial losses before taxes	\$ 22	\$ 23	\$ 44	\$ 23	
Tax benefit	(9)	(9)	(18)	(9)	
Actuarial losses net of taxes	\$ 13	\$ 14	\$ 26	\$ 14	Selling, general and administrative expenses

**Table of Contents**

**Review Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of Lifetime Brands, Inc:

We have reviewed the condensed consolidated balance sheet of Lifetime Brands, Inc. and Subsidiaries (the Company) as of June 30, 2013, and the related condensed consolidated statements of operations and comprehensive income for the three-month and six-month periods ended June 30, 2013 and 2012 and the condensed consolidated statements of cash flows for the six-month periods ended June 30, 2013 and 2012. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with US generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2012 and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for the year then ended (not presented herein) and we expressed an unqualified opinion on those consolidated financial statements in our report dated March 15, 2013. The consolidated balance sheet of Grupo Vasconia, S.A.B. and Subsidiaries (a corporation in which the Company has a 30% interest) as of December 31, 2012 and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein) were audited by other auditors whose report dated February 28, 2013 expressed an unqualified opinion on those statements, and our opinion, insofar as it relates to the amounts included for Grupo Vasconia, S.A.B and Subsidiaries, is based solely on the report of the other auditors. In the consolidated financial statements, the Company's investment in Grupo Vasconia, S.A.B. and Subsidiaries is stated at \$36.4 million at December 31, 2012 and the Company's equity in the net income of Grupo Vasconia, S.A.B. and Subsidiaries is stated at \$6.9 million for the year then ended. In our opinion, the accompanying condensed consolidated balance sheet of Lifetime Brands, Inc. and Subsidiaries as of December 31, 2012, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ ERNST & YOUNG LLP

Jericho, New York

August 8, 2013

**Table of Contents**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This Quarterly Report on Form 10-Q contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include information concerning Lifetime Brands, Inc. and its subsidiaries (the Company's) plans, objectives, goals, strategies, future events, future revenues, performance, capital expenditures, financing needs and other information that is not historical information. Many of these statements appear, in particular, in *Management's Discussion and Analysis of Financial Condition and Results of Operations*. When used in this Quarterly Report on Form 10-Q, the words estimates, expects, anticipates, projects, plans, intends, and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, the Company's examination of historical operating trends, are based upon the Company's current expectations and various assumptions. The Company believes there is a reasonable basis for its expectations and assumptions, but there can be no assurance that the Company will realize its expectations or that the Company's assumptions will prove correct.

There are a number of risks and uncertainties that could cause the Company's actual results to differ materially from the forward-looking statements contained in this Quarterly Report. Important factors that could cause the Company's actual results to differ materially from those expressed as forward-looking statements are set forth in the Company's 2012 Annual Report on Form 10-K in Part I, Item 1A under the heading *Risk Factors*. Such risks, uncertainties and other important factors include, among others, risks related to:

General economic factors and political conditions, including risks related to recent acquisitions and investments;

Liquidity;

Interest;

Competition;

Customers;

Supply chain;

Intellectual property;

Regulatory matters;

Technology;

Personnel; and

Business interruptions.

There may be other factors that may cause the Company's actual results to differ materially from the forward-looking statements. Except as may be required by law, the Company undertakes no obligation to publicly update or revise forward-looking statements which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.





---

## **Table of Contents**

### **ABOUT THE COMPANY**

The Company designs, sources and sells branded kitchenware, tabletop and other products used in the home. The Company's product categories include two categories of products that people use to prepare, serve and consume foods, Kitchenware (kitchen tools and gadgets, cutlery, cutting boards, cookware, bakeware and novelty housewares) and Tabletop (dinnerware, flatware and glassware); and one category, Home Solutions, which comprises other products used in the home (food storage, pantryware, spices and home décor). In 2012, Kitchenware products and Tabletop products accounted for approximately 80% of the Company's wholesale net sales and 76% of its consolidated net sales.

The Company markets several product lines within each of its product categories and under most of the Company's brands, primarily targeting moderate to premium price points through every major level of trade. The Company believes it possesses certain competitive advantages based on its brands, its emphasis on innovation and new product development and its sourcing capabilities. The Company owns or licenses a number of the leading brands in its industry including Farberware®, KitchenAid®, Mikasa®, Pfaltzgraff®, Fred®, Towle®, Kamenstein®, Melancco®, Elements® and V&A®. Historically, the Company's sales growth has come from expanding product offerings within its product categories, by developing existing brands, acquiring new brands and establishing new product categories. Key factors in the Company's growth strategy have been the selective use and management of the Company's brands and the Company's ability to provide a stream of new products and designs. A significant element of this strategy is the Company's in-house design and development teams that create new products, packaging and merchandising concepts.

### **BUSINESS SEGMENTS**

The Company operates in two reportable business segments: the Wholesale segment, which is the Company's primary business that designs, markets and distributes its products to retailers and distributors, and the Retail Direct segment, in which the Company markets and sells a limited selection of its products to consumers through its Pfaltzgraff®, Mikasa®, Housewares Deals® and Lifetime Sterling® Internet websites. The operating results of Fred® & Friends are included in the Wholesale segment from December 20, 2012, the date it was acquired by the Company.

### **EQUITY INVESTMENTS**

The Company owns approximately 30% of the outstanding capital stock of Grupo Vasconia, S.A.B. ( Vasconia ), an integrated manufacturer of aluminum products and one of Mexico's largest housewares companies. Shares of Vasconia's capital stock are traded on the Bolsa Mexicana de Valores, the Mexican Stock Exchange ([www.bmv.com.mx](http://www.bmv.com.mx)). The Quotation Key is VASCONI.

The Company accounts for its investment in Vasconia using the equity method of accounting and has recorded its proportionate share of Vasconia's net income, net of taxes, as equity in earnings in the Company's consolidated statements of operations. Pursuant to a Shares Subscription Agreement (the Agreement ), the Company may designate four persons to be nominated as members of Vasconia's Board of Directors. As of June 30, 2013, Vasconia's Board of Directors is comprised of ten members of which the Company has designated three members.

The Company owns approximately 40% of the outstanding capital stock of GS Internacional S/A ( GSI ). GSI is a leading wholesale distributor of branded housewares products in Brazil. The Company accounts for its investment in GSI using the equity method of accounting and has recorded its proportionate share of GSI's net income, net of taxes, as equity in earnings in the Company's consolidated statements of operations. Pursuant to a Shareholders' Agreement, the Company has the right to designate three persons (including one independent person, as defined) to be nominated as members of GSI's Board of Directors which shall be comprised of a maximum of seven members. As of June 30, 2013, GSI's Board of Directors is comprised of six members (including two independent members) of which the Company has designated three members (including one of the two independent members).

**Table of Contents****SEASONALITY**

The Company's business and working capital needs are highly seasonal, with a majority of sales occurring in the third and fourth quarters. In 2012 and 2011 net sales for the third and fourth quarters accounted for 58% and 59% of total annual net sales, respectively. In anticipation of the pre-holiday shipping season, inventory levels increase primarily in the June through October time period.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

There have been no material changes to the Company's critical accounting policies and estimates discussed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

**RESULTS OF OPERATIONS**

The following table sets forth statements of operations data of the Company as a percentage of net sales for the periods indicated:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	62.5	62.7	62.9	62.8
Gross margin	37.5	37.3	37.1	37.2
Distribution expenses	10.4	10.2	10.7	10.5
Selling, general and administrative expenses	26.8	24.9	26.3	24.1
Restructuring expenses	0.3	0.0	0.1	0.0
Income (loss) from operations	0.0	2.2	0.0	2.6
Interest expense	(1.2)	(2.1)	(1.2)	(1.8)
Income (loss) before income taxes and equity in earnings	(1.2)	0.1	(1.2)	0.8
Income tax benefit (provision)	0.5	(0.1)	0.4	(0.3)
Equity in earnings, net of taxes	0.1	0.6	0.2	0.4
Net income (loss)	(0.6)%	0.6%	(0.6)%	0.9%

---

**Table of Contents**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**THREE MONTHS ENDED JUNE 30, 2013 AS COMPARED TO THE THREE MONTHS ENDED**

**JUNE 30, 2012**

**Net Sales**

Net sales for the three months ended June 30, 2013 were \$97.0 million, an increase of \$2.1 million, or 2.2%, as compared to net sales of \$94.9 million for the corresponding period in 2012.

Net sales for the Wholesale segment for the three months ended June 30, 2013 were \$93.3 million, an increase of \$2.2 million, or 2.4%, as compared to net sales of \$91.1 million for the corresponding period in 2012. Net sales for the Company's Kitchenware product category were \$55.5 million for the three months ended June 30, 2013, an increase of \$7.5 million, or 15.6%, as compared to \$48.0 million for the corresponding period in 2012. Net sales for the Company's Kitchenware product category included \$3.9 million of net sales for the three months ended June 30, 2013 from Fred® & Friends, which was acquired by the Company in December 2012. The increase in the Company's Kitchenware product category was primarily attributable to successful new cutlery programs during the 2013 period. Net sales for the Company's Tabletop product category were \$28.4 million for the three months ended June 30, 2013, a decrease of \$5.3 million, or 15.7%, as compared to \$33.7 million for the corresponding period in 2012. The Tabletop product category sales decrease was partially attributable to the impact of the introduction of new dinnerware and flatware programs in 2012 as compared to recurring product revenues without a new major program introduction in 2013. Net sales for the Company's Home Solutions product category were \$9.4 million for the three months ended June 30, 2013 and 2012.

Net sales for the Retail Direct segment for the three months ended June 30, 2013 were \$3.7 million, a decrease of \$0.1 million, or 2.6%, as compared to \$3.8 million for the corresponding period in 2012.

**Gross margin**

Gross margin for the three months ended June 30, 2013 was \$36.4 million, or 37.5%, as compared to \$35.4 million, or 37.3%, for the corresponding period in 2012.

Gross margin for the Wholesale segment was 36.1% for the three months ended June 30, 2013 as compared to 36.0% for the corresponding period in 2012. The increase in gross margin primarily reflects the inclusion of Fred® & Friends which was acquired in December 2012.

Gross margin for the Retail Direct segment was 71.5% for the three months ended June 30, 2013 as compared to 68.8% for the corresponding period in 2012. Gross margin increased for the three months ended June 30, 2013 as a result of lower promotional discounting in the 2013 period.

**Distribution expenses**

Distribution expenses for the three months ended June 30, 2013 were \$10.1 million as compared to \$9.7 million for the corresponding period in 2012. Distribution expenses as a percentage of net sales were 10.4% for the three months ended June 30, 2013 as compared to 10.2% for the three months ended June 30, 2012.

As a percentage of sales shipped from the Company's warehouses, distribution expenses for the Wholesale segment were 10.8% for the three months ended June 30, 2013 as compared to 10.9% for the corresponding period in 2012. The decrease reflects improved labor management and other expense efficiencies.

Distribution expenses as a percentage of net sales for the Retail Direct segment were approximately 29.3% for the three months ended June 30, 2013 and 2012.

**Selling, general and administrative expenses**

Selling, general and administrative expenses for the three months ended June 30, 2013 were \$25.9 million, an increase of \$2.3 million, or 9.7%, as compared to \$23.6 million for the corresponding period in 2012.



## **Table of Contents**

Selling, general and administrative expenses for the three months ended June 30, 2013 for the Wholesale segment were \$21.0 million, an increase of \$2.2 million, or 11.7%, from \$18.8 million for the corresponding period in 2012. The increase was primarily due to the inclusion of Fred® & Friends and, to a lesser degree, an increase in selling and compensation related expenses. As a percentage of net sales, selling, general and administrative expenses increased to 22.5% for the three months ended June 30, 2013 compared to 20.6% for the corresponding period in 2012.

Selling, general and administrative expenses for the Retail Direct segment were \$1.8 million for the three months ended June 30, 2013 and 2012.

Unallocated corporate expenses for the three months ended June 30, 2013 were \$3.1 million as compared to \$3.0 million for the corresponding period in 2012. The increase was primarily attributable to an increase in professional fees partially offset by a decrease in employee related expenses.

### **Restructuring expenses**

Restructuring expenses for the three months ended June 30, 2013 were \$0.3 million. The expenses resulted from the planned closure of the Fred® & Friends distribution center which included the elimination of certain employee positions.

### **Interest expense**

Interest expense for the three months ended June 30, 2013 was \$1.1 million as compared to \$1.7 million for the three months ended June 30, 2012. The decrease in interest expense was attributable to lower average interest rates and lower average borrowings in 2013 compared to 2012.

### **Loss on early retirement of debt**

In June 2012, the Company repaid \$10 million of the Term Loan. In connection therewith, the Company wrote-off debt issuance costs of \$0.3 million.

### **Income tax benefit (provision)**

The income tax benefit for the three months ended June 30, 2013 was \$0.5 million as compared to a \$0.1 million income tax provision for the corresponding period in 2012. The Company's effective tax rate for the three months ended June 30, 2013 was 42.0% as compared to 71.5% for the 2012 period. The higher effective tax rate for the three months ended June 30, 2012 reflects an adjustment to align the Company's current tax provision for the first half of the year with the projected full year tax rate.

### **Equity in earnings**

Equity in earnings of Vasconia, net of taxes, was \$0.4 million for the three months ended June 30, 2013 as compared to \$0.6 million for the three months ended June 30, 2012. Vasconia reported a loss from operations of \$0.6 million for the three months ended June 30, 2013 as compared to income from operations of \$3.1 million for the three months ended June 30, 2012. Vasconia reported net income of \$1.4 million for the three months ended June 30, 2013 as compared to \$2.3 million for the three months ended June 30, 2012. The decline in net income is the result of a decline in kitchenware and aluminum sales and reduced margins on aluminum sales, which was partially offset by a recovery of value-added taxes (including interest thereon). This recovery resulted in an increase of \$0.7 million in the equity in earnings of Vasconia for the three months ended June 30, 2013. Equity in losses of GSI was \$0.2 million and \$39 thousand for the three months ended June 30, 2013 and 2012, respectively.

---

**Table of Contents**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SIX MONTHS ENDED JUNE 30, 2013 AS COMPARED TO THE SIX MONTHS ENDED**

**JUNE 30, 2012**

**Net Sales**

Net sales for the six months ended June 30, 2013 were \$195.6 million, a decrease of \$8.4 million, or 4.1%, as compared to net sales of \$204.0 million for the corresponding period in 2012.

Net sales for the Wholesale segment for the six months ended June 30, 2013 were \$186.4 million, a decrease of \$8.1 million, or 4.2%, as compared to net sales of \$194.5 million for the corresponding period in 2012. Net sales for the Company's Kitchenware product category were \$108.2 million for the six months ended June 30, 2013, an increase of \$4.5 million, or 4.3%, as compared to \$103.7 million for the corresponding period in 2012. Net sales for the Company's Kitchenware product category included \$7.3 million of net sales for the six months ended June 30, 2013 from Fred® & Friends, which was acquired by the Company in December 2012. The increase in the Company's Kitchenware product category was primarily attributable to successful new cutlery programs during the 2013 period. Net sales for the Company's Tabletop product category were \$57.7 million for the six months ended June 30, 2013, a decrease of \$10.7 million, or 15.6%, as compared to \$68.4 million for the corresponding period in 2012. The Tabletop product category sales decrease reflects a decline in dinnerware sales which principally resulted from a \$4.0 million decrease in net sales at Creative Tops due to weakness in the economy in the United Kingdom and the impact of higher duties on ceramic products imposed by the European Union. The decrease also resulted from the impact of the introduction of new dinnerware and flatware programs in 2012 as compared to recurring product revenues, without a new major program introduction, in 2013. Net sales for the Company's Home Solutions product category were \$20.5 million for the six months ended June 30, 2013, a decrease of \$1.9 million, or 8.5%, as compared to \$22.4 million for the corresponding period in 2012. The decrease in sales for the Company's Home Solutions product category was due to a decline in close out activity and lower volume at a major warehouse club in the first quarter.

Net sales for the Retail Direct segment for the six months ended June 30, 2013 were \$9.2 million, a decrease of \$0.3 million, or 3.2%, as compared to \$9.5 million for the corresponding period in 2012.

**Gross margin**

Gross margin for the six months ended June 30, 2013 was \$72.7 million, or 37.1%, as compared to \$75.8 million, or 37.2%, for the corresponding period in 2012.

Gross margin for the Wholesale segment was 35.5% for the six months ended June 30, 2013 as compared to 35.6% for the corresponding period in 2012.

Gross margin for the Retail Direct segment was 69.7% for the six months ended June 30, 2013 as compared to 68.7% for the corresponding period in 2012. Gross margin increased for the six months ended June 30, 2013 as a result of lower promotional discounting in the 2013 period.

**Distribution expenses**

Distribution expenses for the six months ended June 30, 2013 were \$20.9 million as compared to \$21.4 million for the corresponding period in 2012. Distribution expenses as a percentage of net sales were 10.7% for the six months ended June 30, 2013 as compared to 10.5% for the corresponding period in 2012.

Distribution expenses as a percentage of sales shipped from the Company's warehouses for the Wholesale segment were 10.5% for the six months ended June 30, 2013 and 2012.

Distribution expenses as a percentage of net sales for the Retail Direct segment were approximately 30.0% for the six months ended June 30, 2013 as compared to 30.1% for the corresponding period in 2012.

**Selling, general and administrative expenses**

## Edgar Filing: LIFETIME BRANDS, INC - Form 10-Q

Selling, general and administrative expenses for the six months ended June 30, 2013 were \$51.6 million, an increase of \$2.6 million, or 5.3%, as compared to \$49.0 million for the corresponding period in 2012.

## **Table of Contents**

Selling, general and administrative expenses for the six months ended June 30, 2013 for the Wholesale segment were \$41.8 million, an increase of \$2.6 million, or 6.6%, as compared to \$39.2 million for the corresponding period in 2012. The increase was primarily due to the inclusion of Fred® & Friends and an increase in professional fees and trade show expenses partially offset by a decrease in employee related expenses. As a percentage of net sales, selling, general and administrative expenses increased to 22.4% for the six months ended June 30, 2013 compared to 20.2% for the corresponding period in 2012.

Selling, general and administrative expenses for the six months ended June 30, 2013 and 2012 for the Retail Direct segment were \$3.9 million.

Unallocated corporate expenses for the six months ended June 30, 2013 and 2012 were \$5.9 million.

### **Restructuring expenses**

Restructuring expenses for the six months ended June 30, 2013 were \$0.3 million. The expenses resulted from the planned closure of the Fred® & Friends distribution center which included the elimination of certain employee positions.

### **Interest expense**

Interest expense for the six months ended June 30, 2013 was \$2.3 million as compared to \$3.4 million for the corresponding period in 2012. The decrease in interest expense was attributable to lower average interest rates and lower average borrowings in 2013 compared to 2012.

### **Loss on early retirement of debt**

In June 2012, the Company repaid \$10 million of the Term Loan. In connection therewith, the Company wrote-off debt issuance costs of \$0.3 million.

### **Income tax benefit (provision)**

The income tax benefit for the six months ended June 30, 2013 was \$0.9 million as compared to an income tax provision of \$0.7 million for the corresponding period in 2012. The Company's effective tax rate for the six months ended June 30, 2013 was 36.3% as compared to 41.0% for the 2012 period. The Company's effective tax rate for the six months ended June 30, 2013 reflects the impact of a reduction in certain state tax rates on deferred tax assets, which partially offset the current period income tax benefit.

### **Equity in earnings**

Equity in earnings of Vasconia, net of taxes, was \$0.6 million for the six months ended June 30, 2013 as compared to \$1.1 million for the corresponding period in 2012. Vasconia reported income from operations of \$1.6 million and \$6.5 million for the six months ended June 30, 2013 and 2012, respectively, and net income of \$2.6 million and \$4.2 million for the six months ended June 30, 2013 and 2012, respectively. The reduction of net income is the result of a decline in kitchenware sales and reduced margins on aluminum sales, which was partially offset by a recovery of value-added taxes (including interest thereon). This recovery resulted in an increase of \$0.7 million in the equity in earnings of Vasconia for the six months ended June 30, 2013. Equity in losses of GSI was \$0.3 million and \$0.2 million for the three months ended June 30, 2013 and 2012, respectively.



---

**Table of Contents**

**LIQUIDITY AND CAPITAL RESOURCES**

The Company's principal sources of cash to fund liquidity needs are: (i) cash provided by operating activities and (ii) borrowings available under its revolving credit facility. The Company's primary uses of funds consist of working capital requirements, capital expenditures and payments of principal and interest on its debt.

**Revolving Credit Facility**

The Company has a \$175.0 million secured credit agreement (the Revolving Credit Facility), maturing on July 27, 2017, with a bank group led by JPMorgan Chase Bank, N.A.

At June 30, 2013, borrowings outstanding under the Revolving Credit Facility were \$41.9 million and open letters of credit were \$1.1 million. Availability under the Revolving Credit Facility was approximately \$81.9 million, or 46.8% of the total loan commitment at June 30, 2013.

Borrowings under the Revolving Credit Facility bear interest, at the Company's option, at one of the following rates: (i) the Alternate Base Rate, defined as the greater of the Prime Rate, Federal Funds Rate plus 0.5% or the Adjusted LIBO Rate plus 1.0%, plus a margin of 1.0% to 1.75%, or (ii) the Eurodollar Rate, defined as the Adjusted LIBO Rate plus a margin of 2.0% to 2.75%. The respective margins are based upon availability. Interest rates on outstanding borrowings at June 30, 2013 ranged from 2.50% to 4.50%. In addition, the Company pays a commitment fee of 0.375% to 0.50% on the unused portion of the Revolving Credit Facility.

The Revolving Credit Facility provides for customary restrictions and events of default. Restrictions include limitations on additional indebtedness, acquisitions, investments and payment of dividends, among others.

The Company classifies a portion of the Revolving Credit Facility as a current liability if the Company's intent and ability is to repay the loan from cash flows from operations which are expected to occur within the year. Repayments and borrowings under the facility can vary significantly from planned levels based on cash flow needs and general economic conditions. The Company expects that it will continue to borrow and repay funds, subject to availability, under the facility based on working capital and other corporate needs.

**Senior Secured Term Loan**

The Company has a second lien credit agreement (the Senior Secured Term Loan), which matures on July 27, 2018, with JPMorgan Chase Bank, N.A. At June 30, 2013, the Senior Secured Term Loan balance was \$31.5 million.

The Senior Secured Term Loan bears interest, at the Company's option, at the Alternate Base Rate (as defined) plus 4.00%, or the Adjusted LIBOR Rate (as defined) plus 5.00%. The Company is a party to an interest rate swap agreement with a notional amount of \$31.5 million to manage interest rate exposure in connection with its variable interest rate borrowings. The hedge period in the agreement commenced in March 2013 and expires in June 2018, and the notional amount amortizes over this period. The hedge provides for a fixed payment of interest at an annual rate of 1.05% in exchange for the Adjusted LIBOR Rate. In March 2013, based on the interest rate swap agreement, the Company commenced payment of interest at a fixed annual rate of 6.05%.

The Senior Secured Term Loan provides that for any four consecutive fiscal quarters, (x) if EBITDA (as defined) is less than \$34.0 million but equal to or greater than \$30.0 million, the ratio of Indebtedness (as defined) to EBITDA shall not exceed 3.0 to 1.0 and (y) EBITDA shall not be less than \$30.0 million. Capital expenditures are limited and for the year ended December 31, 2013, such limit is \$9.0 million. The Senior Secured Term Loan provides for other customary restrictions and events of default. Restrictions include limitations on additional indebtedness, acquisitions, investments and payment of dividends, among others. Further, the Senior Secured Term Loan provides that the Company shall maintain a minimum fixed charge coverage ratio of 1.10 to 1.00 for any four consecutive fiscal quarters. The Company was in compliance with the financial covenants of the Senior Secured Term Loan and Revolving Credit Facility at June 30, 2013.

**Table of Contents**

The following is the Company's Consolidated EBITDA for the four quarters ended June 30, 2013:

	<b>Consolidated EBITDA for the Four Quarters Ended June 30, 2013</b> (in thousands)
Three months ended June 30, 2013	\$ 4,321
Three months ended March 31, 2013	3,079
Three months ended December 31, 2012	17,868
Three months ended September 30, 2012	11,568
<b>Total for the four quarters<sup>(1)</sup></b>	<b>\$ 36,836</b>

Note:

- (1) The Company's Revolving Credit Facility and Senior Secured Term Loan provide that EBITDA shall be calculated to include certain permitted adjustments. The Consolidated EBITDA inclusive of such permitted adjustments amounted to \$40.8 million for the four quarters ended June 30, 2013.

Capital expenditures for the six months ended June 30, 2013 were \$2.0 million.

*Non-GAAP financial measure*

Consolidated EBITDA is a non-GAAP financial measure within the meaning of Regulation G promulgated by the Securities and Exchange Commission. The following is a reconciliation of the net income as reported to Consolidated EBITDA for the three and six months ended June 30, 2013 and 2012:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	(in thousands)			
Net income as reported	\$ (568)	\$ 559	\$ (1,200)	\$ 1,903
Adjustments:				
Undistributed equity in earnings, net	480	(108)	234	(506)
Income tax provision (benefit)	(477)	94	(876)	682
Interest expense	1,149	1,675	2,311	3,373
Loss on early retirement of debt		348		348
Depreciation and amortization	2,667	2,262	5,190	4,469
Stock compensation expense	722	754	1,393	1,452
Permitted acquisition related expenses	60		60	85
Restructuring expenses	288		288	
<b>Consolidated EBITDA</b>	<b>4,321</b>	<b>5,584</b>	<b>7,400</b>	<b>11,806</b>

## **Table of Contents**

### **Operating activities**

Cash provided by operating activities was \$27.3 million for the six months ended June 30, 2013 as compared to \$7.0 million for the 2012 period. The increase was primarily attributable to the collection of more accounts receivable in the 2013 period as compared to the 2012 period and fewer payments of accounts payable and accrued expenses in the 2013 period as compared to the 2012 period.

### **Investing activities**

Cash used in investing activities was \$2.0 million for the six months ended June 30, 2013 and 2012.

### **Financing activities**

Cash used in financing activities was \$25.8 million for the six months ended June 30, 2013 as compared to \$4.7 million for the 2012 period. The Company used cash flows from operations to repay \$22.6 million of debt in the 2013 period as compared to \$4.2 million in the 2012 period. In addition, the Company repurchased \$3.2 million of the Company's common stock during the 2013 period.

### **Stock repurchase program**

On April 30, 2013, Lifetime's Board of Directors authorized the repurchase of up to \$10.0 million of the Company's common stock. The repurchase authorization permits the Company to effect the repurchases from time to time through open market purchases and privately negotiated transactions. During the three months ended June 30, 2013, the Company repurchased 245,575 shares under the April 2013 authorization for a total cost of \$3.2 million and thereafter retired the shares.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Market risk represents the risk of loss that may impact the consolidated financial position, results of operations or cash flows of the Company. The Company is exposed to market risk associated with changes in interest rates and foreign currency exchange rates. The Company's Revolving Credit Facility and Term Loan bear interest at variable rates and, therefore, the Company is subject to increases and decreases in interest expense resulting from fluctuations in interest rates. The Company has foreign operations through its acquisitions and equity investments from which the Company is subject to increases and decreases in its income resulting from the impact of fluctuations in foreign currency exchange rates.

### **Item 4. Controls and Procedures**

#### **(a) Evaluation of Disclosure 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 June 30, 2013, 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 Securities and Exchange Commission'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.

#### **(b) Changes in Internal Controls**

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



**Table of Contents****PART II OTHER INFORMATION****Item 1. Legal Proceedings**

Wallace Silversmiths de Puerto Rico, Ltd. ( Wallace de Puerto Rico ), a wholly-owned subsidiary of the Company, operates a manufacturing facility in San Germán, Puerto Rico that is leased from the Puerto Rico Industrial Development Company ( PRIDCO ). In March 2008, the United States Environmental Protection Agency (the EPA ) announced that the San Germán Ground Water Contamination site in Puerto Rico (the Site ) had been added to the Superfund National Priorities List due to contamination present in the local drinking water supply.

In May 2008, Wallace de Puerto Rico received from the EPA a Notice of Potential Liability and Request for Information Pursuant to 42 U.S.C. Sections 9607(a) and 9604(e) of the Comprehensive Environmental Response, Compensation, Liability Act. The Company responded to the EPA's Request for Information on behalf of Wallace de Puerto Rico. In July 2011, Wallace de Puerto Rico received a letter from the EPA requesting access to the property that it leases from PRIDCO, and the Company granted such access. In February 2013, the EPA requested access to conduct further environmental investigation at the property during September 2013.

The Company is not aware of any determination by the EPA that any remedial action is required for the Site and, accordingly, is not able to estimate the extent of any possible liability.

The Company is, from time to time, involved in other legal proceedings. The Company believes that such other current litigation is routine in nature and incidental to the conduct of the Company's business and that none of this litigation, individually or collectively, would have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

**Item 1A. Risk Factors**

There have been no material changes in the Company's risk factors from those disclosed in the Company's 2012 Annual Report on Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table provides information about the Company's purchases of equity securities during the quarter ended June 30, 2013:

Period	Total number of shares purchased <sup>(1)</sup>	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs <sup>(2)</sup>	Maximum approximate dollar value of shares that may yet be purchased under the plans or programs subsequent to end of period <sup>(2)</sup>
May 1 - May 31, 2013	197,741	\$ 13.23	197,741	\$ 7,384,363
June 1 - June 30, 2013	47,834	12.81	47,834	6,771,467
<b>Total</b>	<b>245,575</b>	<b>\$ 13.15</b>	<b>245,575</b>	

Note:

(1) All shares purchased were purchased as a part of a publicly announced program in open market and privately negotiated transactions.

## Edgar Filing: LIFETIME BRANDS, INC - Form 10-Q

- (2) On April 30, 2013, Lifetime's Board of Directors authorized the repurchase of up to \$10.0 million of the Company's common stock. The repurchase authorization permits the Company to effect the repurchases from time to time through open market purchases and privately negotiated transactions.

-28-

**Table of Contents**

**Item 6. Exhibits**

**Exhibit**

**No.**

- 3.1 Second Restated Certificate of Incorporation of the Company (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005)\*\*
- 3.2 Amended and Restated By-Laws of the Company (incorporated by reference to the Registrant's Form 8-K dated June 13, 2013)\*\*
- 10.1 Amendment No. 2 to Senior Secured Credit Agreement, dated as of June 21, 2013, among Lifetime Brands, Inc., as Borrower, the Subsidiary Guarantors Party thereto, the financial institutions party thereto as Lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (incorporated by reference to the Registrant's Form 8-K date June 27, 2013)\*\*
- 10.2 Amendment No. 3 to Amended and Restated Credit Agreement, dated as of June 21, 2013, by and among Lifetime Brands, Inc., as the Company, the financial institutions party thereto as Lenders and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to the Registrant's Form 8-K date June 27, 2013)\*\*
- 18.1 Letter from Ernst & Young LLP stating an acceptable change in accounting method for the impairment of goodwill dated October 28, 2008 (incorporated by reference to the Registrant's Form 10-Q dated September, 30 2008)\*\*
- 31.1 Certification by Jeffrey Siegel, Chief Executive Officer and Chairman of the Board of Directors, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\*\*\*
- 31.2 Certification by Laurence Winoker, Senior Vice President Finance, Treasurer and Chief Financial Officer, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\*\*\*
- 32.1 Certification by Jeffrey Siegel, Chief Executive Officer and Chairman of the Board of Directors, and Laurence Winoker, Senior Vice President Finance, Treasurer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002\*\*\*\*\*
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T. The following materials from Lifetime Brands, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets (unaudited), (ii) the Condensed Consolidated Statements of Operations (unaudited), (iii) the Consolidated Statement of Comprehensive Income (unaudited), (iv) the Condensed Consolidated Statement of Cash Flows (unaudited), and (v) Notes to the Unaudited Condensed Consolidated Financial Statements\*\*\*

Notes to exhibits:

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 exhibit.

\*\* Incorporated by reference.

\*\*\* Filed herewith.

\*\*\*\*\* This exhibit is being furnished pursuant to Item 601(b)(32) of SEC Regulation S-K and is not deemed filed with the Securities and Exchange Commission and is not incorporated by reference in any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934.

**Table of Contents**

**SIGNATURES**

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

Lifetime Brands, Inc.

/s/ Jeffrey Siegel August 8, 2013  
Jeffrey Siegel  
Chief Executive Officer and Chairman of the Board of Directors  
(Principal Executive Officer)

/s/ Laurence Winoker August 8, 2013  
Laurence Winoker  
Senior Vice President Finance, Treasurer and Chief Financial Officer  
(Principal Financial and Accounting Officer)

-30-