LIFETIME BRANDS, INC
Form 10-K
March 14, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: December 31, 2015

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

1000 Stewart Avenue, Garden City, New York 11530

(Address of principal executive offices, including Zip Code)

(516) 683-6000

(Registrant s telephone number, including area code)

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

Common Stock, $.01 par value	**The NASDAQ Global Select Market**
(Title of each class)	**(Name of each exchange on which registered)**

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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

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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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 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 x
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 Act). Yes ¨ No x

The aggregate market value of 11,093,655 shares of the voting common equity held by non-affiliates of the registrant as of June 30, 2015 was approximately $163,853,284. Directors, executive officers, and trusts controlled by said individuals are considered affiliates for the purpose of this calculation and may 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 29, 2016 was 14,030,645.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the registrant s definitive proxy statement for the 2016 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 are incorporated by reference in Part III of this Annual Report.

LIFETIME BRANDS, INC.

FORM 10-K

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K of Lifetime Brands, Inc. (the Company and, unless the context otherwise requires, references to the Company shall include its consolidated subsidiaries) contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include information concerning the Company s and its subsidiaries 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, under the headings *Business* and *Management s Discussion and Analysis of Financial Condition and Results of Operations* included in Item 1 of Part I and Item 7 of Part II, respectively. When used in this Annual Report on Form 10-K, the words estimates, expects, anticipates, projects, plans, intends, may, should, seeks, potential 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 Annual 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 this Annual Report, including the risk factors discussed in Part I, Item 1A under the heading *Risk Factors*.

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.

WHERE YOU CAN FIND OTHER INFORMATION

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 Company also maintains a website at *http://www.lifetimebrands.com*. Information contained on this website is not a part of or incorporated by reference into this annual report. The Company makes available on its website the Company s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K and amendments to these reports as soon as reasonably practicable after these reports are filed with or furnished to the SEC. Users can access these reports free of charge on the Company s website. The public may read and copy any materials that the Company files with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information may be obtained with respect to 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*.

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PART I

Item 1. Business

OVERVIEW

The Company designs, sources and sells branded kitchenware, tableware and other products used in the home and markets its products under a number of widely-recognized brand names and trademarks, which are either owned or licensed by the Company, or through retailers private labels and their licensed brands. The Company s products, which are targeted primarily towards consumer purchases of moderately priced kitchenware, tableware and housewares, are sold through virtually every major level of trade. The Company generally markets several lines within each of its product categories under more than one brand. The Company sells its products directly to retailers (including through their Internet websites) and, to a lesser extent, to distributors. The Company also sells a limited selection of its products directly to consumers through its own Internet websites. At the heart of the Company is a culture of innovation. The Company brought over 5,500 new or redesigned products to market in 2015 and expects to introduce approximately 5,500 new or redesigned products in 2016. Historically, new products generally reach their peak sales in 12 to 18 months following introduction.

The Company s product categories include two categories of products used to prepare, serve and consume foods, Kitchenware (kitchen tools and gadgets, cutlery, cutting boards, shears, cookware and bakeware) and Tableware (dinnerware, stemware, flatware and giftware); and one category, Home Solutions, which comprises other products used in the home (pantryware, spice racks, thermal beverageware, food storage, neoprene travel products and home décor).

The Company has a presence in international markets through subsidiaries and affiliate companies that are based outside of the United States. The Company has two wholly-owned businesses based in the United Kingdom (U.K). One is Kitchen Craft, acquired in 2014, a leading supplier of kitchenware products and accessories in the U.K. and in over 70 countries. The other is Creative Tops, acquired in 2011, a supplier of private label and branded tableware (including La Cafetière and Randwyck brands, acquired in 2014) products in the U.K. other countries in Europe. The Company also has a subsidiary in China to supply kitchenware and tableware products to the market and a subsidiary based in Hong Kong to facility the sale of its products to other parts of Asia and smaller markets elsewhere in the world. The Company has a presence in Mexico and other parts of Latin America (excluding Brazil) through its 30% equity interest in Grupo Vasconia, S.A.B. (Vasconia), a housewares company and aluminum manufacturer based in Mexico; a presence in Brazil through a 40% equity interest in GS Internacional S/A (GSI) a wholesale distributor of branded housewares products in Brazil; and a strategic alliance with a Canadian company to distribute many of the Company s products in Canada.

The Company continually evaluates opportunities to expand the reach of its brands and to invest in other companies that operate principally outside the United States and that own or license complementary brands. These opportunities involve risks as the industry and foreign markets may not evolve as anticipated and the Company s objectives may not be achieved.

In addition to seeking opportunities to expand the Company s international footprint, the Company regularly evaluates potential acquisitions of businesses or product lines to grow its product offerings and distribution in the United States market. In December 2012, the Company acquired Fred® & Friends, a business which designs and markets novelty housewares and other products under the Fred® brand. The acquisition resulted in an expansion of the Company s Kitchenware product category to include novelty kitchen tools, tableware accessories, party goods, personal accessories and other products. In 2014, the Company acquired certain assets of Built NY, a designer and distributor of brightly colored, uniquely patterned neoprene travel products, including bags, totes, cases and sleeves, and acquired the business and assets of Empire Silver Company, a manufacturer of sterling silver and pewter giftware products.

The Company is a Delaware corporation, incorporated on December 22, 1983.

The Company s top brands and their respective product categories are:

Brand	Licensed/Owned	Product Category
Farberware®	Licensed*	Kitchenware
Mikasa®	Owned	Tableware and Home Solutions
KitchenAid®	Licensed	Kitchenware
KitchenCraft®	Owned	Kitchenware
Pfaltzgraff®	Owned	Tableware and Home Solutions
Sabatier®	Licensed	Kitchenware
Kamenstein®	Owned	Home Solutions
masterclass®	Owned	Kitchenware
Fred®	Owned	Kitchenware
Towle®	Owned	Tableware
Built®	Owned	Home Solutions

* The Company has a royalty free license to utilize the Farberware® brand for kitchenware and tableware products for a term that expires in 2195, subject to earlier termination under certain circumstances.

With the exception of the Company s sterling silver products, the Company sources almost all of its products from suppliers located outside the United States, primarily in the People s Republic of China. The Company manufactures its sterling silver products at a leased facility in San Germán, Puerto Rico and fills canisters with spices and assembles spice racks at its owned Winchendon, Massachusetts distribution facility.

BUSINESS SEGMENTS

The Company s segments include three categories, U.S. Wholesale, International and Retail Direct. The U.S. Wholesale segment includes the domestic operations of the Company s primary business that designs, markets and distributes its products to retailers and distributors. Certain business operations conducted outside the U.S. are included in the International segment. The Retail Direct segment is that in which the Company markets and sells a limited selection of its products through its Pfaltzgraff, Mikasa, Built NY, Fred & Friends and Lifetime Sterling internet websites. The Company has segmented its operations to reflect the manner in which management reviews and evaluates the results of its operations.

Additional information regarding the Company s reportable segments is included in Note J of the Notes to the Consolidated Financial Statements included in Item 15.

CUSTOMERS

The Company s wholesale customers include mass merchants, specialty stores, national chains, department stores, warehouse clubs, supermarkets, off-price retailers and Internet retailers.

The Company s products are sold globally to a diverse customer base including mass merchants (such as Walmart and Target), specialty stores (such as Bed Bath & Beyond and Dunelm), national chains (such as Kohl s and JCPenney), department stores (such as Macy s and Bon-Ton), warehouse clubs (such as Costco and Sam s Club), supermarkets (such as Stop & Shop, Meijer, Winn-Dixie, Tesco and Sainsbury s), off-price retailers (such as TJX Companies, Ross Stores and Big Lots), home and garden centers (such as TrueValue, ACE Hardware Stores and Wyevale) and Internet retailers (such as Amazon). The Company also does business with independent retailers, including through business-to-business Internet sites aimed at independent retailers.

The Company also operates its own consumer Internet sites that provide information about the Company s products and offer consumers the opportunity to purchase a limited selection of the Company s products directly from the Company.

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During the years ended December 31, 2015, 2014 and 2013, Wal-Mart Stores, Inc., including Sam s Club and Asda Superstore, (Walmart), accounted for 16%, 16% and 15% of consolidated net sales, respectively. No other customer accounted for 10% or more of the Company s net sales during these periods.

DISTRIBUTION

The Company sells its products directly to retailers and, to a lesser extent, to distributors. The Company also sells a limited quantity of the Company s products to individual consumers and smaller retailers through its own Internet sites. The Company operates distribution centers at the following locations:

Location	**Size** (square feet)
Fontana, California	753,000
Robbinsville, New Jersey	700,000
Birmingham, England	204,000
Winchendon, Massachusetts	175,000
Corby, England	121,000
Medford, Massachusetts	5,590

SALES AND MARKETING

The Company s sales and marketing staff coordinates directly with its wholesale customers to devise marketing strategies and merchandising concepts and to furnish advice on advertising and product promotion. The Company has developed many promotional programs for use in the ordinary course of business to promote sales throughout the year.

The Company s sales and marketing efforts are supported from its principal offices and showroom in Garden City, New York; as well as showrooms in New York, New York; Medford, Massachusetts; Atlanta, Georgia; Bentonville, Arkansas; Carlisle, Pennsylvania; Menomonee Falls, Wisconsin; Birmingham, England; Corby, England and Hong Kong.

The Company generally collaborates with its largest wholesale customers and in many instances produces specific versions of the Company s product lines with exclusive designs and/or packaging for their stores.

DESIGN AND INNOVATION

At the heart of the Company is a culture of innovation and new product development. The Company s in-house design and development teams currently consist of 122 professional designers, artists and engineers. Utilizing the latest available design tools, technology and materials, these teams create new products, redesign existing products and create packaging and merchandising concepts.

SOURCES OF SUPPLY

The Company sources its products from hundreds of suppliers. Most of the Company s suppliers are located in the People s Republic of China. The Company also sources products from suppliers in Hong Kong, the United States, the United Kingdom, Vietnam, Malaysia, Indonesia, India, Slovakia, Canada, Czech Republic, Taiwan, Mexico, France, Poland, Italy, Japan, American Samoa, Brazil, Korea, Thailand, Portugal, Slovenia, Portugal, Germany, Netherlands, Belgium and Israel. The Company orders products substantially in advance of the anticipated time of their sale by the Company. The Company does not have any formal long-term arrangements with any of its suppliers and its arrangements with most manufacturers allow for flexibility in modifying the quantity, composition and delivery dates of orders.

MANUFACTURING

The Company manufactures its sterling silver products at its leased manufacturing facility in San Germán, Puerto Rico and fills jars and other canisters with spices and assembles spice racks at the Company s owned Winchendon, Massachusetts distribution facility. The Company does not manufacture any of its other products.

COMPETITION

The markets for kitchenware, tableware and other products used in the home including home décor products 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 innovative products, brand, quality, aesthetic appeal to consumers, packaging, breadth of product line, distribution capability and selling price.

PATENTS

The Company owns approximately 320 design and utility patents. The Company believes that the expiration of any of its patents would not have a material adverse effect on the Company s business.

BACKLOG

Backlog is not material to the Company s business, because actual confirmed orders from the Company s customers are typically received within close proximity to the required shipment dates.

EMPLOYEES

At December 31, 2015, the Company had a total of 1,414 full-time employees, of whom 215 were located in Asia and 303 in Europe. In addition, the Company employed 40 people on a part-time basis, predominately in Corporate Marketing/Sales Support. The Company also hires seasonal workers at its distribution centers through temporary staffing agencies. None of the Company s employees are represented by a labor union or subject to collective bargaining agreements, except as required by local law. A recent vote to unionize a certain class of employees in our Robbinsville, New Jersey warehouse was defeated. The Company considers its employee relations to be good.

REGULATORY MATTERS

The Company and its affiliates are subject to significant regulation by various governmental, regulatory and other administrative authorities.

As a manufacturer and distributor of consumer products, the Company is subject to the Consumer Products Safety Act in the United States and the Consumer Protection Act in the United Kingdom. Additionally, laws regulating certain consumer products exist in some cities and states, as well as in other countries in which the Company or its subsidiaries and affiliates sell products.

The Company s spice filling operation is regulated by the Food and Drug Administration.

The Company s operations also are subject to national, state and local environmental and health and safety laws and regulations, including those that impose workplace standards and regulate the discharge of pollutants into the environment and establish standards for the handling, generation, emission, release, discharge, treatment, storage and disposal of materials and substances including solid and hazardous wastes.

The Company is subject to risks and uncertainties associated with economic and political conditions in foreign countries, including but not limited to, foreign government regulations, taxes including value-added taxes, import and export duties and quotas, anti-dumping regulations and related tariffs associated with certain types of products, incidents and fears involving security, terrorism and wars, political unrest and other restrictions on trade and travel.

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 2015, net sales in the third and fourth quarters accounted for 59% of total annual net sales. In anticipation of the pre-holiday shipping season, inventory levels increase primarily in the June through October time period.

GEOGRAPHIC INFORMATION

Geographic information concerning the Company s revenues and long-lived assets is contained in Note J of the Notes to the Consolidated Financial Statements included in Item 15 of this annual report.

RESTRUCTURING

In the fourth quarter of 2015, a restructuring plan relating primarily to the U.S. Wholesale segment commenced. The restructuring plan is intended to realign product categories to best achieve the Company s strategic plan and implement cost reduction initiatives. The Company recorded a charge of $437,000 in the year ended December 31, 2015 and expects to record an additional $0.5 million, primarily for severance, in fiscal 2016 related to this plan. The Company s 2015 results do not present the realignment of product categories within the U.S. Wholesale segment. The realignment includes grouping certain pantryware products and spice racks within the Kitchenware product category. The Company does not expect this restructuring plan to impact total net sales of the U.S. Wholesale segment.

Item 1A. Risk Factors

The Company s businesses, operations, liquidity and financial condition are subject to various risks. The Company s business, financial condition or results of operation could be significantly affected by the risks below or additional risks not presently known to the Company or by risks that the Company presently deems immaterial such as changes in the economy, disruptions due to terrorist activity or manmade or natural disasters, or changes in law or accounting standards. The risks and uncertainties described below are those that the Company considers material.

The Company has substantial indebtedness and the Company s business is highly seasonal.

The Company has a substantial amount of indebtedness and is dependent on the availability of its bank loan facilities to finance its liquidity needs. The Company s Second Amended and Restated Credit Agreement with JPMorgan Chase Bank, N.A, as Administrative Agent and Co-Collateral Agent, and HSBC Bank USA, National Association, as Syndication Agent and Co-Collateral Agent (as amended, the Credit Agreement) provides for, among other things, a Revolving Credit Facility commitment totaling $175.0 million (the Revolving Credit Facility) and a term loan facility of $35.0 million at December 31, 2015 (Term Loan). As of December 31, 2015, the Company had approximately $100.9 million of consolidated debt, including $100.6 million under the Credit Agreement, representing approximately 25% of total capital (indebtedness plus stockholders equity). The Company may borrow under its Revolving Credit Facility, subject to the limitations of a borrowing base. Because the borrowing capacity under the Revolving Credit Facility depends on levels of eligible inventory, accounts receivable and the appraised value of certain intellectual property that fluctuate from time to time, the full commitment amount may not represent actual borrowing capacity. The financial covenants governing the Company s Term Loan agreement limit its ability to incur senior indebtedness. The Company may be unable to generate cash sufficient to pay when due the principal of, interest on, or other amounts due with respect to, its indebtedness. In addition, the Company s business is seasonal with a significant amount of its revenue being realized during the latter portion of the year. Therefore, the Company s borrowing needs fluctuates largely based upon its working capital requirements.

The Company s leverage and the effects of seasonal fluctuations in its cash flow, borrowing requirements and ability to borrow could have significant negative consequences on the Company s financial condition and results of operations, including:

- impairing the Company s ability to meet one or more of the financial ratio covenants contained in its debt agreements or to generate cash sufficient to pay interest or principal due under those agreements, which could result in an acceleration of some or all of the Company s outstanding debt;

- increasing the Company s vulnerability to general adverse economic and industry conditions;

- limiting the Company s ability to obtain additional debt or equity financing;

- increasing the Company s borrowing costs if it were to obtain additional debt financing or amend its existing debt agreements;

- requiring the dedication of a substantial portion of the Company s cash flow from operations to service the Company s debt, thereby reducing the amount of cash flow available for other purposes, including working capital, capital expenditures or acquisitions;

- requiring the Company to seek debt or equity financing or to sell some of the Company s core assets, possibly on unfavorable terms, to meet payment obligations;

- limiting the Company s flexibility in planning for, or reacting to, changes in its business and the markets in which the Company competes;

- limiting the Company s ability to declare and pay dividends to its stockholders and engage in share repurchase programs; and

- placing the Company at a possible competitive disadvantage to less leveraged competitors and competitors that may have better access to capital resources.

The Company s failure to meet certain covenants or other requirements of its Credit Agreement may materially and adversely affect the Company s assets, financial position and cash flows.

The Credit Agreement, under certain circumstances, requires the Company to maintain a certain fixed charge coverage ratio. In addition, at any time the Company s Term Loan is outstanding, the Company s Credit Agreement requires the Company to maintain its Senior Leverage Ratio within defined parameters. As a result of these requirements within the Credit Agreement, the Company is limited in its ability to incur additional debt, make investments or undertake certain other business activities. These requirements could limit the Company s ability to obtain future financing and may prevent the Company from taking advantage of attractive business opportunities. The Company s ability to meet the covenants or requirements in its Credit Agreement may be affected by events beyond the Company s control, and the Company cannot assure you that it will satisfy such covenants and requirements. A breach of these covenants or the Company s inability to comply with the restrictions could result in an event of default under the Credit Agreement, which in turn could result in an event of default under the terms of the Company s other indebtedness. Upon the occurrence of an event of default under the Company s Credit Agreement, after the expiration of any grace periods, the Company s lenders could elect to declare all amounts outstanding under the Company s debt arrangements, together with accrued interest, to be immediately due and payable. If this happens, the Company cannot assure that its assets would be sufficient to repay in full the payments due under the Credit Agreement or the Company s other indebtedness.

The Company s borrowings are subject to interest rate fluctuations and an increase in interest rates could adversely affect the Company s financial results.

The Company s borrowings bear interest at floating rates. An increase in interest rates would adversely affect the Company s profitability. The Company has entered into interest rate swap agreements to manage interest rate exposure in connection with a portion of its variable interest rate borrowings. To the extent that the Company s access to credit may be restricted because of its own performance, its bank lenders performances or conditions in the capital markets generally, the Company would not be able to operate normally.

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The Company s business may be materially adversely affected by market conditions and by global and economic conditions and other factors beyond its control.

The Company s performance is affected by general economic factors, the strength of retail economies and political conditions that are beyond its control. Retail economies are impacted by factors such as consumer demand and the condition of the retail industry, which in turn, are affected by general economic factors. These general economic factors include, among other factors:

- recession, inflation, deflation, unemployment and other factors adversely affecting consumer spending patterns generally;
- conditions affecting the retail environment for the home and other matters that influence consumer spending in the home retail industry specifically;
- conditions affecting the housing markets;
- consumer credit availability and consumer debt levels;
- material input costs, including fuel and energy costs and labor cost inflation;
- foreign currency translation;
- interest rates and the ability to hedge interest rate risks;
- government policies including tax policies relating to value-added taxes, import and export duties and quotas, anti-dumping regulations and related tariffs, import and export controls and social compliance standards;
- the impact of natural disasters, conflicts and terrorist activities;
- unfavorable economic conditions in the United States, the United Kingdom, Continental Europe, Asia and elsewhere; and
- unstable economic and political conditions, lack of legal regulation enforcement, civil unrest and political activism, particularly in Asia.

The Company faces intense competition from other companies worldwide.

The markets for the Company s products are intensely competitive with the principal competitive factors being product innovation, brand name, product quality, aesthetic appeal to customers, packaging, breadth of product offerings, distribution capability, delivery time and price. Advantages or disadvantages in any of these competitive factors may be sufficient to cause the customer to consider changing providers of the kinds of products that the Company sells. The Company competes with many other suppliers, some of which are larger than the Company, have greater financial and other resources or employ brands that are more established, have greater consumer recognition or are more favorably perceived by consumers or retailers than the Company s brands. Some competitors may be willing to reduce prices and accept lower profit margins to compete with the Company. As a result of this competition, the Company could lose market share and sales, or be forced to reduce its prices to meet competition. If the Company s product offerings are unable to compete successfully, the Company s business, results of operations and financial condition could be materially and adversely affected.

Changes in the Company s customer purchasing practices could materially adversely affect the Company s operating results.

The Company s wholesale customers include mass merchants, specialty stores, national chains, department stores, warehouse clubs, supermarkets, off-price retailers and Internet retailers. Unanticipated changes in purchasing and other practices by the Company s customers, including a customer s pricing and payment terms, inventory destocking,

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limitations on shelf space, more extensive packaging requirements, changes in order quantities, use of private label brands and other practices, could materially and adversely affect the Company s business, results of operations and financial condition. In addition, as a result of the desire of retailers to more closely manage inventory levels, there is a growing trend among retailers to make purchases on a just-in-time basis. This requires the Company to shorten its lead time for production in certain cases and more closely anticipate demand, which could in the future require the Company to carry additional inventories. The Company s annual earnings and cash flows also depend to a great extent on the results of operations in the latter half of the year due to the seasonality of its sales. The Company s success and sales growth is also dependent on its evaluation of consumer preferences and changing trends.

Many of the Company s wholesale customers are significantly larger than the Company, have greater financial and other resources and also purchase goods directly from vendors in Asia and elsewhere. Decisions by large customers to increase their purchases directly from overseas vendors could have a material adverse effect on the Company s business, results of operations and financial condition. Significant changes or financial difficulties, including consolidations of ownership, restructurings, bankruptcies, liquidations or other events that affect retailers, could result in fewer retailers selling the Company s products, reliance on a smaller group of customers, an increase in the risk of extending credit to these customers or limitations on the Company s ability to collect amounts due from these customers. Although the Company has long-established relationships with many of its customers, the Company does not have any long-term supply or binding contracts or guarantees of minimum purchases. Purchases by the Company s customers are generally made using individual purchase orders. Customers may cancel their orders, change purchase quantities from forecast volumes, delay purchases for a number of reasons beyond the Company s control or change other terms of their business relationship with the Company. Significant or numerous cancellations, reductions, delays in purchases or changes in business practices by customers could have a material adverse effect on the Company s business, results of operations and financial condition.

Retailers place great emphasis on timely delivery of products for specific selling seasons, especially during the third fiscal quarter, and on the fulfillment of consumer demand throughout the year. The Company cannot control all of the various factors that might affect product delivery to retailers. Failure to deliver products to the Company s retailers in a timely and effective manner, often under special vendor requirements to use specific carriers and delivery schedules, could damage the Company s reputation and brands and result in a loss of customers or reduced orders.

Changes at the Company s large customers, or actions taken by them, and consolidation in the retail industry could materially adversely affect the Company s operating results.

In 2015, Wal-Mart Stores, Inc., including Sam s Club and, in the United Kingdom, Asda Superstore (Walmart), accounted for 16% of the Company s consolidated net sales. The Company s top ten customers accounted for approximately 54% of the Company s net sales in 2015. A material reduction in purchases by any of such customers could have a significant adverse effect on the Company s business and operating results. In addition, pressures by such customers that would cause the Company to materially reduce the price of the Company s products could result in reductions of the Company s operating margin. Any significant changes or financial difficulties that affect these customers, such as reduced sales by such customers (whether for reasons that affect a particular customer or the retail industry in general) may also result in reduced demand for the Company s products. The Company would also be subject to increased credit risk with respect to such customers. In particular, the concentration of the Company s business with Walmart extends to its international business, including in China, as well as through Vasconia in Mexico, GSI in Brazil and the Company s strategic alliance in Canada, due to the market presence of Walmart in these foreign countries. Further, with the continuing trend of consolidation in the retail industry, the ability of the Company s largest customers to continue to purchase from the Company is always subject to risk. Any changes in purchasing practices or decline in the financial condition, of Walmart or other large customers may have a material adverse impact on the business, results of operations and financial condition of the Company.

The Company s large customers also have significant purchasing leverage. They may demand lower pricing, special packaging, shorter lead times for the delivery of products or impose other requirements on product suppliers like the Company. These business demands may relate to inventory practices, logistics or other aspects of the customer-supplier relationship. If the Company does not effectively respond to the demands of its customers, they could decrease or eliminate their purchases from the Company. These risks could be exacerbated if such large customers consolidate, or if the Company s smaller customers consolidate to become larger customers, which would increase their purchasing leverage. A reduction in the purchases of the Company s products by its wholesale customers or the costs of complying with customer business demands could have a material adverse effect on the Company s business, financial condition and results of operations.

The Company s customers could carry products that directly compete with the Company s products for retail space and consumer purchases. There is a risk that these customers could give higher priority to products of, or form alliances with, our competitors. Failure of customers to provide the Company s products with similar levels of promotional support and retail space could have a material adverse effect on the Company s business, results of operations and financial condition.

The loss of certain licenses or material changes in royalty rates could materially adversely affect the Company s operating margin and cash flow.

Significant portions of the Company s business are dependent on trade names, trademarks and patents, some of which are licensed from third parties. In 2015, sales of licensed brands accounted for approximately 42% of the Company s gross sales. The Company s licenses for many of these brands require it to pay royalties based on sales. Many of these license agreements are subject to termination by the licensor, if, for example, the Company fails to satisfy certain minimum sales obligations or breaches the terms of the license. The loss of significant licenses or a material increase in the royalty rates the Company pays or other new terms negotiated upon renewal of such licenses could result in a reduction of the Company s operating margins and cash flow from operations or otherwise adversely affect its business. In particular, the Company s license to use the KitchenAid brand, which represents a material portion of its sales, is subject to a license agreement that has a three-year term that will expire in December 2018. The Company originally entered into a licensing arrangement for use of the KitchenAid brand in 2000, and has renewed the license, typically for three-year periods, since that time. Although it expects to be able to renew its current KitchenAid license prior to its expiration, there is no assurance that the Company will be able to do so on reasonable terms, or at all, and any failure to do so could have a material adverse effect on the Company s business, results of operations and financial condition.

The Company also holds certain rights to use the Farberware brand for kitchen tools and gadgets, cutlery, cutting boards, shears and certain other products which together represent a material portion of its sales, through a fully-paid, royalty-free license for a term that expires in 2195, subject to earlier termination under certain circumstances. The licensor is a joint venture of which the Company is a 50% owner. The other 50% owner of the joint venture has the right to terminate the Company s license if the Company materially breaches any of the material terms of the license and fails to cure the material breach within 180 days of notice of the breach, if it is determined in an arbitration proceeding that money damages alone would not be sufficient compensation to the licensor and that the breach is so egregious as to warrant termination of the license and forfeiture of the Company s rights to use the brand under that license agreement. If the Company were to lose the Farberware license for kitchen tools and gadgets, cutlery, cutting boards, shears and other products through termination as a result of an uncured breach, its business, results of operations and financial condition would be materially adversely affected.

The Company s international operations present special challenges that the Company may not be able to meet, and this could materially and adversely affect the Company s financial results.

The Company conducts business outside of the United States through subsidiaries, affiliates and joint ventures. These entities have operations and assets in the United Kingdom, Mexico, Canada, Brazil, China and Hong Kong. Therefore, the Company is subject to increases and decreases in its investments in these entities resulting from the impact of fluctuations in foreign currency exchange rates. These entities also bear risks similar to those risks faced by the Company. However, there are specific additional risks related to these organizations, such as the failure of the Company s partners or other investors to meet their obligations and higher credit and liquidity risks related to thinly capitalized entities. Failure of these entities or the Company s vendors to adhere to required regulatory or other standards, including social compliance standards, could materially and adversely impact the Company s reputation and business.

In addition, the Company sells its products in foreign countries and seeks to increase its level of international business activity. Accordingly, the Company is subject to various risks, including:

- U.S.-imposed embargoes of sales to specific countries;

- foreign import controls (which may be arbitrarily imposed or enforced);

import regulations and duties;

export regulations (which require the Company to comply with stringent licensing regimes);

anti-dumping regulations;

price and currency controls;

exchange rate fluctuations;

dividend remittance restrictions;

expropriation of assets;

war, civil uprisings and riots;

government instability;

the necessity of obtaining governmental approval for new and continuing products and operations;

legal systems or decrees, laws, taxes, regulations, interpretations and court decisions that are not always fully developed and that may be retroactively or arbitrarily applied;

unanticipated income taxes, excise duties, import taxes, export taxes or other governmental assessments; and

difficulties in managing a global enterprise.

Any significant violations of these regulations could result in civil or criminal sanctions or the loss of export or other licenses, which could have a material adverse effect on the Company s business, results of operations and financial condition. In addition, the Company s organizational structure may limit its ability to transfer funds between countries, particularly into and out of the United States, without incurring adverse tax consequences. Any of these events could result in a loss of business or other unexpected costs that could reduce sales or profits and have a material adverse effect on the Company s financial condition, results of operations and cash flows.

International suppliers subject the Company to regional regulatory, political, economic and foreign currency exchange risk that could materially and adversely affect the Company s operating results.

The Company sources its products from suppliers located principally in Asia, Europe and the United States. The Company s vendors in Asia, from whom a substantial majority of the Company s products are sourced, are located primarily in the People s Republic of China, which subjects the Company to various risks within the region including regulatory, political, economic and foreign currency changes. The Company s ability to select and retain reliable vendors and suppliers who provide timely deliveries of quality parts and products efficiently will impact its success in meeting customer demand for timely delivery of quality products. The Company s sourcing operations and its vendors are impacted by labor costs in China, where labor historically has been readily available at low cost relative to labor costs in North America. However, as China is experiencing rapid social, political and economic changes, labor costs have risen in some regions and labor in China may not continue to be available to the Company at costs consistent with historical levels. Changes in labor or other laws may be enacted which would have a material adverse effect on the Company s operations in China, or those of the Company s suppliers. Although China currently enjoys most favored nation trading status with the U.S., the U.S. government has in the past proposed to revoke such status and to impose higher tariffs on products imported from China. Changes in currency exchange rates might negatively affect the Company and its overseas vendors profitability and business prospects. The Company does not have access to its vendors financial information and the Company is unable to assess its vendors financial condition, including their liquidity. Interruption of supplies from any of the Company s vendors, or the loss of one or more key vendors, could have a negative effect on the Company s business and operating results.

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Foreign exchange variability could materially adversely affect the Company s operating results.

The Company s functional currency is the U.S. Dollar. Changes in the relation of foreign currencies to the U.S. Dollar will affect the Company s sales and profitability and can result in exchange losses because the Company has operations and assets located outside the United States. The Company transacts a portion of its business in currencies other than the U.S. Dollar, primarily British Pounds, and to a lesser degree, Chinese Renminbi, Euros and Canadian Dollars. Such transactions include sales, certain inventory purchases and operating expenses. As a result, portions of the Company s cash, trade accounts receivable and trade accounts payable are denominated in foreign currencies. Accordingly, foreign operations expose the Company to foreign currency fluctuations, both for purposes of actual conversion and financial reporting purposes. In our consolidated financial statements, we translate local currency financial results into U.S. dollars based on the exchange rates prevailing during the reporting periods. During times of a strengthening U.S. dollar, the reported revenues and earnings of our international operations will be reduced because the local currencies will translate into fewer U.S. dollars.

The Company s strategic alliances in Mexico, Canada and Brazil also subject the Company to increases and decreases in its investments resulting from the impact of fluctuations in foreign currency exchange rates.

The vast majority of products are purchased from China in U.S. Dollars, including products purchased by the Company s international operations. As a result, the gross margin from international operations is subject to volatility from movements in exchange rates, which could have an adverse effect on our financial condition and results of operations and profitability from the growth desired from international operations. The Company has entered into foreign exchange derivative financial instruments to hedge the volatility of exchange rates related to a portion of its international inventory purchases. The Company cannot ensure, however, that these hedges will fully offset the impact of foreign currency rate movements. If the Chinese Renminbi should appreciate against the U.S. Dollar, the costs of the Company s products will likely rise over time because of the impact the fluctuations will have on the Company s suppliers, and the Company may not be able to pass on these price increases to its customers. The Company is also subject to the risks of currency controls and devaluations. Currency controls may limit the Company s ability to convert currencies into U.S. Dollars or other currencies, as needed, or to pay dividends or make other payments from funds held by subsidiaries in the countries imposing such controls, which could adversely affect the Company s liquidity.

As the Company continues to expand its international operations, it will be subject to increased foreign exchange variability which could have a material adverse effect on the Company s results of operations. The impact of future exchange rate fluctuations on the Company s results of operations cannot be accurately predicted.

The Company s international trade subjects it to transportation risks.

The Company imports its products for delivery to its distribution centers, as well as arranges for its customers to import goods to which title has passed overseas or at port of entry. For purchases that are to be delivered to its distribution centers, the Company arranges for transportation, primarily by sea, from ports in Asia and Europe to ports in the United States, principally New York/Newark/Elizabeth and Los Angeles/Long Beach, and in the United Kingdom, principally Felixstowe. Accordingly, the Company is subject to risks incidental to such transportation. These risks include, but are not limited to, increases in fuel costs, fuel shortages, the availability of ships, increased security restrictions, work stoppages, weather disruptions and carriers ability to provide delivery services to meet the Company s shipping needs. Transportation disruptions and increased transportation costs could materially adversely affect the Company s business, results of operations and financial condition.

The Company delivers its products to its customers or makes such products available for customer pickup from its distribution centers. During the third and fourth quarter of 2014, the Company s distribution process was impacted by the longshoremen s work slowdown and the threat of a strike on the west coast. The impact of slowdowns and labor strikes on the Company s operations, prolonged domestic transportation disruptions, as well as workforce or systems issues related to the Company s distribution centers, could have a material adverse effect on the Company s ability to deliver goods to its customers.

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The Company may not be able to adequately establish or protect its intellectual property rights, and the infringement or loss of the Company s intellectual property rights could harm its business.

To establish and protect the Company s intellectual property rights, the Company relies upon a combination of U.S., foreign and multi-national patent, trademark, copyright and trade secret laws, together with licenses, confidentiality agreements and other contractual arrangements. The measures that the Company takes to protect its intellectual property rights may prove inadequate to prevent third parties from infringing or misappropriating the Company s intellectual property, or from breaching their contractual obligations to the Company.

The Company has obtained and applied for numerous U.S. and foreign trademark, service mark and patent registrations, and will continue to evaluate the registration of additional marks, patents or other intellectual property, as appropriate. The Company cannot guarantee that any of its pending applications will be approved by the applicable governmental authorities. Moreover, even if such applications are approved, third parties may seek to oppose, declare invalid or otherwise challenge these registrations. Failure to obtain registrations for the Company s intellectual property in the United States and other countries could limit the Company s ability to protect its intellectual property rights and impede the Company s marketing efforts and operations in those jurisdictions.

The Company may need to resort to litigation to enforce or defend its intellectual property rights. If a competitor or collaborator files a patent application claiming technology also claimed by the Company, or a trademark application claiming a trademark, service mark or trade dress also used by the Company, in order to protect the Company s rights, the Company may have to participate in opposition or interference proceedings before the U.S. Patent and Trademark Office or a similar foreign agency. The Company cannot guarantee that the operation of its business does not infringe or otherwise violate the intellectual property rights of third parties, and the Company s intellectual property rights may be challenged by third parties or invalidated through administrative process or litigation. The costs associated with protecting intellectual property rights, including litigation costs associated with litigation or administrative proceedings, may be material and there can be no assurance that any such litigation or administrative proceedings will be successful. Any such matters or proceedings could be burdensome, divert the time and resources of the Company s personnel and the Company may not prevail. Furthermore, even if the Company s intellectual property rights are not directly challenged, disputes among third parties could lead to the weakening or invalidation of the Company s intellectual property rights, or other parties such as the Company s competitors may independently develop technologies that are substantially equivalent or superior to the Company s technology.

The laws of certain foreign countries in which the Company operates or may operate in the future do not protect, and the governments of certain foreign countries do not enforce, intellectual property rights to the same extent as do the laws and government of the U.S., which may negate the Company s competitive or technological advantages in such markets. Moreover, any repeal or weakening of intellectual property laws or enforcement of those laws in the United States or foreign jurisdictions could make it more difficult for the Company to adequately protect its intellectual property rights, negatively impacting their value and increasing the cost of enforcing the Company s rights. If the Company is unable to establish or adequately protect its intellectual property rights, the Company s business, financial condition and results of operations could be materially and adversely affected.

If the Company is unable to protect the confidentiality of its proprietary information and know-how, the value of the Company s technology, products and services could be harmed significantly.

In addition to registered intellectual property, the Company relies on know-how and other proprietary information in operating its business. If this information is not adequately protected, then it may be disclosed or used in an unauthorized manner. To the extent that consultants, vendors, key employees or other third parties apply technology independently developed by them or by others to the Company s proposed products in the absence of a valid license or suitable non-disclosure or assignment of inventions provisions, disputes may arise as to the ownership of or rights to use such technology, which may not be resolved in the Company s favor. The risk that other parties may breach confidentiality or other agreements could harm the Company by enabling the Company s competitors and other entities, who may have greater experience and financial resources, to copy or use the Company s proprietary information in the advancement of their products, methods or technologies.

The Company sells consumer products which involve an inherent risk of product liability claims.

The marketing of certain of the Company s consumer products involve an inherent risk of product liability claims or recalls or other regulatory or enforcement actions initiated by the U.S. Consumer Product Safety Commission, by the Office of Fair Trading in the U.K., by other regulatory authorities or through private causes of action and the Company has had in the past, and may have in the future, recalls (both voluntary and involuntary) of its products. Any defects in products the Company markets could harm the Company s reputation, adversely affect its relationship with its customers and decrease market acceptance of the Company s products and the strength of the brand names under which the Company markets such products. Potential product liability claims may exceed the amount of the Company s insurance coverage and could materially damage the Company s business and its financial condition. Additionally, the Company s product standards could be impacted by new or revised environmental rules and regulations or other social initiatives.

The Company operates in a regulated environment that imposes significant compliance requirements. Non-compliance with these requirements could subject the Company to sanctions and materially adversely affect the Company s business.

The Company is subject in the ordinary course of its business, in the United States and elsewhere, to many statutes, ordinances, rules and regulations that, if violated by the Company or its affiliates, partners or vendors, could have a material adverse effect on the Company s business. The Company is required to comply with the United States Foreign Corrupt Practices Act (FCPA), the U.K. Bribery Act and similar anti-bribery, anti-corruption and anti-kickback laws adopted in many of the countries in which the Company does business which prohibit the Company from engaging in bribery or making other prohibited payments to foreign officials for the purpose of obtaining or retaining business and also require maintenance of adequate record-keeping and internal accounting practices to accurately reflect transactions. Under the FCPA, companies operating in the United States may be held liable for actions taken by their strategic or local partners or representatives. The U.K. Bribery Act is broader in scope than the FCPA in that it directly addresses commercial bribery in addition to bribery of government officials and it does not recognize certain exceptions, notably facilitation payments that are permitted by the FCPA. Civil and criminal penalties may be imposed for violations of these laws. In many of the countries in which the Company operates, particularly those with developing economies, it is or has been common for government officials and businesses to engage in business practices that are prohibited by these laws. If the Company does not properly implement and maintain practices and controls with respect to compliance with applicable anti-corruption, anti-bribery and anti-kickback laws, or if the Company fails to enforce those practices and controls properly, the Company may be subject to regulatory sanctions, including administrative costs related to governmental and internal investigations, civil and criminal penalties, injunctions and restrictions on the Company s business and capital raising activities, any of which could materially and adversely affect the Company s business, results of operations and financial condition. The Company s employees, distributors, dealers and other agents could engage in conduct that is not in compliance with such laws for which the Company might be held responsible. If the Company s employees, distributors, dealers or other agents are found to have engaged in illegal practices, the Company could suffer substantial penalties and the reputation, business, results of operations and financial condition of the Company could be materially adversely affected.

The Company is additionally subject to general business laws and regulations, as well as regulations and laws specifically governing the Internet and e-commerce. Such existing and future laws and regulations may impede the growth of Internet or other online services and thereby adversely impact the Company s sales. These laws and regulations may cover taxation, user privacy, data security, pricing, content, proprietary rights, advertising, distribution, electronic contracts and other communications, consumer protection, the provision of online payment services, broadband residential Internet access and the characteristics and quality of products and services. It is not clear in certain cases how existing laws and regulations governing issues such as property ownership, sales and other taxes and personal privacy apply to the Internet and e-commerce. Unfavorable resolutions of these issues would harm the Company s business, diminish the demand for the Company s products on the Internet and increase the Company s cost of doing business.

Demand for new products and the inability to develop and introduce new competitive products at favorable profit margins could adversely affect the Company s performance and prospects for future growth.

New product introductions and product innovation are significant contributors to the Company s growth strategy and the Company s long-term success in the competitive retail environment depends in part on the Company s ability to develop and market a continuing stream of innovative new products that meet changing consumer preferences. The uncertainties associated with developing and introducing new products, such as the market demands and the costs of development and production may impede the successful development and introduction of new products. Acceptance of the new products may not meet sales expectations due to several factors, such as the Company s failure to accurately predict market demand or its inability to resolve technical issues in a timely and cost-effective manner. Additionally, the inability to develop new products on a timely basis could result in the loss of business to competitors.

The Company s brands are subject to reputational risks.

The Company s brands and its reputation are among its most important assets. The Company s ability to attract and retain customers depends, in part, upon the external perceptions of the Company, the quality of its products and its corporate and management integrity. The consumer goods industry is by its nature more prone to reputational risks than other industries. This has been compounded in recent years by the free flow of unverified information on the Internet and, in particular, on social media. Damage to the Company s brands or reputation or negative publicity or perceptions about the Company could adversely affect its business.

The Company depends on third-party manufactures to produce the majority of its products which presents quality control risks to the Company.

With the exception of the Company s sterling silver products, the Company sources almost all of its products from suppliers located outside the United States, primarily in the People s Republic of China, which restricts the Company s ability to monitor and control their manufacture of the Company s goods.

Although the Company has agreements with its third party manufacturers regarding quality standards and regularly audits the facilities of its manufacturers, through its quality control program, there can be no assurance that the third party manufacturers will continue to meet the Company s quality standards, social standards regarding its workforce that is expected in the United States or legislation and regulations that apply to the products the Company contracts to manufacture. Failure by the Company s manufacturers to meet these standards could, in turn, increase order cancellations, returns, price concessions and decrease customer demand for our products. Non-compliance with the Company s product standards, regulatory requirements or product recall (or other regulatory actions) could have a material adverse effect on the Company s financial condition, results of operations or cash flows.

A failure in the Company s operating systems or infrastructure or those of third parties could disrupt the Company s business and cause losses.

The Company relies on many information technology systems for the operation of its principal business functions, including the Company s enterprise resource planning, warehouse management, inventory forecast and re-ordering and call center systems. In the case of the Company s inventory forecast and re-ordering system, most of the Company s orders are received directly through electronic connections with the Company s largest customers. Additionally, the success of certain product categories in a competitive marketplace is dependent upon the creation and launch of new, innovative products. Accordingly, to keep pace within a competitive retail environment, the Company uses and will continue to evaluate new technologies to improve the efficiency of designing new innovative products. The failure of any of these systems or technologies could have a material adverse effect on the Company s business and results of operations.

The Company is subject to cyber security risks and may incur increasing costs in an effort to minimize those risks.

The Company employs information technology systems and Internet systems, including websites, which allow for the secure storage and transmission of proprietary or confidential information regarding the Company s customers, employees and others, including credit card information and personal identification information. The Company has made significant efforts to secure its computer network to mitigate the risk of possible cyber-attacks. However, the regulatory environment governing information, security and privacy laws, as well as the requirements imposed on the Company by the credit card industry, is increasingly demanding and continues to evolve. The security of the Company s computer networks could be compromised which could impact operations and confidential information could be misappropriated, which could lead to negative publicity, loss of sales and profits or cause the Company to incur significant costs to reimburse third-parties for damages which could adversely impact profits. Furthermore, maintaining compliance with applicable security and privacy regulations and standards may increase the Company s operating costs and/or adversely impact the Company s ability to market its products or process payment information.

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The Company s senior executives and other key management are critical to the Company s success. The loss of, and failure to attract and maintain its highly skilled personnel could adversely affect the Company s business.

The Company s success depends, in part, on the efforts and skills of the executive officers of the Company. The Company s executive officers are experienced and highly qualified in the housewares industry. The loss of any of our executive officers or other key management personnel could harm our business and our ability to timely achieve our strategic initiatives. The Company s success also depends, in part, on its ability to identify, hire and retain other skilled personnel. The Company s industry is characterized by a high level of employee mobility and aggressive recruiting among competitors for personnel with successful track records. The Company may not be able to attract and retain skilled personnel or may incur significant costs in order to do so.

Increases in the cost of employee benefits could materially adversely impact the Company s financial results and cash flows.

The Company self-insures a substantial portion of the costs of employee healthcare and workers compensation. This could result in higher volatility in the Company s earnings and exposes the Company to higher financial risks. The Company s medical costs in recent years have generally increased and an aging workforce and other employee demographics could result in an increase in our medical costs beyond what we have experienced or expect. We have stop-loss coverage in place for catastrophic events, but the aggregate impact of a high number of claims up to our stop-loss limit may have an effect on our profitability.

The Patient Protection and Affordable Care Act, commonly referred to as the Affordable Care Act, which came into effect in 2013, contains provisions which could materially adversely impact the Company s future healthcare costs. Changes in the law, including the imposition of a penalty on individuals who do not obtain healthcare coverage, may result in employees who are currently eligible but elect not to participate in the Company s healthcare plans now finding it more advantageous to do so, which may increase the Company s healthcare costs. The requirements of the Affordable Care Act is also likely to impose some additional administrative costs on the Company. It is also possible that making changes or failing to make changes in the healthcare plans the Company offers will make the Company less attractive to its current or potential employees.

The Company s product costs are subject to price fluctuation.

Various commodities comprise the raw materials used to manufacture the Company s products. The prices of these commodities have historically fluctuated on a cyclical basis and have often depended on a variety of factors over which the Company has no control. Additionally, labor costs represent a significant component of the Company s supplier s manufacturing costs and the Company s suppliers may increase the prices they charge the Company if they experience rising labor costs. The cost of producing and distributing the Company s products is also sensitive to energy costs, duties and tariffs. The selling prices of the Company s products have not always increased in response to raw material, labor or other cost increases, and the Company is unable to determine to what extent, if any, it will be able to pass future cost increases through to its customers. The Company s inability to come to favorable agreements with its suppliers or to pass increased costs through to the Company s customers could materially and adversely affect its financial condition or results of operations.

The Company s business is highly seasonal.

The Company s business and working capital needs are highly seasonal, with a majority of sales occurring in the third and fourth quarters. In 2015, net sales for the third and fourth quarters accounted for 59% of total annual net sales. If the Company has poor operating results during the third and fourth quarters it would have a disproportionately adverse effect on the Company s financial condition or results of operations. In addition, with a significant amount of its revenue being realized during the latter portion of the year, the Company s working capital and borrowing needs fluctuate, which could result in higher borrowings and lower availability under the Credit Agreement during these quarters.

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If the Company s goodwill or other long-term assets become impaired, the Company will be required to record impairment charges, which may be significant.

A portion of the Company s long-term assets consists of goodwill recorded as a result of the Company s acquisitions; other identifiable intangible assets, including trade names; and fixed assets. At December 31, 2015, goodwill totaled $18.1 million. The Company does not amortize goodwill but rather reviews it for impairment on an annual basis or more frequently whenever events or changes in circumstances indicate that its carrying value may not be recoverable. If the carrying value of a reporting unit exceeds its current fair value as determined based on the discounted future cash flows of the reporting unit or market comparable sales and earnings multiples, the goodwill or intangible asset is considered impaired and is reduced to fair value. Events and conditions that could result in impairment include a prolonged period of global economic weakness, a further decline in economic conditions or a slow, weak economic recovery, as well as sustained declines in the price of the Company s common stock, adverse changes in the regulatory environment, adverse changes in the market share of our products, adverse changes in interest rates, or other factors leading to reductions in the long-term sales or profitability that we expect. Determination of the fair value of a reporting unit includes developing estimates which are highly subjective and incorporate calculations that are sensitive to minor changes in underlying assumptions. Management s assumptions change as more information becomes available. Changes in these assumptions could result in an impairment charge in the future, which could have a significant adverse impact on our reported earnings. If future operating performance of one or more of the Company s operating segments does not meet expectations, the Company may be required to record a significant charge during the period in which any impairment of the Company s goodwill or other long-term assets is determined.

As of October 1, 2015, the Company s annual impairment testing date, the estimated fair value of each reporting unit was calculated by the discounted cash flow method and the resultant estimated fair value of each of the reporting units exceeded their carrying value and no goodwill impairment charges were recorded. For one of the reporting units tested, the Kitchen Craft reporting unit, which carried goodwill of $13.0 million, the excess of fair value over its carrying value was 5%. This reporting unit was acquired in 2014, and therefore the Company did not expect the fair value to be significantly in excess of the carrying value. There were no fundamental changes in the business that would indicate a significant decline in the fair value since the acquisition date, however macroeconomic conditions in Europe have contributed to a decline in operating profit. Management s projections used to estimate the undiscounted cash flows included increasing net sales and operational improvements designed to reduce costs. Changes in any of the significant assumptions used can materially affect the expected cash flows, and such impacts can potentially result in a material non-cash impairment charge.

For the year ended December 31, 2014, the Company recorded an impairment charge of $3.4 million to reduce the book value of Elements and Melannco, home decor trade names. In addition, during 2014, the Company recorded an impairment charge of $6.0 million related to its investment in GSI. The recognition of an impairment of the Company s goodwill or any of the Company s assets would negatively affect the results of operations and total capitalization, the effect of which could be material.

Interruptions in the Company s operations caused by outside forces could cause material losses.

The Company s worldwide operations could be subject to natural and man-made disasters, telecommunications failures, water shortages, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, conflicts, acts of terrorism, health epidemics and other business interruptions. The occurrence of any of these business disruptions could seriously harm the Company s business, revenue and financial condition and increase the Company s costs and expenses. If the Company s or its manufacturers warehousing facilities or transportation facilities are damaged or destroyed, the Company would be unable to distribute products on a timely basis, which could harm the Company s business. The Company s back-up operations may be inadequate, and the Company s business interruption insurance may not be sufficient to compensate for any losses that may occur.

The Company s projections of product demand, sales and net income are highly subjective in nature and the Company s future sales and net income could vary in a material amount from the Company s projections.

From time to time, the Company may provide projections to its stockholders, lenders, the investment community, and other stakeholders of the Company s future sales and net income. Since the Company does not have long-term purchase commitments from customers and the customer order and shipment process is very short, it is difficult for the Company to accurately predict the demand for many of its products, or the amount and timing of the Company s future sales and related net income. The Company s projections are based on management s best estimate of sales using historical sales data and other information deemed relevant. These projections are highly subjective since sales can fluctuate substantially based on the demands of retail customers and due to other risks described in this Annual Report. Additionally, changes in retailer inventory management strategies could make the Company s inventory management more difficult. Because the Company s ability to forecast product demand and the timing of related sales includes significant subjective input, future sales and net income could vary materially from the Company s projections.

The Company s business requires it to maintain a large fixed-cost base that can affect its profitability. Cost reduction efforts and restructurings benefits may not be realized.

The Company s business requires it to maintain large distribution facilities in its key markets, which represent high fixed rental costs relating to its leased facilities. In addition, significant portions of the Company s selling, general and administrative expenses, including leased showrooms, are fixed, they neither increase nor decrease proportionally with sales. Furthermore, the Company s gross margins depend, in part, on its ability to spread certain other costs, of which a significant portion are fixed, over its products sold. Decreased demand or the need to reduce inventories can lower the Company s ability to absorb fixed costs and adversely affect its results of operations. This is exacerbated by the high degree of seasonality impacting the Company, which results in lower demand during the first two quarters of the year, while many of the operating costs remain fixed, which further affects profitability.

In order to operate more efficiently and control costs, the Company may announce from time to time restructuring plans, including workforce reductions, global facility consolidations and other cost reduction initiatives that are intended to generate operating expense savings. The implementation of restructuring plans could be disruptive to the Company s operations, result in higher than anticipated charges and otherwise adversely affect the Company s results of operations and financial condition. In addition, the Company s ability to complete the restructuring plan and achieve the anticipated benefits from the plan is subject to estimates and assumptions and may vary materially from the Company s expectations, including as a result of factors that are beyond the Company s control. Furthermore, following completion of a restructuring plan, the business may not be more efficient or effective than prior to implementation of the plan.

The Company may not be able to adequately address the additional review and disclosure required in respect of Conflict Minerals.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains regulations concerning the supply of conflict minerals originating from the Democratic Republic of Congo and adjoining countries. As a result, the SEC adopted annual disclosure and reporting requirements for those companies that use such conflict minerals in the products they manufacture or contract to manufacture. These requirements require ongoing due diligence efforts and there are costs associated with complying with these disclosure requirements, including the costs of investigations to determine the sources of raw materials used in the Company s products and the costs of any changes to products, processes or sources of supply as a consequence of the results of such investigations. These rules could adversely affect the sourcing, supply and pricing of materials used in the Company s products. As there may be only a limited number of suppliers offering these conflict minerals from conflict free sources, the Company cannot ensure that it will be able to obtain necessary materials from such suppliers in sufficient quantities or at competitive prices. Also, the Company may face reputational challenges if it determines that certain of its products contain conflict minerals not determined to be conflict free or if it is unable to sufficiently verify the origins for all conflict minerals used in its products through the procedures the Company has implemented and may implement in the future.

The Company may incur material costs due to environmental liabilities.

The Company is subject to a broad range of federal, state, local, foreign and multi-national laws and regulations relating to the environment. These include laws and regulations that govern:

- discharges to the air, water and land;
- the handling and disposal of solid and hazardous substances and wastes; and
- remediation of contamination associated with release of hazardous substances at the Company s facilities and at off-site disposal locations.

The Company may incur material costs to comply with increasingly stringent environmental laws and enforcement policies. Moreover, there are proposed international accords and treaties, as well as federal, state and local laws and regulations, which would attempt to control or limit the causes of climate change, including the effect of greenhouse gas emissions on the environment. In the event that the U.S. government or foreign governments enact new climate change laws or regulations or make changes to existing laws or regulations, compliance with applicable laws or regulations may result in increased manufacturing costs for the Company s products, such as by requiring investment in new pollution control equipment or changing the ways in which certain of the Company s products are made. The Company may incur some of these costs directly and others may be passed on to the Company from its third-party suppliers. Although the Company believes that it is substantially in compliance with applicable environmental laws and regulations at its facilities, the Company may not always be in compliance with such laws and regulations or any new laws and regulations in the future, which could have a material adverse effect on the Company s business, financial condition and results of operations.

Wallace Silversmiths de Puerto Rico, Ltd. (WSPR), 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, WSPR 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, and Liability Act (CERCLA). WSPR has cooperated with the EPA in their investigation. In August 2015, the EPA released its remedial investigation and feasibility study (RI/FS) for the Site. In December 2015, the EPA issued its Record of Decision (ROD) for OU-1, selecting a dual phase removal remedy to deal with soil contamination. The EPA s selected remedy consists of soil vapor extraction and dual-phase extraction/in-situ treatment. It is not possible at this time for the Company to estimate its share of liability, if any, related to this matter. However, in the event of one or more adverse determinations related to this matter, it is possible that the ultimate liability resulting from this matter and the impact on the Company s results of operations could be material.

If previously unknown contamination of property underlying or in the vicinity of the Company s manufacturing facility or other properties that are currently or have formerly been owned, operated or used by the Company is discovered, the Company could be required to incur material unforeseen expenses. If this occurs, it may have a material adverse effect on the Company s business, financial condition and results of operations.

The Company s ability to complete future acquisitions or strategic alliances and/or integrate acquired businesses could have a material adverse effect on the Company s business and results of operations.

The Company has achieved growth through acquisitions, investments and joint ventures. The Company has completed approximately 15 acquisitions and strategic investments since 2006, including four acquisitions completed in the first quarter of 2014. The Company seeks acquisition opportunities that complement and expand its operations, some of which are based outside the United States. There can be no assurance that the Company will be able to identify and successfully negotiate suitable acquisitions, obtain financing for future acquisitions on satisfactory terms, obtain regulatory approval or otherwise complete acquisitions in the future.

Additionally, the Company may not be able to successfully integrate these businesses or future acquisitions into its existing business without substantial costs, delays or other operational or financial difficulties. The Company could face significant challenges in consolidating functions and integrating procedures and processes, internal controls, information technology and other systems, personnel, product lines and operations in a timely and efficient manner.

There are inherent limitations on the effectiveness of the Company s controls.

The Company does not expect that its disclosure controls or the Company s internal controls over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well-designed and operated, can provide only

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reasonable, not absolute, assurance that the control system s objectives will be met. The design of a control system must reflect the fact that resource constraints exist, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate due to changes in conditions or deterioration in the degree of compliance with policies or procedures. If the Company s controls become inadequate, it could fail to meet its financial reporting obligations, its reputation may be adversely affected, its business and operating results could be harmed, and the market price of its stock could decline.

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Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The following table lists the principal properties at which the Company operates its business at December 31, 2015:

Location	Description	Size (square feet)	Owned/ Leased
Fontana, California [1]	Principal West Coast warehouse and distribution facility	753,000	Leased
Robbinsville, New Jersey[1]	Principal East Coast warehouse and distribution facility	700,000	Leased
Birmingham, England [2]	Offices, showroom, warehouse and distribution facilities	204,000	Leased
Winchendon, Massachusetts[1]	Warehouse and distribution facility, and spice packing line	175,000	Owned
Corby, England [2]	Offices, showroom, warehouse and distribution facility	168,000	Leased
Garden City, New York[3]	Corporate headquarters/main showroom	159,000	Leased
Medford, Massachusetts[1]	Offices, showroom, warehouse and distribution facility	69,000	Leased
San Germán, Puerto Rico[1]	Sterling silver manufacturing facility	55,000	Leased
Cumberland, Rhode Island[1]	Offices	34,000	Leased
Shanghai, China[3]	Offices	22,000	Leased
Kowloon, Hong Kong[3]	Offices and showrooms	19,000	Leased
Guangzhou, China[3]	Offices	18,000	Leased
New York, New York [1]	Showrooms	17,000	Leased
York, Pennsylvania[1]	Offices	14,000	Leased
Atlanta, Georgia[1]	Showrooms	11,000	Leased
Bentonville, Arkansas[1]	Offices and showroom	7,000	Leased
Menomonee Falls, Wisconsin[1]	Showroom	4,000	Leased
Carlisle, Pennsylvania[1]	Showroom	2,300	Leased

(1) Location used by the U.S. Wholesale segment.
(2) Location used by the International segment.
(3) Location used by all segments.

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Item 3. Legal Proceedings

Wallace Silversmiths de Puerto Rico, Ltd. (WSPR), 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, WSPR 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, and Liability Act (CERCLA). In July 2011, WSPR received a letter from the EPA requesting access to the property that it leases from PRIDCO to conduct an environmental investigation, and the Company granted such access. In February 2013, the EPA requested access to conduct a further environmental investigation at the property. PRIDCO agreed to such access and the Company consented. EPA conducted further investigation during 2013 and, in April 2015, notified the Company and PRIDCO that the results from vapor intrusion sampling may warrant implementation of measures to mitigate potential exposure to sub-slab soil gas. The Company reviewed the information provided by the EPA and requested that PRIDCO, as the property owner, find and implement a solution acceptable to the EPA. While WSPR did not cause the sub-surface condition that resulted in the potential for vapor intrusion, in order to protect the health of its employees and continue its business operations, it has nevertheless implemented corrective action measures to prevent vapor intrusion such as sealing floors of the building and conducting periodic air monitoring to address potential exposure. On August 13, 2015, the EPA released its remedial investigation and feasibility study (RI/FS) for the Site. On December 11, 2015, the EPA issued the Record of Decision (ROD) for OU-1, electing to implement its preferred remedy which consists of soil vapor extraction and dual-phase extraction/*in-situ* treatment. This selected remedy includes soil vapor extraction (SVE) to address soil (vadose zone) source areas at the Site, impermeable cover as necessary for the implementation of SVE, dual phase extraction in the shallow saprolite zone, and *in-situ* treatment as needed to address residual sources. The EPA s estimated capital cost for its selected remedy is $7.3 million. The EPA also designated a second operable unit which will consist of further investigations to determine the nature and extent of groundwater contamination. WSPR never used the primary contaminant of concern and did not take up its tenancy at the Site until after the EPA had discovered the contamination in the local water supply. The EPA has also issued notices of potential liability to numerous other entities affiliated with the Site, which used the contaminants of concern.

Accordingly, based on the above uncertainties and variables, it is not possible at this time for the Company to estimate its share of liability, if any, related to this matter. However, in the event of one or more adverse determinations related to this matter, it is possible that the ultimate liability resulting from this matter and the impact on the Company s results of operations could be material.

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 4. Mine Safety Disclosure

Not applicable.

PART II

Item 5. Market For Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company s common stock is traded under the symbol LCUT on the NASDAQ Global Select Market (NASDAQ).

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The following table sets forth the quarterly high and low sales prices for the common stock of the Company for the fiscal periods indicated as reported by NASDAQ.

	2015		2014	
	High	**Low**	**High**	**Low**
First quarter	$ 17.27	$ 12.48	$ 18.84	$ 14.03
Second quarter	16.45	14.06	19.95	14.47
Third quarter	15.43	12.87	18.06	15.03
Fourth quarter	15.81	12.55	18.15	14.74

At December 31, 2015, the Company estimates that there were approximately 2,200 record holders of the Company s common stock.

The Company is authorized to issue 100 shares of Series A Preferred stock and 2,000,000 shares of Series B Preferred stock, none of which were issued or outstanding at December 31, 2015.

In the last two fiscal years, the Board of Directors declared a dividend of $0.0375 per share payable on each of February 14, 2014, May 15, 2014, August 15, 2014, November 14, 2014, February 13, 2015, May 15, 2015 and August 14, 2015 and declared a dividend of $0.0425 per share payable on each of November 13, 2015 and February 15, 2016. The Board of Directors currently intends to continue paying cash dividends for the foreseeable future, although the Board of Directors may in its discretion determine to modify or eliminate such dividends at any time. On March 3, 2016, the Board of Directors declared a quarterly dividend of $0.0425 per share payable on May 16, 2016 to shareholders of record on May 2, 2016. The Company s Credit Agreement, however, may restrict its ability to declare and pay dividends, establishing conditions that are to be met prior to making any dividend payment as well as restrictions on the amount of any dividend payment.

There were no purchases made by or on behalf of the Company or any affiliated purchaser of the Company s common stock during the quarter ended December 31, 2015.

The following table summarizes the Company s equity compensation plan as of December 31, 2015:

Plan category	**Number of shares of common stock to be issued upon exercise of outstanding options, warrants or rights [(1)]**	**Weighted-average exercise price of outstanding options [(2)]**	**Number of shares of common stock remaining available for future issuance**
Equity compensation plan approved by security holders	2,341,427	$ 14.28	604,460

Equity compensation plan not approved by security holders				
Total	2,341,427	$	14.28	604,460

(1) Securities reported in this column include outstanding options to purchase 2,242,202 shares of common stock as well as 99,225, the maximum number of performance-based deferred stock awards, where the underlying shares have not been issued.

(2) The weighted-average exercise price takes into account option awards but not the shares subject to performance-based deferred stock awards.

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PERFORMANCE GRAPH

The following chart compares the cumulative total return on the Company s common stock with the NASDAQ Market Index and the Hemscott Group Index for Housewares & Accessories. The comparisons in this chart are required by the SEC and are not intended to forecast or be indicative of the possible future performance of the Company s common stock.

Date	Lifetime Brands, Inc.	Hemscott Group Index	NASDAQ Market Index
12/31/2010	$ 100.00	$ 100.00	$ 100.00
12/31/2011	87.09	92.51	99.17
12/31/2012	77.08	136.86	116.48
12/31/2013	115.30	210.39	163.21
12/31/2014	127.29	251.16	187.27
12/31/2015	99.15	286.18	200.31

Note:

(1) The graph assumes $100 was invested as of the open of trading on January 1, 2011 and dividends were reinvested. Measurement points are at the last trading day of each of the fiscal years ended December 31, 2011, 2012, 2013, 2014 and 2015. The material in this chart is not soliciting material, is not deemed filed with the SEC and is not incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether or not the chart is prepared before or after the date of this Annual Report on Form 10-K and irrespective of any general incorporation language in such filing. A list of the companies included in the Hemscott Group Index will be furnished by the Company to any stockholder upon written request to the Chief Financial Officer of the Company.

Item 6. Selected Financial Data

The selected consolidated statement of operations data for the years ended December 31, 2015, 2014 and 2013 and the selected consolidated balance sheet data as of December 31, 2015 and 2014 has been derived from the Company s audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated statement of operations data for the years ended December 31, 2012 and 2011 and the selected consolidated balance sheet data at December 31, 2013, 2012 and 2011 have been derived from the Company s audited consolidated financial statements included in the Company s Annual Reports on Form 10-K for those respective years, which are not included in this Annual Report on Form 10-K.

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This information should be read together with the discussion in *Management s Discussion and Analysis of Financial Condition and Results of Operations* and the Company s consolidated financial statements and notes to those statements included elsewhere in this Annual Report on Form 10-K.

	Year ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except per share data)				
STATEMENT OF OPERATIONS DATA[(1)]					
Net sales	$ 587,670	$ 586,010	$ 502,721	$ 486,842	$ 444,418
Cost of sales	373,284	373,129	315,459	310,054	282,058
Distribution expenses	54,815	54,202	44,364	44,046	43,882
Selling, general and administrative expenses [(2)]	134,903	133,786	114,345	104,338	93,894
Intangible asset impairment		3,384		1,069	
Restructuring expenses	437	125	367		
Income from operations	24,231	21,384	28,186	27,335	24,584
Interest expense	(5,746)	(6,418)	(4,847)	(5,898)	(7,758)
Financing expense	(154)	(758)			
Loss on early retirement of debt		(346)	(102)	(1,363)	
Income before income taxes, equity in earnings and extraordinary item	18,331	13,862	23,237	20,074	16,826
Income tax provision	(6,627)	(5,825)	(9,175)	(5,208)	(6,122)
Equity in (losses) earnings, net of taxes [(3)]	574	(6,493)	(4,781)	6,081	3,362
Net income	$ 12,278	$ 1,544	$ 9,281	$ 20,947	$ 14,066
Basic income per common share	$ 0.89	$ 0.11	$ 0.73	$ 1.67	$ 1.16
Weighted-average shares outstanding basic	13,850	13,519	12,757	12,511	12,128
Diluted income per common share	$ 0.86	$ 0.11	$ 0.71	$ 1.64	$ 1.12
Weighted-average shares outstanding diluted	14,266	13,974	13,043	12,810	12,529
Cash dividends declared per common share	$ 0.16	$ 0.15	$ 0.13125	$ 0.125	$ 0.075

	December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
BALANCE SHEET DATA[(1)]					
Current assets	$ 243,380	$ 258,117	$ 214,676	$ 212,759	$ 198,797

Current liabilities	91,715	83,869	69,494	66,899	69,962
Working capital	151,665	174,248	145,182	145,860	128,835
Total assets	398,952	421,402	336,739	348,797	318,745
Short-term borrowings	20,252	10,765	3,937	11,375	15,000
Long-term debt	80,617	127,655	65,919	84,593	82,625
Stockholders equity	199,468	188,233	180,905	172,230	146,175

Notes:

(1) Investments and acquisitions of the following, in the respective years noted, affect the comparability of the periods: the acquisition of Creative Tops in November 2011, a 40% equity investment in GS Internacional S/A (GSI) in December 2011, the acquisition of Fred® & Friends in December 2012 and the acquisition of Kitchen Craft in January 2014.

(2) In 2015 and 2014, the Company recorded a net charge of $0.7 million and a credit of $4.2 million, respectively, related to adjustments to the fair value of certain contingent consideration.

(3) In 2012, the Company recorded a gain of $4.1 million related to Vasconia s purchase of Almexa and in 2013, the Company recorded a charge of $5.0 million, net of tax for a reduction of the fair value of the Company s investment in Vasconia. In 2014, the Company recorded a charge of $6.0 million, net of tax, for a reduction of the fair value of the Company s investment in GSI.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements for the Company and notes thereto set forth in Item 15. This discussion contains forward-looking statements relating to future events and the future performance of the Company based on the Company s current expectations, assumptions, estimates and projections about it and the Company s industry. These forward-looking statements involve risks and uncertainties. The Company s actual results and timing of various events could differ materially from those anticipated in such forward-looking statements as a result of a variety of factors, as more fully described in this section and elsewhere in this Annual Report including those discussed on pages 2-3 of this Annual Report under Disclosures regarding Forward-Looking Statements and under Item 1A Risk Factors and Item 7A Quantitative and Qualitative Disclosures Regarding Market Risk. The Company undertakes no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

ABOUT THE COMPANY

The Company designs, sources and sells branded kitchenware, tableware 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 and bakeware) and Tableware (dinnerware, stemware, flatware and giftware); and one category, Home Solutions, which comprises other products used in the home (pantryware, spice racks, thermal beverageware, food storage and home décor). In 2015, Kitchenware products and Tableware products accounted for approximately 86% of the Company s U.S. Wholesale net sales and 86% of the Company s consolidated net sales, as compared with 88% and 87%, respectively, in 2014.

The Company markets several product lines within each of its product categories and under most of the Company s brands, primarily targeting moderate price points through virtually 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 leading brands in its industry including Farberware®, Mikasa®, KitchenAid®, KitchenCraft®, Pfaltzgraff®, Sabatier®, Kamenstein®, masterclass®, Fred®, Towle® and Built NY®. 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. More recently, the Company has significantly expanded its international footprint through acquisitions of businesses which own or license complementary brands in markets outside the United States.

BUSINESS SEGMENTS

The Company has three reportable segments: U.S. Wholesale, International and Retail Direct. The U.S. Wholesale segment is the Company s primary domestic business that designs, markets and distributes its products to retailers and distributors. The International segment consists of certain business operations conducted outside the U.S. The Retail Direct segment is that in which the Company markets and sells a limited selection of its products to consumers through its Pfaltzgraff, Mikasa, Fred and Friends, Built NY and Lifetime Sterling Internet websites. The Company has segmented its operations to reflect the manner in which management reviews and evaluates its results of operations.

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.

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. Shares of Vasconia s capital stock are traded on the Bolsa Mexicana de Valores, the Mexican Stock Exchange. The Quotation Key is VASCONI.

The Company recorded equity in earnings (losses) of Vasconia, net of taxes, of $594,000, $230,000 and $(4.0) million for the years ended December 31, 2015, 2014 and 2013, respectively. In 2013, as a result of a decline in the quoted stock price and the 2013 quarterly decline in the operating results of Vasconia, the carrying amount of the Company s investment in Vasconia exceeded its fair value and, therefore, the Company reduced its investment value by $5.0 million during the year ended December 31, 2013, net of tax, to its fair value.

In December 2011, the Company acquired a 40% equity interest in GS Internacional S/A (GSI). GSI is a wholesale distributor of branded housewares products in Brazil. GSI markets dinnerware, glassware, home décor, kitchenware and barware to customers throughout Brazil including major department stores, housewares retailers and independent shops. 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.

As a result of the decline in operating results of GSI and the business environment in Brazil, the Company evaluated the carrying value of its investment for other-than-temporary impairment under the equity-method of accounting and recorded an impairment charge of $6.0 million, net of tax, in 2014.

In February 2012, the Company acquired a 50% stake in Grand Venture Holdings Limited (Grand Venture), a joint venture with Manweal Development Limited (Manweal), a Chinese corporation, to distribute Mikasa® products in China, which included an initial investment by the Company of $500,000. The Company and Manweal each own 50% of Grand Venture and have rights and obligations proportionate to their ownership percentages. The Company accounts for its investment in Grand Venture using the equity method of accounting and has recorded its proportionate share of Grand Venture s net loss in equity in earnings in the Company s consolidated statements of operations.

In January 2011, the Company, together with Vasconia and unaffiliated partners, formed a joint venture based in Hong Kong that supplies imported kitchenware products to retailers in North, Central and South American. The Company sold its investment in this joint venture to an unaffiliated partner in October 2014.

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 2015, 2014 and 2013, net sales for the third and fourth quarters accounted for 59%, 60% and 61%, 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.

IMPACT OF INFLATION

Inflation rates in the United States and in major foreign countries where the Company operates have not had a significant impact on its results of operations or financial position during 2015, 2014, or 2013. The Company will continue its practice of monitoring costs and adjusting prices, accordingly.

EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLES

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases,* which requires a lessee, in most leases, to initially recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within with those years. Early adoption is permitted. The Company is evaluating the effect of adopting this pronouncement.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes,* which requires an entity to classify deferred tax liabilities and assets as noncurrent within a classified statement of financial position. ASU 2015-17 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2016, with early adoption permitted. This update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company early adopted ASU 2015-17 on a prospective basis as of December 31, 2015. Prior period amounts were not retrospectively adjusted.

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In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*, which eliminates the requirement to restate prior period financial statements for measurement period adjustments. The guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. The amendments to in this update should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this update with earlier application permitted for financial statements that have not been issued. The Company does not expect that the adoption of the ASU will have a significant impact on its consolidated financial statements.

In July, 2015, the FASB issued ASU 2015-11, *Inventory: Simplifying the Measurement of Inventory*, which affects reporting entities that measure inventory using first-in, first-out or average cost. Specifically, the guidance requires that inventory be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. The guidance is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company is evaluating the effect of adopting this pronouncement. The adoption of this pronouncement is not expected to have a material impact on the Company s consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, *Customer s Accounting for Fees Paid in a Cloud Computing Arrangement*, which provides guidance about whether a cloud computing arrangement includes a software license. This ASU is effective for financial statements issued for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. This ASU can be applied prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. Early adoption is permitted. The Company is currently determining its implementation approach and assessing the impact, if any, on the consolidated financial statements.

In April 2015, FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs* and during August 2015, the FASB issued ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*, which clarifies the treatment of debt issuance costs from line-of-credit arrangements after adoption of ASU 2015-03. ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. ASU 2015-15 clarifies that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regard