

LAKELAND INDUSTRIES INC

Form 424B4

June 16, 2004

Table of Contents

Filed Pursuant to Rule 424(b)(4)
Registration No. 333-115162

PROSPECTUS

1,205,000 Shares

Common Stock

We are offering 1,100,000 shares of our common stock and the selling stockholders identified in this prospectus are offering 105,000 shares of our common stock.

Our shares of common stock are listed on the Nasdaq National Market under the symbol LAKE. The last reported sale price of our common stock on June 14, 2004 was \$23.64 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 8 to read about the risks you should consider before buying shares of our common stock.

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$21.0000	\$25,305,000
Underwriters' discounts and commissions	\$ 1.4175	\$ 1,708,088
Proceeds, before expenses, to us	\$19.5825	\$21,540,750
Proceeds to selling stockholders	\$19.5825	\$ 2,056,163

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We have granted the underwriters a 30-day option to purchase up to 180,750 additional shares of our common stock at the public offering price, less the underwriting discounts and commissions, solely to cover over-allotments, if any.

We expect that the shares of our common stock will be ready for delivery to purchasers on or about June 18, 2004.

FRIEDMAN BILLINGS RAMSEY

The date of this prospectus is June 14, 2004

Table of Contents

You should rely only on the information contained or incorporated by reference in this prospectus. We, the selling stockholders and the underwriters have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We, the selling stockholders and the underwriters are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date of this prospectus. Our business, financial condition, results of operations and prospects may have changed since those dates. See [Incorporation of Certain Information By Reference](#) and [Where You Can Find More Information](#).

TABLE OF CONTENTS

	<u>Page</u>
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	8
<u>Special Note Regarding Forward-Looking Statements</u>	16
<u>Use of Proceeds</u>	18
<u>Price Range of Common Stock and Dividend Policy</u>	19
<u>Capitalization</u>	20
<u>Selected Consolidated Financial Data</u>	21
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
<u>Business</u>	31
<u>Management</u>	44
<u>Certain Relationships and Related Party Transactions</u>	46
<u>Principal and Selling Stockholders</u>	48
<u>Description of Capital Stock</u>	50
<u>Material U.S. Tax Considerations to Non-U.S. Holders</u>	53
<u>Underwriting</u>	56
<u>Incorporation of Certain Information by Reference</u>	58
<u>Legal Matters</u>	58
<u>Experts</u>	58
<u>Where You Can Find More Information</u>	59
<u>Index to Consolidated Financial Statements</u>	F-1

The Lakeland name and logo and the names of products offered by us are trademarks, registered trademarks, service marks or registered service marks of Lakeland. All other trademarks and service marks appearing in this prospectus are the property of their respective holders.

As used here, Body Gard[®], Despro[™], Fyrepel[™], Grapolator[™], Mock Twist, Kut Buster[™], Micromax[®], Pyrolon[®], Rytex[®], Safeguard 76[®], Sterling Heights Thermbar[™] and TomTex[®] are trademarks of Lakeland Industries, Inc. Kevlar[®], Nomex[®], TyChem[®] SL, BR and TK and Tyvek[®] are registered trademarks of E.I. DuPont de Nemours and Company. Spectra[®] is a registered trademark of Honeywell International, Inc. Indura[®] is a registered trademark of Westex, Inc. Basofil[®] is a registered trademark of BASF Aktiengesellschaft. Millenia[®] is a registered trademark of Southern Mills.

Table of Contents

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed business information and consolidated financial statements and related notes that appear elsewhere in this prospectus and in the documents that we incorporate by reference into this prospectus. This prospectus may contain certain forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. This information involves risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Risk Factors. Unless the context otherwise requires, references in this prospectus to Lakeland, we, us and our mean Lakeland Industries, Inc. and its subsidiaries. Any reference in this prospectus to any fiscal year of our company refers to our fiscal year ended or ending on January 31 of such year.

Lakeland Industries, Inc.

We manufacture and sell a comprehensive line of safety garments and accessories for the industrial protective clothing market. Our products are sold by our in-house sales force and independent sales representatives to a network of over 500 safety and mill supply distributors. These distributors in turn supply end user industrial customers such as chemical/petrochemical, automobile, steel, glass, construction, smelting, janitorial, pharmaceutical and high technology electronics manufacturers, as well as hospitals and laboratories. In addition, we supply federal, state and local governmental agencies and departments such as fire and police departments, airport crash rescue units, the Department of Defense, Central Intelligence Agency, Federal Bureau of Investigation, U.S. Secret Service and the Centers for Disease Control. In fiscal 2004, we had net sales of \$89.7 million and diluted earnings per share of \$1.11, which represent a growth rate of 15.3% and 38.8%, respectively, over our previous fiscal year. For the three months ended April 30, 2004, we had net sales of \$26.8 million and diluted earnings per share of \$0.43, which represent a growth rate of 12.6% and 69.2%, respectively, from the three months ended April 30, 2003. Our net sales attributable to customers outside the United States were \$4.5 million, \$5.7 million, \$8.0 million and \$2.8 million in fiscal 2002, fiscal 2003, fiscal 2004 and the three months ended April 30, 2004, respectively.

Our major product categories and their applications are described below:

Limited Use/ Disposable Protective Clothing. We manufacture a complete line of limited use/disposable protective garments offered in coveralls, lab coats, shirts, pants, hoods, aprons, sleeves and smocks. These garments are made from several non-woven fabrics, primarily Tyvek® and TyvekQC (both DuPont manufactured fabrics) and also our proprietary fabrics manufactured pursuant to customer order. These garments provide protection from low-risk contaminants or irritants, such as chemicals, pesticides, fertilizers, paint, grease and dust, and from limited exposure to hazardous waste and toxic chemicals, including acids, asbestos, lead and hydro-carbons (or PCBs) that pose health risks after exposure for long periods of time. Additional applications include protection from viruses and bacteria, such as AIDS, streptococcus, SARS and hepatitis, at hospitals, clinics and emergency rescue sites and use in clean room environments to prevent human contamination in the manufacturing processes. This is our largest product line.

High-End Chemical Protective Suits. We manufacture heavy duty chemical suits made from TyChem® SL, TK and BR, which are DuPont manufactured fabrics. These suits are worn by individuals on hazardous material teams to provide protection from powerful, highly concentrated and hazardous or potentially lethal chemical and biological toxins, such as toxic wastes at Super Fund sites, toxic chemical spills or biological discharges, chemical or biological warfare weapons (such as anthrax or ricin), and chemicals and petro-chemicals present during the cleaning of refineries and nuclear facilities. Due to Homeland Security measures and government funding of personal protective equipment for first responders to terrorist threats or attacks have recently resulted in increased demand for our high-end chemical suits and we believe demand for these suits will continue to increase in the future.

Table of Contents

Fire Fighting and Heat Protective Apparel. We manufacture an extensive line of fire fighting and heat protective apparel for use by fire fighters and other individuals that work in extreme heat environments such as industrial maintenance crews and military and airport crash and rescue teams.

Gloves and Arm Guards. We manufacture gloves and arm guards from Kevlar® and Spectra®, a cut resistant fiber made by Honeywell. Our gloves are used primarily in the automotive, glass and metal fabrication industries to protect the wearer's hand and arms from lacerations and heat without sacrificing manual dexterity or comfort.

Reusable Woven Garments. We manufacture a line of reusable and washable woven garments that complement our fire fighting and heat protective apparel offerings and provide alternatives to our limited use/disposable protective clothing lines. These products are ultimately sold to the automotive and electrical manufacturing industries and to hospitals for protection against blood borne pathogens and bacteria such as AIDS, streptococcus and hepatitis, and flame resistant Nomex® coveralls used in chemical and petroleum plants and for wild land fire fighting.

We believe we are one of the largest independent customers of DuPont's Tyvek® and TyChem® apparel grade material. We purchase Tyvek® under North American licensing agreements and other DuPont materials, such as Kevlar®, under international licensing agreements. While we have operated under these trademark agreements since 1995, we have been a significant customer of these DuPont materials since 1982. The trademark agreements require certain quality standards and the identification of the DuPont trademark on the finished product manufactured by us. We believe this brand identification with DuPont and Tyvek® significantly benefits the marketing of our largest product line, as over the past 30 years Tyvek® has become known as the standard for limited use/disposable protective clothing. We believe our relationship with DuPont to be excellent.

We maintain manufacturing facilities in Decatur, Alabama; Celaya, Mexico; AnQui City, China; Jiaozhou, China; and St. Joseph, Missouri, where our products are designed, manufactured and sold. We also have a relationship with a sewing subcontractor in Mexico, which we can utilize for unexpected production surges. Our China and Mexico facilities allow us to take advantage of favorable labor and supplier costs, thereby increasing our profit margins on products manufactured in these facilities. We have significantly improved our profit margins in these product lines by shifting production to our international facilities and we intend to expand our international manufacturing capabilities to include our gloves and reusable woven protective apparel product lines in the future.

Industry Overview

According to Global Industry Analysts, Inc., the global market for industrial protective clothing is projected to be approximately \$6.0 billion in 2004, and is projected to grow at a compound annual growth rate of approximately 6.5%. Our primary market, North America, is the largest market, expected to make up over one-third, or approximately \$2.0 billion, of the global market. The industrial protective clothing market includes our limited use/disposable protective clothing, our high-end chemical protective suits, our fire fighting and heat protective apparel and our reusable woven garments. Global Industry Analysts, Inc. estimates that the market for gloves was over \$2.6 billion worldwide in 2003.

The industrial protective clothing market has evolved over the past 35 years as a result of governmental regulations and requirements and commercial product development. In 1970, Congress enacted the Occupational Safety and Health Act, or OSHA, which requires employers to supply protective clothing in certain work environments. Almost two million workers are subject to OSHA standards today. Certain states have also enacted worker safety laws that supplement OSHA standards and requirements.

Business Strategy

Key elements of our strategy include:

Increase Sales to the First Responder Market. Our high-end chemical protective suits meet all of the requirements and are particularly well qualified to provide protection to first responders to

Table of Contents

chemical or biological attacks. For example, our products have been used for response to recent threats such as the 2001 anthrax letters and the 2004 ricin letters. A portion of appropriations for the Fire Act of 2002 and the Bio Terrorism Preparedness and Response Act of 2002 are available for purchase of products for first responders that we manufacture, and we intend to aggressively target this market.

Improve Marketing in Existing Markets. We believe significant growth opportunities are available to us through the better positioning, marketing and enhanced cross-selling of our reusable woven protective clothing, glove and arm guards and high-end chemical suit product lines, along with our limited use/disposable lines.

Increase Penetration of the North American Tyvek® Market. We intend to increase our sales of Tyvek®-based garments by introducing Tyvek® in industries which have generally used woven reusable garments, such as food processing and food service industries including kitchens, grocery stores and chicken and fishery slaughter operations. We believe that limited use/disposable garments are more effective at preventing contamination than reusable garments that are exposed to possible contamination while in transit or while being laundered. We also plan to expand our sales of Tyvek®-based products and marketing efforts in Mexico and Canada. Industrial safety gear utilized in U.S. manufacturing often gains acceptance as standard equipment for new facilities and factories operated by U.S. companies in other countries.

Emphasize Customer Service. We continue to offer a high level of customer service to distinguish our products and to create customer loyalty. We offer well-trained and experienced sales and support personnel, on-time delivery and accommodation of custom and rush orders. We also seek to extensively advertise our brand names.

Decrease Manufacturing Expenses by Moving Production to International Facilities. We have additional opportunities to take advantage of our low cost production capabilities in Mexico and China. Beginning in 1995, we successfully moved the labor intensive sewing operation for our limited use/disposable protective clothing lines to these facilities. Beginning January 1, 2005, pursuant to the United States World Trade Organization Treaty with China, quota requirements imposed by the U.S. on textiles such as our reusable woven garments and gloves are scheduled to be removed, making it more cost effective to move production for these product lines to our assembly facilities in China. We are in the early stages of this process and expect to complete this process by the third quarter of fiscal 2005. As a result, we expect to see profit margin improvements for these product lines, which will allow us to compete more effectively as the quota restrictions are removed.

Acquisitions. We believe that the protective clothing market is fragmented and presents the opportunity to acquire businesses that offer comparable products or specialty products that we do not offer. We intend to consider acquisitions that afford us economies of scale, enhanced opportunity for cross-selling, expanded product offerings and an increased market presence. We have no letters of intent or understandings with respect to any potential acquisitions.

Introduction of New Products. We continue our history of product development and innovation by introducing new proprietary products across all our product lines. Our innovations have included Micromax® disposable protective clothing line, our Despro™ glove and Grapolator™ sleeve lines for hand and arm cut protection and our Thermbar™ Mock Twist glove for hand and arm heat protection. We own seven patents on fabrics and production machinery and have eight additional patents in application. We will continue to dedicate resources to research and development.

Our Competitive Strengths

Our competitive strengths include:

Industry Reputation. We devote significant resources to creating customer loyalty by accommodating custom and rush orders and focusing on on-time delivery. Additionally, our ISO 9001

Table of Contents

certified facilities manufacture high-quality products. As a result of these factors, we believe that we have an excellent reputation in the industry.

Long-standing Relationship with DuPont. We believe we are the largest independent customer for Dupont's Tyvek® and TyChem® material for use in the industrial protective clothing market. Our trademark agreements with DuPont for Tyvek®, TyChem® and Kevlar® require certain quality standards and the identification of the DuPont brand on the finished product. We believe this brand identification with DuPont significantly benefits the marketing of our product lines, as over the past 30 years Tyvek® has become known as the standard for limited use/disposable protective clothing. We believe our relationship with DuPont to be excellent.

International Manufacturing Capabilities. We have operated manufacturing facilities in Mexico since 1995 and in China since 1996. Our three facilities in China total over 160,000 sq. ft. of manufacturing, warehousing and administrative space while our facility in Mexico totals over 14,000 sq. ft. of manufacturing, warehousing and administrative space. Our facilities and capabilities in China and Mexico allow access to a less expensive labor pool than is available in the United States and permit us to purchase certain raw materials at a lower cost than they are available domestically.

Comprehensive Inventory. We have a large product offering with numerous specifications, such as size, styles and pockets, and maintain a large inventory of each in order to satisfy customer orders in a timely manner. Many of our customers traditionally make purchases of industrial protective gear with expectations of immediate delivery. We believe our ability to provide timely service for these customers enhances our reputation in the industry and positions us strongly for repeat business, particularly in our limited use/disposable protective clothing product lines.

Manufacturing Flexibility. By locating labor-intensive manufacturing processes such as sewing in Mexico and China, and by utilizing sewing sub-contractors, we have the ability to increase production without substantial additional capital expenditures. Our manufacturing systems allow us flexibility for unexpected production surges and alternative capacity in the event any of our independent contractors become unavailable.

Experienced Management Team. We have an experienced management team. Our executive officers average greater than 20 years of experience in the industrial protective clothing market. The knowledge, relationships and reputation of our management team helps us maintain and build our customer base.

Recent Development

On May 27, 2004, we issued a press release announcing guidance for net sales and net income per common share for fiscal year 2005. We expect net sales to be between \$99 million and \$100 million and net income per common share (before giving effect to the issuance of shares in this offering) to be between \$1.50 and \$1.60 for the fiscal year ended January 31, 2005.

General Information

We were first incorporated in New York in 1982 and later reincorporated in Delaware in 1986. Our principal executive offices are located at 711-2 Koehler Avenue, Ronkonkoma, New York 11779. Our telephone number is (631) 981-9700. Our website can be visited at www.lakeland.com. Information contained on our website is not part of this prospectus.

Table of Contents

The Offering

Common stock offered by us	1,100,000 shares
Common stock offered by the selling stockholders	105,000 shares
Common stock to be outstanding after this offering ⁽¹⁾	4,380,135 shares
Use of proceeds	We intend to use the net proceeds of this offering, which are estimated to be approximately \$21.0 million, for repayment of debt, potential acquisitions, working capital and other general corporate purposes. We will not receive any proceeds from the sale of shares by the selling stockholders. See Use of Proceeds.
Over-allotment option	We have granted the underwriters an option to purchase up to an additional 180,750 shares of common stock to be sold solely to cover over-allotments.
<u>Nasdaq National Market Symbol</u>	LAKE

(1) Based on the number of shares outstanding as of June 14, 2004. This does not include 285,330 shares of common stock issuable under our employee and director option plans as of June 14, 2004, consisting of:

6,330 shares underlying options outstanding at a weighted average exercise price of \$6.66 per share, of which 6,330 shares were exercisable; and

279,000 shares available for future issuance under our employee and director option plans.

Except as otherwise indicated, all information in this prospectus assumes no exercise of the underwriters' over-allotment option.

Table of Contents**Summary Consolidated Financial Data**

The following summary consolidated financial data for our fiscal years 2000, 2001, 2002, 2003 and as of and for our fiscal year 2004 have been derived from our audited consolidated financial statements, which have been audited by Grant Thornton LLP as of and for the fiscal years ended January 31, 2000, 2001 and 2002 and by PricewaterhouseCoopers LLP as of and for the fiscal years ended January 31, 2003 and 2004. The summary financial data as of and for the three months ended April 30, 2003 and April 30, 2004 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus and, in our opinion, reflect all adjustments, consisting of normal accruals, necessary for a fair presentation of the data for those periods. Our results of operations for the three months ended April 30, 2004 may not be indicative of results that may be expected for the full year. You should read the information set forth below in conjunction with our

Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included in this prospectus.

	Year Ended January 31,					Three Months Ended April 30,	
	2000	2001	2002	2003	2004	2003	2004
(in thousands, except share and per share data)							
Income Statement Data:							
Net sales	\$ 58,644	\$ 76,108	\$ 76,431	\$ 77,826	\$ 89,717	\$ 23,825	\$ 26,838
Costs of goods sold	48,156	64,798	63,294	62,867	71,741	19,729	20,859
Gross profit	10,488	11,310	13,137	14,959	17,976	4,096	5,979
Operating expenses:							
Selling and shipping	4,177	4,825	5,414	6,338	7,342	1,847	2,145
General and administrative	3,014	3,794	4,134	4,262	4,596	776	1,441
Impairment of goodwill					249		
Total operating expenses	7,191	8,619	9,548	10,600	12,187	2,623	3,586
Operating profit	3,297	2,691	3,589	4,359	5,789	1,473	2,393
Other income (expense):							
Interest expense	(821)	(1,248)	(882)	(643)	(535)	(138)	(137)
Interest income	26	27	18	20	19	3	2
Other income net	7	15	91	40	24	12	7
Total other expense	788	1,206	773	583	492	123	(128)
Income before income taxes	2,509	1,485	2,816	3,776	5,297	1,350	2,265
Income tax expense	(761)	(362)	(846)	(1,172)	(1,659)	486	721
Minority interest in net income of variable interest entities							119
Net income	\$ 1,748	\$ 1,123	\$ 1,970	\$ 2,604	\$ 3,638	\$ 864	\$ 1,425

Edgar Filing: LAKELAND INDUSTRIES INC - Form 424B4

Net income per common share (Basic) ⁽¹⁾	\$ 0.54	\$ 0.35	\$ 0.61	\$ 0.80	\$ 1.11	\$ 0.26	\$ 0.44
Net income per common share (Diluted) ⁽¹⁾	\$ 0.54	\$ 0.35	\$ 0.61	\$ 0.80	\$ 1.11	\$ 0.26	\$ 0.43
Weighted average common shares outstanding ⁽¹⁾ :							
Basic	3,211,280	3,200,990	3,222,956	3,261,116	3,268,551	3,266,997	3,273,925
Diluted	3,234,873	3,227,265	3,247,290	3,269,039	3,275,501	3,274,757	3,278,803

Table of Contents

	As of April 30, 2004	
	Actual	As Adjusted⁽²⁾
	(in thousands)	
Balance Sheet Data:		
Current assets	\$46,174	\$50,255
Total assets	51,348	55,429
Current liabilities	5,938	5,938
Long-term liabilities	17,690	780
Stockholders' equity	26,452	47,443

- (1) Adjusted for periods prior to July 31, 2003 to reflect our 10% stock dividends to stockholders of record as of July 31, 2002 and July 31, 2003. Earnings per share have been restated in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share.
- (2) The as adjusted column gives effect upon the closing of this offering to the sale of 1,100,000 shares of common stock by us in this offering, after deducting underwriting discounts and commissions and estimated offering expenses, and the application of the estimated net proceeds.

Table of Contents

RISK FACTORS

You should carefully consider the following risks before investing in our common stock. These are not the only risks that we may face. If any of the events referred to below actually occurs, our business, financial condition, liquidity and results of operations could suffer. In that case, the trading price of our common stock could decline and you may lose all or part of your investment. You should also refer to the other information in this prospectus and in the documents we incorporate by reference into this prospectus, including our consolidated financial statements and the related notes.

Risks Related to Our Business

We rely on a limited number of suppliers and manufacturers for specific fabrics, including Tyvek®, and we may not be able to obtain substitute suppliers and manufacturers on terms that are as favorable, or at all, if our supplies are interrupted.

Our business is dependent to a significant degree upon close relationships with vendors and our ability to purchase raw materials at competitive prices. The loss of key vendor support, particularly support by DuPont for its Tyvek® products, could have a material adverse effect on our business, financial condition, results of operations and cash flows. We do not have long-term supply contracts with DuPont or our other fabric suppliers. In addition, DuPont also uses Tyvek® in some of its own products which compete directly with our Tyvek®-based products. As a result, there can be no assurance that we will be able to acquire Tyvek® and other raw materials and components at competitive prices or on competitive terms in the future. For example, certain materials that are high profile and in high demand may be allocated by vendors to their customers based upon the vendors' internal criteria, which are beyond our control.

In fiscal 2004, we purchased approximately 77.4% of the dollar value of our raw materials from DuPont, and Tyvek® constituted approximately 55% of our cost of goods sold and approximately 71.2% of the dollar value of our raw material purchases. In the three months ended April 30, 2004, we purchased approximately 77.2% of the dollar value of our raw materials from DuPont, and Tyvek® constituted approximately 65.3% of our cost of goods sold and approximately 66.9% of the dollar value of our raw material purchases. For periods in 1985 and 1989, DuPont placed all purchasers of Tyvek® on allocation. Allocation is a circumstance in which demand outstrips supply and fabrics are sold based upon the amount a buyer purchased the prior year. This allocation limited our ability to meet demand for products made of Tyvek®. Although we have not experienced delays in obtaining Tyvek® since 1989, there can be no assurance that an adequate supply of Tyvek® will be available in the future. Any shortage could adversely affect our ability to manufacture our products, and thus reduce our net sales.

Other than DuPont's Tyvek® and TyChem® fabrics, we generally use standard fabrics and components in our products. We rely on non-affiliated suppliers and manufacturers for the supply of these fabrics and components that are incorporated in our products. If such suppliers or manufacturers experience financial, operational, manufacturing capacity or quality assurance difficulties, or if there is a disruption in our relationships, we will be required to locate alternative sources of supply. We cannot assure you that we will be able to locate such alternative sources. In addition, we do not have any long-term contracts with any of our suppliers for any of these components. Our inability to obtain sufficient quantities of these components, if and as required in the future, may result in:

interruptions and delays in manufacturing and resulting cancellations of orders for our products;

increases in fabric or component prices that we may not be able to pass on to our customers; and

our holding more inventory than normal because we cannot finish assembling our products until we have all of the components.

We are subject to risks as a result of our international manufacturing operations.

Because most of our products are manufactured at our facilities located in China and Mexico, our operations are subject to risks inherent in doing business internationally. Such risks include the adverse

Table of Contents

effects on operations from war, international terrorism, civil disturbances, political instability, governmental activities and deprivation of contract and property rights. In particular, since 1978, the Chinese government has been reforming its economic and political systems, and we expect this to continue. Although we believe that these reforms have had a positive effect on the economic development of China and have improved our ability to successfully operate our facilities in China, we cannot assure you that these reforms will continue or that the Chinese government will not take actions that impair our operations or assets in China. In addition, periods of international unrest may impede our ability to manufacture goods in other countries and could have a material adverse effect on our business and results of operations.

Our results of operations could be negatively affected by potential fluctuations in foreign currency exchange rates.

Most of our assembly arrangements with our foreign-based subsidiaries or third party suppliers require payment to be made in U.S. dollars. These payments aggregated \$6.2 million and \$2.1 million in fiscal 2004 and the three months ended April 30, 2004, respectively. Any decrease in the value of the U.S. dollar in relation to foreign currencies could increase the cost of the services provided to us upon contract expirations or supply renegotiations. There can be no assurance that we will be able to increase product prices to offset any such cost increases and any failure to do so could have a material adverse effect on our business, financial condition and results of operations.

We are also exposed to foreign currency exchange rate risks as a result of our sales in foreign countries. Our net sales to customers in Canada and China were \$4.8 million and \$0.6 million, respectively, in fiscal 2004 and \$1.3 million and \$0.2 million, respectively, in the three months ended April 30, 2004. Our sales in Canada are denominated in Canadian dollars. If the value of the U.S. dollar increases relative to the Canadian dollar and we are unable to raise our prices proportionally, then our profit margins could decrease because of the exchange rate change. Although our sales in China are denominated in the Chinese Yuan, this currency has recently been largely pegged to the U.S. dollar, which has minimized our foreign currency exchange rate risk in China. However, if in the future the Chinese Yuan is not pegged to the U.S. dollar, we will be exposed to additional foreign currency exchange rate risk. This risk will also increase as we increase our sales in other foreign countries. See Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures About Market Risk—Foreign Currency Risk.

Rapid technological change could negatively affect sales of our products and our performance.

The rapid development of fabric technology continually affects our apparel applications and may directly impact the performance of our products. For example, microporous film-based products have eroded the market share of Tyvek® in certain applications. We cannot assure you that we will successfully maintain or improve the effectiveness of our existing products, nor can we assure you that we will successfully identify new opportunities or continue to have the needed financial resources to develop new fabric or apparel manufacturing techniques in a timely or cost-effective manner. In addition, products manufactured by others may render our products obsolete or non-competitive. If any of these events occur, our business, prospects, financial condition and operating results will be materially and adversely affected.

Acquisitions or future expansion could be unsuccessful.

In the future, we may seek to acquire selected safety products lines or safety-related businesses which will complement our existing products. Our ability to acquire these businesses is dependent upon many factors, including our management's relationship with the owners of these businesses, many of which are small and closely held by individual stockholders. In addition, we will be competing for acquisition and expansion opportunities with other companies, many of which have greater name recognition, marketing support and financial resources than us, which may result in fewer acquisition opportunities for us as well as higher acquisition prices. There can be no assurance that we will be able to identify, pursue or acquire any targeted businesses and, if acquired, there can be no assurance that we will be able to profitably

Table of Contents

manage additional businesses or successfully integrate acquired businesses into our company without substantial costs, delays and other operational or financial problems.

If we proceed with any significant acquisition for cash, we may use a substantial portion of our available cash in order to consummate any such acquisition. We may also seek to finance any such acquisition through debt or equity financings, and there can be no assurance that such financings will be available on acceptable terms or at all. If consideration for an acquisition consists of equity securities, our stockholders could be diluted. If we borrow funds in order to finance an acquisition, we may not be able to obtain such funds on terms that are favorable to us. In addition, such indebtedness may limit our ability to operate our business as we currently intend because of restrictions placed on us under the terms of the indebtedness and because we may be required to dedicate a substantial portion of our cash flow to payments on the debt instead of to our operations, which may place us at a competitive disadvantage.

Acquisitions involve a number of special risks in addition to those mentioned above, including the diversion of management's attention to the assimilation of the operations and personnel of the acquired companies, the potential loss of key employees of acquired companies, potential exposure to unknown liabilities, adverse effects on our reported operating results, and the amortization or write down of acquired intangible assets. We cannot assure you that any acquisition by us will or will not occur, that if an acquisition does occur that it will not materially and adversely affect our results of operations or that any such acquisition will be successful in enhancing our business.

If we are unable to manage our growth, our business could be adversely affected.

Our operations and business have expanded substantially in recent years, with a large increase in employees and business areas in a short period of time. To manage our rapid growth properly, we have been and will be required to expend significant management and financial resources. There can be no assurance that our systems, procedures and controls will be adequate to support our operations as they expand. There can also be no assurance that our management will be able to manage our growth and operate a larger organization efficiently or profitably. To the extent that we are unable to manage growth efficiently and effectively or are unable to attract and retain additional qualified management personnel, our business, financial condition and results of operations could be materially and adversely affected.

We must recruit and retain skilled employees, including our senior management, to succeed in our business.

Our performance is substantially dependent on the continued services and performance of our senior management and certain other key personnel, including Christopher J. Ryan, our chief executive officer, president, general counsel and secretary, James McCormick, our chief financial officer and treasurer, Greg Willis, our national sales manager, and Harvey Pride, Jr., our vice president in charge of manufacturing, due to their long experience in our industry. Our executive officers have an average tenure with us of 16 years and an average of 22 years of experience in our industry. The loss of the services of any of our executive officers or other key employees could have a material adverse effect on our business, financial condition and results of operations. In addition, any future expansion of our business will depend on our ability to identify, attract, hire, train, retain and motivate other highly skilled managerial, marketing, customer service and manufacturing personnel and our inability to do so could have a material adverse effect on our business, financial condition and results of operations.

Because we do not have long-term commitments from many of our customers, we must estimate customer demand and errors in our estimates could negatively impact our inventory levels and net sales.

Our sales are generally made on the basis of individual purchase orders, which may later be modified or canceled by the customer, rather than long-term commitments. We have historically been required to place firm orders for fabrics and components with our suppliers, prior to receiving an order for our products, based on our forecasts of customer demands. Our sales process requires us to make multiple demand forecast assumptions, each of which may introduce error into our estimates, causing excess inventory to accrue or a lack of manufacturing capacity when needed. If we overestimate customer

Table of Contents

demand, we may allocate resources to manufacturing products that we may not be able to sell when we expect or at all. As a result, we would have excess inventory, which would negatively impact our financial results. Conversely, if we underestimate customer demand or if insufficient manufacturing capacity is available, we would lose sales opportunities, lose market share and damage our customer relationships. On occasion, we have been unable to adequately respond to delivery dates required by our customers because of the lead time needed for us to obtain required materials or to send fabrics to our assembly facilities in China and Mexico.

We face competition from other companies, two of which have substantially greater resources than we do.

Most parts of our business are highly competitive. Two of our competitors, DuPont and Kimberly Clark, have substantially greater financial, marketing and sales resources than we do. In addition, we believe that the barriers to entry in the reusable garments and gloves markets are relatively low. We cannot assure you that our present competitors or competitors that choose to enter the marketplace in the future will not exert significant competitive pressures. Such competition could have a material adverse effect on our net sales and results of operations. For further discussion of the competition we face in our business, see Business Competition.

Some of our sales are to foreign buyers, which exposes us to additional risks.

We derived approximately 8.9% and 10.3% of our net sales from customers located in foreign countries in fiscal 2004 and the three months ended April 30, 2004, respectively. We intend to increase the amount of foreign sales we make in the future. The additional risks of foreign sales include:

potential adverse fluctuations in foreign currency exchange rates;

higher credit risks;

restrictive trade policies of foreign governments;

currency nullification and weak banking institutions;

changing economic conditions in local markets;

political and economic instability in foreign markets; and

changes in leadership of foreign governments.

Some or all of these risks may negatively impact our results of operations and financial condition.

Covenants in our credit facilities may restrict our financial and operating flexibility.

We currently have two credit facilities:

an \$18 million revolving credit facility, of which we had \$16.6 million of borrowings outstanding as of June 11, 2004; and

a \$3 million revolving credit facility (the availability of which reduces incrementally over its 3-year term), of which we had no borrowings outstanding as of June 11, 2004.

Our current credit facilities require, and any future credit facilities may also require, that we comply with specified financial covenants relating to interest coverage, debt coverage, minimum consolidated net worth, and earnings before interest, taxes, depreciation and amortization. Our ability to satisfy these financial covenants can be affected by events beyond our control, and we cannot assure you that we will meet the requirements of these covenants. These restrictive covenants could affect our financial and operational flexibility or impede our ability to operate or expand our business. Default under our credit facilities would allow the lenders to declare all amounts outstanding to be immediately due and payable. Our lenders have a security interest in substantially all of our assets to secure the debt under our current credit facilities, and it is likely that our future lenders will have security interests in our assets. If our

Table of Contents

lenders declare amounts outstanding under any credit facility to be due, the lenders could proceed against our assets. Any event of default, therefore, could have a material adverse effect on our business.

We may need additional funds, and if we are unable to obtain these funds, we may not be able to expand or operate our business as planned.

Our operations require significant amounts of cash, and we may be required to seek additional capital, whether from sales of equity or by borrowing money, to fund acquisitions, for the future growth and development of our business or to fund our operations and inventory, particularly in the event of a market downturn. Although we have the ability until July 31, 2005 to borrow additional sums under our \$18 million revolving credit facility, this facility contains a borrowing base provision and financial covenants that may limit the amount we can borrow thereunder or from other sources. We may not be able to replace or renew this credit facility upon its expiration on terms that are as favorable to us or at all. In addition, a number of factors could affect our ability to access debt or equity financing, including:

our financial condition, strength and credit rating;

the financial markets confidence in our management team and financial reporting;

general economic conditions and the conditions in the homeland security sector; and

capital markets conditions.

Even if available, additional financing could be costly or have adverse consequences. If additional funds are raised through the issuance of stock, dilution to our stockholders may result. If additional funds are raised through the incurrence of debt, we will incur increased debt servicing costs and may become subject to additional restrictive financial and other covenants. We can give no assurance as to the terms or availability of additional capital. If we are not successful in obtaining sufficient capital, it could reduce our net sales and net income and adversely impact our financial position, and we may not be able to expand or operate our business as planned.

A reduction in government funding for preparations for terrorist incidents could adversely affect our net sales.

As a general matter, a significant portion of our sales growth to our distributors is dependent upon resale by those distributors to customers that are funded in large part by federal, state and local government funding. Specifically, approximately 60% of our high-end chemical suit sales is dependent on government funding. Congress passed the 2001 Assistance to Firefighters Grant Program and the Bioterrorism Preparedness and Response Act of 2002. Both of these Acts provide for funding to fire and police departments and medical and emergency personnel to respond to terrorist incidents. Appropriations for these Acts by the federal government could be reduced or eliminated altogether. Any such reduction or elimination of federal funding, or any reduction in state or local funding, could cause sales of our products purchased by fire and police departments and medical and emergency personnel to decline.

We may be subject to product liability claims, and insurance coverage could be inadequate or unavailable to cover these claims.

We manufacture products used for protection from hazardous or potentially lethal substances, such as chemical and biological toxins, fire, viruses and bacteria. The products that we manufacture are typically used in applications and situations that involve high levels of risk of personal injury. Failure to use our products for their intended purposes, failure to use our products properly or the malfunction of our products could result in serious bodily injury to or death of the user. In such cases, we may be subject to product liability claims arising from the design, manufacture or sale of our products. If these claims are decided against us and we are found to be liable, we may be required to pay substantial damages and our insurance costs may increase significantly as a result. We cannot assure you that our insurance coverage would be sufficient to cover the payment of any potential claim. In addition, we cannot assure you that this or any other insurance coverage will continue to be available or, if available, that we will be able to

Table of Contents

obtain it at a reasonable cost. Any material uninsured loss could have a material adverse effect on our financial condition, results of operations and cash flows.

Environmental laws and regulations may subject us to significant liabilities.

Our U.S. operations, including our manufacturing facilities, are subject to federal, state and local environmental laws and regulations relating to the discharge, storage, treatment, handling, disposal and remediation of certain materials, substances and wastes. Any violation of any of those laws and regulations could cause us to incur substantial liability to the Environmental Protection Agency, the state environmental agencies in any affected state or to any individuals affected by any such violation. Any such liability could have a material adverse effect on our financial condition and results of operations.

Risks Relating to Our Common Stock and This Offering

The market price of our common stock may fluctuate widely and trade at prices below the offering price.

The market price of our common stock could be subject to significant fluctuations in response to quarter-to-quarter variations in our operating results, announcements of new products or services by us or our competitors, and other events or factors. For example, a shortfall in net sales or net income, or an increase in losses, from levels expected by securities analysts, could have an immediate and significant adverse effect on the market price of our common stock. In addition, the stock market in recent years has experienced extreme price and volume fluctuations that have particularly affected the market prices of many micro and small capitalization companies and that have often been unrelated or disproportionate to the operating performance of companies. These fluctuations, as well as general economic and market conditions, may adversely affect the market price for our common stock.

Our results of operations may vary widely from quarter to quarter.

Our quarterly results of operations have varied and are expected to continue to vary in the future. These fluctuations may be caused by many factors, including:

competitive pricing pressures;

seasonal buying patterns resulting from the cyclical nature of the business of some of our customers;

the size and timing of individual sales;

changes in the mix of products and services sold;

the timing of introductions and enhancements of products by us or our competitors;

market acceptance of new products;

technological changes in fabrics or production equipment used to make our products;

changes in the mix of domestic and international sales;

personnel changes;

our expansion of international operations; and

general industry and economic conditions.

These variations could negatively impact our stock price.

Table of Contents

Compliance with the Sarbanes-Oxley Act of 2002 and rules and regulations relating to corporate governance and public disclosure may result in additional expenses and negatively impact our results of operations.

The Sarbanes-Oxley Act of 2002 and rules and regulations promulgated by the Securities and Exchange Commission and the Nasdaq Stock Market have increased the scope, complexity and cost of corporate governance, reporting and disclosure practices for public companies, including our company. Keeping abreast of, and in compliance with, these laws, rules and regulations has required an increased amount of resources and management attention. In the future, this may result in increased general and administrative expenses and a diversion of management time and attention from sales-generating activities to compliance activities, which would negatively impact our results of operations.

In addition, the corporate governance, reporting and disclosure laws, rules and regulations could also make it more difficult for us to attract and retain qualified executive officers and members of our board of directors. In particular, the Nasdaq Stock Market rules require a majority of our directors to be independent as determined by our board of directors in compliance with the Nasdaq rules. Although our board of directors has determined that a majority of our directors are independent, some of these independent directors have interests in entities with which we conduct business, including from which we lease certain of our properties. For a description of these relationships, see Certain Relationships and Related Party Transactions. If any of these directors ceases in the future to be independent, including as a result of any of these transactions, we would have to replace that director or increase the size of our board of directors in order to comply with the Nasdaq rules. In that event, the amount of time and resources that our management devotes to compliance activities could increase further.

Our directors and executive officers have the ability to exert significant influence on our company and on matters subject to a vote of our stockholders.

As of June 14, 2004, our directors and executive officers beneficially owned approximately 30.2% of the outstanding shares of our common stock. As a result of their ownership of common stock and their positions in our company, our directors and executive officers are able to exert significant influence on our company and on matters submitted to a vote by our stockholders. In particular, as of June 14, 2004, Raymond J. Smith, our chairman of the board, and Christopher J. Ryan, our chief executive officer, president, general counsel and secretary and a director, beneficially owned approximately 16.3% and 8.9% of our common stock, respectively. The ownership interest of our directors and executive officers, including Messrs. Smith and Ryan, could have the effect of delaying or preventing a change of control of our company that may be favored by our stockholders generally.

Our common stock will have limited liquidity after this offering.

After this offering is completed, our company will have approximately 4,380,135 shares of common stock outstanding, assuming the underwriters do not exercise their over-allotment option. After giving effect to this offering by us and the selling stockholders, approximately 20.2% of our common stock will be beneficially owned by our directors and executive officers. Further, the trading volume of our common stock prior to this offering has been relatively limited and we expect this to continue. Therefore, people who buy shares of our common stock in this offering may have difficulty selling their shares in the future or they may have to settle for a lower price than might be the case if our common stock were traded more actively.

Table of Contents

Provisions in our restated certificate of incorporation and by-laws and Delaware law could make a merger, tender offer or proxy contest difficult.

Our restated certificate of incorporation contains super majority voting and classified board provisions, authorized preferred stock that could be utilized to implement various poison pill defenses and a stockholder authorized, but as yet unused, Employee Stock Ownership Plan, all of which may have the effect of discouraging a takeover of Lakeland which is not approved by our board of directors. Further, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which prohibit us from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in the prescribed manner. For a description of these provisions, see Description of Capital Stock Anti-Takeover Provisions.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements. When used in this prospectus or in any other presentation, statements which are not historical in nature, including the words anticipate, estimate, should, expect, believe, intend, project and similar expressions are used to identify forward-looking statements. They also include statements containing a projection of sales, earnings or losses, capital expenditures, dividends, capital structure or other financial terms.

The forward-looking statements in this prospectus are based upon our management's beliefs, assumptions and expectations of our future operations and economic performance, taking into account the information currently available to us. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties, some of which are not currently known to us, that may cause our actual results, performance or financial condition to be materially different from the expectations of future results, performance or financial condition we express or imply in any forward-looking statements. Some of the important factors that could cause our actual results, performance or financial condition to differ materially from expectations are:

our ability to obtain fabrics and components from suppliers and manufacturers;

risks associated with our international manufacturing operations;

potential fluctuations in foreign currency exchange rates;

our ability to respond to rapid technological change;

our ability to identify and complete acquisitions or future expansion;

our ability to manage our growth;

our ability to recruit and retain skilled employees, including our senior management;

our ability to accurately estimate customer demand;

competition from other companies, including some with greater resources;

risks associated with sales to foreign buyers;

restrictions on our financial and operating flexibility as a result of covenants in our credit facilities;

our ability to obtain additional funding to expand or operate our business as planned;

the impact of a decline in federal funding for preparations for terrorist incidents;

the impact of potential product liability claims;

liabilities under environmental laws and regulations;

fluctuations in the price of our common stock;

variations in our quarterly results of operations;

the cost of compliance with the Sarbanes-Oxley Act of 2002 and rules and regulations relating to corporate governance and public disclosure;

the significant influence of our directors and executive officer on our company and on matters subject to a vote of our stockholders;

the limited liquidity of our common stock;

the anti-takeover effects of provisions of our restated certificate of incorporation and bylaws and Delaware law; and

the other factors referenced in this prospectus, including, without limitation, in the sections entitled Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Business.

Table of Contents

We believe these forward-looking statements are reasonable; however, you should not place undue reliance on any forward-looking statements, which are based on current expectations. Furthermore, forward-looking statements speak only as of the date they are made. We undertake no obligation to publicly update or revise any forward-looking statements after the date of this prospectus, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. We qualify any and all of our forward-looking statements entirely by these cautionary factors.

Table of Contents

USE OF PROCEEDS

We estimate the net proceeds to us from the sale of our common stock in this offering, based upon the public offering price of \$21.00 per share, to be approximately \$21.0 million, after deducting the estimated expenses related to this offering including underwriting discounts and commissions. If the underwriters exercise the over-allotment option in full, we estimate the net proceeds to us will be approximately \$24.5 million. We will not receive any proceeds from the sale of the shares to be sold by the selling stockholders in this offering.

We intend to use the net proceeds we receive:

to repay all amounts outstanding under our \$18 million revolving credit facility, which we expect to be approximately \$16.6 million;

to fund all or a portion of the costs of any acquisitions of complementary businesses we determine to pursue in the future, although we cannot assure you that we will be able to successfully identify or consummate such acquisitions; and

for working capital and other general corporate purposes.

Under our \$18 million revolving credit facility, borrowings bear interest at the rate offered at the London Interbank Offering Rate (LIBOR) plus 2%. Our \$18 million revolving credit facility is provided by Merrill Lynch Business Financial Services Inc., expires on July 31, 2005 and can be repaid at any time. As of June 11, 2004, we had an aggregate of \$16.6 million of borrowings outstanding under our \$18 million revolving credit facility, which bore interest at a weighted average interest rate of 3.098% per annum at such date and which mature on July 31, 2005.

Pending our actual use of proceeds, we may invest the net proceeds of this offering in short-term, investment grade, interest-bearing securities or guaranteed obligations of the United States or its agencies.

Table of Contents**PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY**

Our common stock is currently traded on the Nasdaq National Market under the symbol LAKE. The following table sets forth for the periods indicated the high and low sales prices for our common stock as reported by the Nasdaq National Market. The stock prices in the table below have been adjusted for periods prior to July 31, 2003 to reflect our 10% stock dividends to stockholders of record on July 31, 2002 and July 31, 2003.

	Price Range of Common Stock	
	High	Low
Fiscal 2003		
First Quarter	\$ 8.64	\$ 6.72
Second Quarter	9.92	5.46
Third Quarter	8.77	5.52
Fourth Quarter	7.29	5.69
Fiscal 2004		
First Quarter	\$ 8.44	\$ 6.14
Second Quarter	10.92	7.73
Third Quarter	12.99	9.67
Fourth Quarter	18.87	11.78
Fiscal 2005		
First Quarter	\$27.56	\$14.45
Second Quarter (through June 14, 2004)	\$24.69	\$15.87

On June 14, 2004 the last reported sale price of our common stock on the Nasdaq National Market was \$23.64 per share. As of June 14, 2004, there were approximately 75 record holders of shares of our common stock.

We have never paid any cash dividends on our common stock and we currently intend to retain any future earnings for use in our business. The payment and rate of future dividends, if any, are subject to the discretion of our board of directors and will depend upon our earnings, financial condition, capital requirements, contractual restrictions under our credit facilities and other factors.

In the past, we have declared dividends in stock to our stockholders. We paid a 10% dividend in additional shares of our common stock to holders of record on July 31, 2002 and another 10% dividend in additional shares of our common stock to holders of record on July 31, 2003. We may pay stock dividends in future years at the discretion of our board of directors.

Table of Contents**CAPITALIZATION**

The following table sets forth our capitalization as of April 30, 2004 on an actual basis and on an as adjusted basis. The as adjusted data give effect to the sale of 1,100,000 shares of common stock by us at the public offering price of \$21.00 per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses, and the application of a portion of the proceeds therefrom to the repayment of our debt as described in Use of Proceeds.

You should read this table together with the sections of this prospectus entitled Selected Consolidated Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of April 30, 2004	
	Actual	As Adjusted
	(in thousands, except share and per share data)	
Cash and cash equivalents	\$ 2,774	\$ 6,854
Current liabilities	5,938	5,938
Long-term debt, less current portion	16,910	
Stockholders' equity:		
Preferred Stock, \$0.01 par value; 1,500,000 shares authorized; none issued		
Common Stock, \$0.01 par value; 10,000,000 shares authorized; 3,273,925 shares issued and outstanding (actual) ⁽¹⁾ ; 4,373,925 shares issued and outstanding (as adjusted) ⁽¹⁾	33	44
Additional paid-in capital	11,862	32,842
Retained earnings	14,557	14,557
	<u>26,452</u>	<u>47,443</u>
Total stockholders' equity	26,452	47,443
	<u>\$26,452</u>	<u>\$47,443</u>

(1) Does not include 291,540 shares of common stock issuable under our employee and director option plans as of April 30, 2004, consisting of:

12,540 shares underlying options outstanding at a weighted average exercise price of \$7.70 per share, of which 12,540 shares were exercisable; and

279,000 shares available for future issuance under our employee and director option plans.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected consolidated financial data as of and for our fiscal years 2000, 2001, 2002, 2003 and 2004 have been derived from our audited consolidated financial statements, which have been audited by Grant Thornton LLP as of and for the fiscal years ended January 31, 2000, 2001 and 2002 and by PricewaterhouseCoopers LLP as of and for the fiscal years ended January 31, 2003 and 2004. The selected financial data as of and for the three months ended April 30, 2003 and April 30, 2004 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus and, in our opinion, reflect all adjustments, consisting of normal accruals, necessary for a fair presentation of the data for those periods. Our results of operations for the three months ended April 30, 2004 may not be indicative of results that may be expected for the full year. You should read the information set forth below in conjunction with our Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included in this prospectus.

	Year Ended January 31,					Three Months Ended April 30,	
	2000	2001	2002	2003	2004	2003	2004
(in thousands, except share and per share data)							
Income Statement Data:							
Net sales	\$ 58,644	\$ 76,108	\$ 76,431	\$ 77,826	\$ 89,717	\$ 23,825	\$ 26,838
Costs of goods sold	48,156	64,798	63,294	62,867	71,741	19,729	20,859
Gross profit	10,488	11,310	13,137	14,959	17,976	4,096	5,979
Operating expenses:							
Selling and shipping	4,177	4,825	5,414	6,338	7,342	1,847	2,145
General and administrative	3,014	3,794	4,134	4,262	4,596	776	1,441
Impairment of goodwill					249		
Total operating expenses	7,191	8,619	9,548	10,600	12,187	2,623	3,586
Operating profit	3,297	2,691	3,589	4,359	5,789	1,473	2,393
Other income (expense):							
Interest expense	(821)	(1,248)	(882)	(643)	(535)	(138)	(137)
Interest income	26	27	18	20	19	3	2
Other income - net	7	15	91	40	24	12	7
Total other expense	788	1,206	773	583	492	123	(128)
Income before income taxes	2,509	1,485	2,816	3,776	5,297	1,350	2,265
Income tax expense	(761)	(362)	(846)	(1,172)	(1,659)	486	721
Net income	\$ 1,748	\$ 1,123	\$ 1,970	\$ 2,604	\$ 3,638	\$ 864	\$ 1,425
Minority interest in net income of variable interest entities							119
Net income per common share (Basic) ⁽¹⁾	\$ 0.54	\$ 0.35	\$ 0.61	\$ 0.80	\$ 1.11	\$ 0.26	\$ 0.44
Net income per common share (Diluted) ⁽¹⁾	\$ 0.54	\$ 0.35	\$ 0.61	\$ 0.80	\$ 1.11	\$ 0.26	\$ 0.43
Weighted average common shares outstanding ⁽¹⁾ :							
Basic	3,211,280	3,200,990	3,222,956	3,261,116	3,268,551	3,266,997	3,273,925

Edgar Filing: LAKELAND INDUSTRIES INC - Form 424B4

Diluted	3,234,873	3,227,265	3,247,290	3,269,039	3,275,501	3,274,757	3,278,803
Balance Sheet Data (at period end):							
Current assets	\$ 32,460	\$ 36,099	\$ 39,545	\$ 38,859	\$ 43,285	\$ 38,806	\$ 46,174
Total assets	34,770	38,628	42,417	42,823	47,304	43,236	51,348
Current liabilities	16,551	20,052	22,778	20,934	21,509	20,426	5,938
Long-term liabilities	2,814	2,039	912	529	768	576	17,690
Stockholders equity	15,405	16,537	18,727	21,359	25,027	22,233	26,452

- (1) Adjusted for periods prior to July 31, 2003 to reflect our 10% stock dividends to stockholders of record as of July 31, 2002 and July 31, 2003. Earnings per share have been restated in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share.

Table of Contents

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following summary together with the more detailed business information and consolidated financial statements and related notes that appear elsewhere in this prospectus and in the documents that we incorporate by reference into this prospectus. This prospectus may contain certain forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. This information involves risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Risk Factors.

Overview

We manufacture and sell a comprehensive line of safety garments and accessories for the industrial protective clothing market. Our products are sold by our in-house sales force and independent sales representatives to a network of over 500 safety and mill supply distributors. These distributors in turn supply end user industrial customers such as chemical/petrochemical, automobile, steel, glass, construction, smelting, janitorial, pharmaceutical and high technology electronics manufacturers, as well as hospitals and laboratories. In addition, we supply federal, state and local governmental agencies and departments such as fire and police departments, airport crash rescue units, the Department of Defense, Central Intelligence Agency, Federal Bureau of Investigation, U.S. Secret Service and the Centers for Disease Control. Our net sales attributable to customers outside the United States were \$4.5 million, \$5.7 million, \$8.0 million and \$2.8 million in fiscal 2002, fiscal 2003, fiscal 2004 and the three months ended April 30, 2004, respectively.

In fiscal 2004, we hired five additional sales personnel, increasing our sales team from nine to fourteen. Although it has taken time to identify and train the new personnel, we believe our increase in net sales in the year ended January 31, 2004 compared to the year ended January 31, 2003 is in part attributable to our increased focus on our internal sales team. As sales increase, we intend to continue to invest in the hiring of additional sales personnel.

Our sales of limited use/disposable protective clothing grew approximately 13% in the year ended January 31, 2004 compared to the year ended January 31, 2003 and 7.9% in the three months ended April 30, 2004 compared to the three months ended April 30, 2003. Our expectation is to see continued growth. We expect that distributors will continue to stock more inventory as economic conditions in the United States continue to improve. We also expect our net sales to increase as we introduce our Tyvek®-based products into new industries in which the use of Tyvek® is not widespread. In addition, our net sales are driven in part by government funding and health-related events. Our net sales attributable to chemical suits increased 55% and 62.5% and our net sales attributable to fire gear and aluminized apparel increased 25% and 36.4% in the year ended January 31, 2004 compared to the year ended January 31, 2003 and the three months ended April 30, 2004 compared to the three months ended April 30, 2003, respectively. These sales increases were driven primarily by grants from the federal government under the Fire Act of 2002 and the Bio Terrorism Preparedness and Response Act of 2002 as part of the Homeland Security initiatives. During fiscal 2004, as a result of the SARS virus outbreak in various cities in 2003, we sold approximately \$1.1 million of SARS-related garments in China, Toronto, Hong Kong and Taiwan. The Centers for Disease Control has recommended protective garments be used to protect healthcare workers in the fight against the spread of the SARS virus. In the event of future outbreaks of SARS or other similar contagious viruses, such as avian flu in 2004, we have positioned ourselves with increased production capacity.

We have operated manufacturing facilities in Mexico since 1995 and in China since 1996. Beginning in 1995, we moved the labor intensive sewing operation for our limited use/disposable protective clothing lines to these facilities. Our facilities and capabilities in China and Mexico allow access to a less expensive labor pool than is available in the United States and permit us to purchase certain raw materials at a lower cost than they are available domestically. As we have increasingly moved production of our products to our

Table of Contents

facilities in Mexico and China, we have seen improvements in the profit margins for these products. We are in the early stages of moving production of our reusable woven garments and gloves to these facilities and expect to complete this process by the third quarter of fiscal 2005. As a result, we expect to see profit margin improvements for these product lines as well.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, net sales and expenses, and disclosure of contingent assets and liabilities. We base estimates on our past experience and on various other assumptions that we believe to be reasonable under the circumstances and we periodically evaluate these estimates.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition. We derive our sales primarily from our limited use/disposable protective clothing and secondarily from our sales of high-end chemical protective suits, fire fighting and heat protective apparel, gloves and arm guards, and reusable woven garments. Sales are recognized when goods are shipped to our distributors at which time title and the risk of loss passes. Sales are reduced for sales returns and allowances. Payment terms are generally net 30 days for United States sales and net 90 days for international sales.

Inventories. Inventories include freight-in, materials, labor and overhead costs and are stated at the lower of cost (on a first-in, first-out basis) or market. Provision is made for slow-moving, obsolete or unusable inventory.

Allowance for Doubtful Accounts. We establish an allowance for doubtful accounts to provide for accounts receivable that may not be collectible. In establishing the allowance for doubtful accounts, we analyze the collectibility of individual large or past due accounts customer-by-customer. We establish reserves for accounts that we determine to be doubtful of collection.

Income Taxes and Valuation Reserves. We are required to estimate our income taxes in each of the jurisdictions in which we operate as part of preparing our consolidated financial statements. This involves estimating the actual current tax in addition to assessing temporary differences resulting from differing treatments for tax and financial accounting purposes. These differences, together with net operating loss carryforwards and tax credits, are recorded as deferred tax assets or liabilities on our balance sheet. A judgment must then be made of the likelihood that any deferred tax assets will be realized from future taxable income. A valuation allowance may be required to reduce deferred tax assets to the amount that is more likely than not to be realized. In the event we determine that we may not be able to realize all or part of our deferred tax asset in the future, or that new estimates indicate that a previously recorded valuation allowance is no longer required, an adjustment to the deferred tax asset is charged or credited to net income in the period of such determination.

Valuation of Goodwill and Other Intangible Assets. On February 1, 2002, we adopted Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, which provides that goodwill and other intangible assets are no longer amortized, but are assessed for impairment annually and upon occurrence of an event that indicates impairment may have occurred. Goodwill impairment is evaluated utilizing a two step process as required by SFAS No. 142. Factors that we consider important that could identify a potential impairment include: significant underperformance relative to expected historical or projected future operating results; significant changes in the overall business strategy; and significant negative industry or economic trends. When we determine that the carrying value of intangibles and goodwill may not be recoverable based upon one or more of these indicators of

Table of Contents

impairment, we measure any potential impairment based on a projected discounted cash flow method. Estimating future cash flows requires our management to make projections that can differ materially from actual results. In fiscal 2004, as a result of our decision to move a portion of our reusable woven garment assembly from the United States to China, we reviewed this portion of our business for impairment. An impairment was calculated based on estimating the fair value, utilizing a discounted cash flow analysis, resulting in an impairment charge of \$0.2 million. We have no remaining goodwill recorded as of April 30, 2004.

Self-Insured Liabilities. We have a self-insurance program for certain employee health benefits. The cost of such benefits is recognized as expense based on claims filed in each reporting period and an estimate of claims incurred but not reported during such period. Our estimate of claims incurred but not reported are based upon historical trends. If more claims are made than were estimated or if the costs of actual claims increases beyond what was anticipated, reserves recorded may not be sufficient and additional accruals may be required in future periods. We maintain separate insurance to cover the excess liability over set single claim amounts and aggregate annual claim amounts.

Results of Operations

The following table sets forth for each period indicated our historical results of operations as a percentage of our net sales.

	Year Ended January 31,			Three Months Ended April 30,	
	2002	2003	2004	2003	2004
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	82.8%	80.8%	80.0%	82.8%	77.7%
Gross profit	17.2%	19.2%	20.0%	17.2%	22.3%
Operating expenses	12.5%	13.6%	13.6%	11.0%	13.4%
Operating profit	4.7%	5.6%	6.4%	6.2%	8.9%
Interest expense, net	1.0%	0.8%	0.5%	0.5%	0.5%
Income tax expense	1.1%	1.5%	1.8%	2.1%	2.7%
Minority interest in net income of variable interest entities					0.4%
Net income	2.6%	3.3%	4.1%	3.6%	5.3%

Three Months Ended April 30, 2004 Compared to the Three Months Ended April 30, 2003

Net Sales. Net sales increased \$3.0 million, or 12.6%, to \$26.8 million for the three months ended April 30, 2004 from \$23.8 million for the three months ended April 30, 2003. The increase was due primarily to an increase in our market share in our Tyvek®-based product lines. Increased sales were also driven by an improving U.S. economy which increased demand for our products, particularly in the industrial Tyvek® markets we serve, and increased demand for our chemical protective suits and fire turnout gear for Homeland Security purposes.

Gross Profit. Gross profit increased \$1.9 million, or 46.0%, to \$6.0 million for the three months ended April 30, 2004 from \$4.1 million for the three months ended April 30, 2003. Gross profit as a percent of net sales increased to 22.3% for the three months ended April 30, 2004 from 17.2% for the three months ended April 30, 2003, primarily because of cost reductions achieved by shifting production of additional Tyvek®-based products and chemical suits to China and Mexico. We have increasingly shifted production to these lower-cost facilities.

Operating Expenses. Operating expenses increased \$1.0 million, or 36.7%, to \$3.6 million for the three months ended April 30, 2004 from \$2.6 million for the three months ended April 30, 2003. As a percent of net sales, operating expenses increased to 13.4% for the three months ended April 30, 2004 from 11.0% for the three months ended April 30, 2003. The \$1.0 million increase in operating expenses in

Table of Contents

the three months ended April 30, 2004 compared to the three months ended April 30, 2003 was principally due to increased expenses corresponding to our increase in net sales.

Interest Expense. Interest expense remained constant at \$0.1 million for the three months ended April 30, 2004 and the three months ended April 30, 2003.

Income Tax Expense. Income tax expense consists of federal, state and foreign income taxes. Income tax expense increased \$0.2 million, or 48.4%, to \$0.7 million for the three months ended April 30, 2004 from \$0.5 million for the three months ended April 30, 2003. The increase was due to a relative increase in our income recognized in the United States as compared to the income recognized in China, where income tax rates are lower. Our effective tax rate was 31.8% and 36.0% in the three months ended April 30, 2004 and 2003, respectively. Our effective tax rate varied from the federal statutory rate of 34% due primarily to lower foreign tax rates.

Minority Interest. Minority interest in net income of variable interest entities increased to \$0.1 million for the three months ended April 30, 2004 as a result of our adoption of Interpretation No. 46R (FIN 46R), Consolidation of Variable Interest Entities, effective February 1, 2004. Subsequent to our adoption of FIN 46R, we determined that certain entities from which we lease real property and which are owned by related parties are variable interest entities governed by FIN 46R. As a result, these entities have been consolidated in our statement of income for the three months ended April 30, 2004.

Net Income. Net income increased \$0.6 million, or 64.9%, to \$1.4 million for the three months ended April 30, 2004 from \$0.9 million for the three months ended April 30, 2003. The increase in net income was the result of an increase in net sales and increased productivity as a result of shifts in production to our China facilities, partially offset by an increase in costs and expenses due to higher volumes of our products being sold.

Year Ended January 31, 2004 Compared to Year Ended January 31, 2003

Net Sales. Net sales increased \$11.9 million, or 15.3%, to \$89.7 million for the year ended January 31, 2004 from \$77.8 million for the year ended January 31, 2003. The increase was due primarily to an increase in our market share in our Tyvek®-based product lines as well as an increase in the price of these products beginning in May 2003. Increased sales were also driven by an improving U.S. economy which increased demand for our products, particularly in the industrial Tyvek® markets we serve, and increased demand for our chemical protective suits and fire turnout gear for Homeland Security purposes. In addition, as a result of the SARS outbreak, we sold our products for the first time in domestic China, which amounted to \$0.6 million in the year ended January 31, 2004.

Gross Profit. Gross profit increased \$3.0 million, or 20.2%, to \$18.0 million for the year ended January 31, 2004 from \$15.0 million for the year ended January 31, 2003. Gross profit as a percent of net sales increased to 20.0% for the year ended January 31, 2004 from 19.2% for the year ended January 31, 2003, primarily because of cost reductions achieved by shifting production of additional Tyvek®-based products and chemical suits to China and Mexico. We have increasingly shifted production to these lower-cost facilities. In addition, we increased the price of our Tyvek®-based products beginning in May 2003, which contributed to an increase in our gross margins for these products. In the year ended January 31, 2004, we also determined that a portion of our inventory was obsolete. As a result, we wrote off \$0.4 million of inventory, offsetting the factors contributing to an increase in gross profit discussed above.

Operating Expenses. Operating expenses increased \$1.6 million, or 15%, to \$12.2 million for the year ended January 31, 2004 from \$10.6 million for the year ended January 31, 2003. As a percent of net sales, operating expenses remained constant at 13.6% for the year ended January 31, 2004 and the year ended January 31, 2003. The \$1.6 million increase in operating expenses in the year ended January 31, 2004 compared to the year ended January 31, 2003 was principally due to increased expenses corresponding to our increase in net sales, as well as impairment of goodwill of \$0.2 million. This was offset by a decrease in bad debt expense of \$0.3 million in fiscal 2004 resulting from improvement in the U.S. economy and a reorganization of our credit department.

Table of Contents

Interest Expense. Interest expense decreased \$0.1 million, or 16.8%, to \$0.5 million for the year ended January 31, 2004 from \$0.6 million for the year ended January 31, 2003. The decrease was primarily due to a decrease in average monthly borrowings under our credit facilities.

Income Tax Expense. Income tax expense increased \$0.5 million, or 41.6%, to \$1.7 million for the year ended January 31, 2004 from \$1.2 million for the year ended January 31, 2003. The increase was due to a relative increase in our income recognized in the United States as compared to the income recognized in China, where income tax rates are lower. Our effective tax rate was 31.3% and 31.0% in the years ended January 31, 2004 and 2003, respectively. Our effective tax rate varied from the federal statutory rate of 34% due primarily to lower foreign tax rates.

Net Income. Net income increased \$1.0 million, or 39.7%, to \$3.6 million for the year ended January 31, 2004 from \$2.6 million for the year ended January 31, 2003. The increase in net income was the result of an increase in net sales and increased productivity as a result of shifts in production to our China facilities, partially offset by an increase in costs and expenses due to higher volumes of our products being sold.

Year Ended January 31, 2003 Compared to Year Ended January 31, 2002

Net Sales. Net sales increased \$1.4 million, or 1.8%, to \$77.8 million for the year ended January 31, 2003 from \$76.4 million for the year ended January 31, 2002. The increase in net sales was principally attributable to slowly improving economic conditions and to an increase in the price of our Tyvek®-based products beginning in April 2002.

Gross Profit. Gross profit increased by \$1.8 million, or 13.9%, to \$15.0 million for the year ended January 31, 2003 from \$13.1 million for the year ended January 31, 2002. Gross profit as a percentage of net sales increased to 19.2% for the year ended January 31, 2003 from 17.2% for the prior year, principally due to an increase in the price of our Tyvek®-based products beginning in April 2002, which contributed to an increase in our gross margins for these products. Labor and overhead costs also decreased in the year ended January 31, 2003 compared to the year ended January 31, 2002 due to a headcount reduction in our Decatur, Alabama facility and our continuing shift of production to China, where the labor costs are lower. This was partially offset by an increase in inventory reserves of \$0.2 million as well as a decrease in our margins on our Tyvek®-based products in the period between March 2002 and April 2002 during which we were unable to pass on the Tyvek® price increase to our customers.

Operating Expenses. Operating expenses increased by \$1.1 million, or 11%, to \$10.6 million for the year ended January 31, 2003 from \$9.5 million for the year ended January 31, 2002. As a percent of net sales, operating expenses increased to 13.6% for the year ended January 31, 2003 from 12.5% for the year ended January 31, 2002. The \$1.1 million increase in operating expenses for the year ended January 31, 2003 compared to the year ended January 31, 2002 was due primarily to a \$0.3 million increase in freight costs as a result of price increases by our carriers, a \$0.3 million increase in sales commissions as a result of a corresponding increase in our chemical suit sales which have a higher commission rate than our Tyvek®-based products, and a \$0.3 million increase in bad debt expense as a result of general economic conditions. These increases were offset in part by a \$0.2 million decrease in labor expenses as a result of increased automation in our manufacturing processes, and a \$0.2 million decrease in research and development expenses as a result of the completion of our development of our Micromax® products.

Interest Expense. Interest expense decreased by \$0.3 million, or 27.1%, to \$0.6 million for the year ended January 31, 2003 from \$0.9 million for the year ended January 31, 2002. This decrease was primarily due to a decrease in average borrowings under our revolving credit facilities and to decreasing interest rates.

Income Tax Expense. Income tax expense increased \$0.4 million, or 50.0%, to \$1.2 million for the year ended January 31, 2003 from \$0.8 million for the year ended January 31, 2002. The increase was due to a relative increase in our income recognized in the United States as compared to the income recognized in China, where income tax rates are lower. Our effective tax rate was 31.0% and 30.0% in the years ended

Table of Contents

January 31, 2003 and 2002, respectively. Our effective tax rate varied from the federal statutory rate of 34% due primarily to lower foreign tax rates.

Net Income. Net income increased \$0.6 million, or 32.2%, to \$2.6 million for the year ended January 31, 2003 from \$2.0 million for the year ended January 31, 2002. The increase in net income was primarily the result of the price increase of our Tyvek®-based products, offset in part by the increase in operating expenses discussed above.

Liquidity and Capital Resources

Cash Flows

As of April 30, 2004 we had cash and cash equivalents of \$2.8 million and working capital of \$40.2 million, an increase of \$0.3 million and \$18.5 million, respectively, from January 31, 2004. In May 2004, we extended the expiration date of our \$18 million revolving credit facility to July 31, 2005. The increase in working capital at April 30, 2004 from January 31, 2004 was due primarily to the classification of borrowings under this credit facility as long term as a result of the extension of the expiration date. Such borrowings were characterized as short term at January 31, 2004. Our primary sources of funds for conducting our business activities have been from cash flow provided by operations and borrowings under our credit facilities described below. We require liquidity and working capital primarily to fund increases in inventories and accounts receivable associated with our net sales and, to a lesser extent, for capital expenditures.

Net cash provided by operating activities of \$0.4 million for the three months ended April 30, 2004 was due primarily to net income from operations of \$1.4 million and an increase in accounts payable of \$1.1 million, offset in part by an increase in inventories of \$1.2 million and an increase in accounts receivable of \$1.5 million. Net cash provided by operating activities of \$1.9 million for the three months ended April 30, 2003 was primarily attributable to net income from operations of \$0.9 million, a decrease in inventories of \$3.1 million and an increase in accounts payable of \$1.0 million, offset by an increase in accounts receivable of \$2.9 million.

Net cash provided by operating activities of \$2.2 million for the year ended January 31, 2004 was due primarily to net income from operations of \$3.6 million and an increase in accounts payable of \$0.4 million, offset in part by an increase in inventories of \$0.8 million and an increase in accounts receivable of \$2.2 million. Net cash provided by operating activities of \$1.8 million for the year ended January 31, 2003 was primarily attributable to net income from operations of \$2.6 million and a decrease in inventories of \$1.0 million, offset in part by a decrease in accounts payable of \$1.9 million and an increase in accounts receivable of \$0.8 million.

Net cash used in investing activities of \$0.2 million and \$0.6 million in the three months ended April 30, 2004 and 2003, respectively, was due to purchases of property and equipment. Net cash used in investing activities of \$1.4 million and \$1.7 million in the years ended January 31, 2004 and 2003, respectively, was also due to purchases of property and equipment.

Net cash provided by financing activities of \$0.1 million in the three months ended April 30, 2004 and net cash used by financing activities of \$1.4 million in the three months ended April 30, 2003 was primarily attributable to borrowings and payments under our credit facilities. Net cash provided by financing activities in the years ended January 31, 2004 and 2003 was also primarily attributable to payments and borrowings under our credit facilities.

Credit Facilities

We currently have two credit facilities:

an \$18 million revolving credit facility, of which we had \$16.6 million of borrowings outstanding as of June 11, 2004; and

a \$3 million revolving credit facility (the availability of which reduces incrementally over its 3-year term), of which we had no borrowings outstanding as of June 11, 2004.

Table of Contents

In November 1999, we entered into a 5-year \$3 million term loan which we repaid in full on March 31, 2003.

Our \$18 million revolving credit facility permits us to borrow up to the lower of \$18 million and a borrowing base determined by reference to a percentage of our eligible accounts receivable and inventory. As of January 31, 2004, our \$18 million revolving credit facility was to expire on July 31, 2004. In May 2004, we extended the expiration of this credit facility to July 31, 2005. Borrowings under this revolving credit facility bear interest at the London Interbank Offered Rate (LIBOR) plus 2% and were approximately \$16.8 million at January 31, 2004. As of June 11, 2004, we had \$1.4 million of borrowing availability under this revolving credit facility.

In January 2004, we entered into a new 3-year \$3 million revolving credit facility which expires on January 21, 2007. Availability under this facility decreases from \$3 million by \$83,333 each month over the 3-year term and is also subject to the borrowing base limitation discussed above in connection with our \$18 million revolving credit facility. Borrowings under this revolving credit facility bear interest at LIBOR plus 2.5%. We did not have any borrowings outstanding under this facility at January 31, 2004. As of June 11, 2004, we had \$2.8 million of borrowing availability under this revolving credit facility.

Our credit facilities require that we comply with specified financial covenants relating to interest coverage, debt coverage, minimum consolidated net worth, and earnings before interest, taxes, depreciation and amortization. These restrictive covenants could affect our financial and operational flexibility or impede our ability to operate or expand our business. Default under our credit facilities would allow the lenders to declare all amounts outstanding to be immediately due and payable. Our lenders have a security interest in substantially all of our assets to secure the debt under our credit facilities. As of June 11, 2004, we were in compliance with all covenants contained in our credit facilities.

We believe that cash flow from operations along with borrowing availability under our \$3 million revolving credit facility and our \$18 million revolving credit facility will be sufficient to meet our currently anticipated operating, capital expenditures and debt service requirements for at least the next 12 months. Historically, we have been able to renew our primary credit facility on acceptable terms, but there can be no assurance that such financing will continue to be available after its current expiration or that any renewal will be on terms as favorable as our current facility.

Capital Expenditures

Our capital expenditures principally relate to purchases of manufacturing equipment, computer equipment, leasehold improvement and automobiles, as well as payments related to the construction of our facilities in China. Our capital spending plans for fiscal 2005 include the last payment on our 90,415 square foot facility in Jiaozhou, China due to a construction company as payment for the construction of this facility in 2004. Our facilities in China are not encumbered by commercial bank mortgages and thus Chinese commercial mortgage loans may be available with respect to these real estate assets if we need additional liquidity. We expect our capital expenditures to be approximately \$1.1 million in fiscal 2005.

Contractual Obligations

We had no off-balance sheet arrangements at April 30, 2004. As shown below, at April 30, 2004, our contractual cash obligations totaled approximately \$20.7 million, including lease renewals entered into subsequent to April 30, 2004.

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
	(in thousands)				
Operating leases	\$ 3,702	\$ 848	\$ 1,589	\$ 1,265	\$
Automobiles leased	78	30	34	14	
Revolving credit facility	16,910	16,910			
Total	\$20,690	\$17,424	\$1,623	\$1,279	\$

Table of Contents

Seasonality

Our operations have historically been seasonal, with higher sales generally occurring in February, March, April and May when scheduled maintenance occurs on nuclear, coal, oil and gas fired utilities, chemical, petrochemical and smelting facilities, and other heavy industrial manufacturing plants occurs, primarily due to cooler temperatures. Sales decline during the warmer summer and vacation months, and generally increase from Labor Day through February with slight declines during holidays. As a result of this seasonality in our sales, we have historically experienced a corresponding seasonality in our working capital, specifically inventories, with peak inventories occurring between September and March coinciding with lead times required to accommodate the spring maintenance schedules. We believe that by sustaining higher levels of inventory, we gain a competitive advantage in the marketplace. Certain of our large customers seek sole sourcing to avoid sourcing their requirements from multiple vendors whose prices, delivery times and quality standards differ.

In recent years, due to increased demand by first responders for our chemical suits and fire gear, our historical seasonal pattern has shifted. Governmental disbursements are dependent upon budgetary processes and grant administration processes that do not follow our traditional seasonal sales patterns. Due to the size and timing of these governmental orders, our net sales, results of operations, working capital requirements and cash flows can vary between different reporting periods. As a result, we expect to experience increased variability in net sales, net income, working capital requirements and cash flows on a quarterly basis.

Effects of Recent Accounting Pronouncements

In November 2002, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*—an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34. This interpretation expands on the existing accounting guidance and disclosure requirements for most guarantees, including indemnifications. It requires that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value of the obligations it assumes under that guarantee if the amount is reasonably estimable, and must disclose that information in its interim and annual financial statements. The provisions for initial recognition and measurement of the liability are to be applied on a prospective basis to guarantees issued or modified on or after January 1, 2003. Our initial adoption of this statement on January 1, 2003 did not have an impact on our results of operations, financial position or cash flows.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities*. This interpretation provides guidance with respect to the consolidation of certain entities, referred to as variable interest entities (VIE), in which an investor is subject to a majority of the risk of loss from the VIE's activities, or is entitled to receive a majority of the VIE's residual returns. This interpretation also provides guidance with respect to the disclosure of VIEs in which an investor maintains an interest but is not required to consolidate. The provisions of the interpretation are effective immediately for all VIEs created after January 31, 2003, or in which we obtain an interest after that date. In October 2003, the FASB issued a revision to this pronouncement, FIN 46R, which, among other things, clarified certain provisions and modified the effective date from July 1, 2003 to March 15, 2004 for VIEs created before February 1, 2003.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS No. 150 requires that certain financial instruments that were accounted for as equity under previous guidance must now be accounted for as liabilities. The financial instruments affected include mandatory redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets, and certain obligations that can be settled with shares of stock. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have any impact on our consolidated financial statements for the year ended and at January 31, 2004.

Table of Contents

In December 2003, the FASB issued a revised SFAS No. 132, *Employers Disclosures about Pension and Other Postretirement Benefits*, to improve financial statement disclosures for defined benefit plans. We have adopted SFAS No. 132, which includes new disclosure requirements.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk, including changes in interest rates and currency exchange rates.

Foreign Currency Risk

We are exposed to changes in foreign currency exchange rates as a result of our purchases and sales in other countries. To manage the volatility relating to foreign currency exchange rates, we seek to limit, to the extent possible, our non-U.S. dollar denominated purchases and sales.

In connection with our operations in China, we purchase a significant amount of products from outside of the United States. However, our purchases in China are primarily made in Chinese Yuan, the value of which has been largely pegged to the U.S. dollar for the last decade. As a result, any currency risks related to these transactions are deemed to be immaterial to us as a whole.

Our primary risk from foreign currency exchange rate changes is presently related to non-U.S. dollar denominated sales in Canada and, to a smaller extent, in Europe. Our sales in Canada are denominated in Canadian dollars. If the value of the U.S. dollar increases relative to the Canadian dollar and we are unable to raise our prices proportionally, then our profit margins could decrease because of the exchange rate change. Although our sales in China are denominated in the Chinese Yuan, because this currency has recently been largely pegged to the U.S. dollar, our foreign currency exchange rate risk in China has been minimized. At this time, we do not manage the foreign currency exchange rate risk through the use of derivative instruments. A 10% decrease in the value of the U.S. dollar relative to foreign currencies would not have a material impact on our results of operations or financial position. As non-U.S. dollar denominated international purchases and sales grow, exposure to volatility in exchange rates could have a material adverse impact on our financial results.

Interest Rate Risk

We are exposed to interest rate risk with respect to our credit facilities, which have variable interest rates based upon the London Interbank Offered Rate. We had \$16.8 million and \$16.9 million of borrowings outstanding under these credit facilities at January 31, 2004 and April 30, 2004, respectively. If the interest rate applicable to this variable rate debt rose 1% in the year ended January 31, 2004 and the three months ended April 30, 2004, our interest expense would have increased and our income before income taxes would have decreased by less than \$200,000 in each of such periods.

Table of Contents**BUSINESS****Overview**

We manufacture and sell a comprehensive line of safety garments and accessories for the industrial protective clothing market. Our products are sold by our in-house sales force and independent sales representatives to a network of over 500 safety and mill supply distributors. These distributors in turn supply end user industrial customers such as chemical/petrochemical, automobile, steel, glass, construction, smelting, janitorial, pharmaceutical and high technology electronics manufacturers, as well as hospitals and laboratories. In addition, we supply federal, state and local governmental agencies and departments such as fire and police departments, airport crash rescue units, the Department of Defense, Central Intelligence Agency, Federal Bureau of Investigation, U.S. Secret Service and the Centers for Disease Control. In fiscal 2004, we had net sales of \$89.7 million and earnings per share of \$1.11, which represent a growth rate of 15.3% and 38.8%, respectively, over our previous fiscal year. For the three months ended April 30, 2004, we had net sales of \$26.8 million and earnings per share of \$0.44, which represent a growth rate of 12.6% and 69.2%, respectively, from the three months ended April 30, 2003. Our net sales attributable to customers outside the United States were \$4.5 million, \$5.7 million, \$8.0 million and \$2.8 million in fiscal 2002, fiscal 2003, fiscal 2004 and the three months ended April 30, 2004, respectively.

Our major product categories and their applications are described below:

Limited Use/Disposable Protective Clothing. We manufacture a complete line of limited use/disposable protective garments offered in coveralls, lab coats, shirts, pants, hoods, aprons, sleeves and smocks. These garments are made from several non-woven fabrics, primarily Tyvek® and TyvekQC (both DuPont manufactured fabrics) and also our proprietary fabrics manufactured pursuant to customer order. These garments provide protection from low-risk contaminants or irritants, such as chemicals, pesticides, fertilizers, paint, grease and dust, and from limited exposure to hazardous waste and toxic chemicals, including acids, asbestos, lead and hydro-carbons (or PCBs) that pose health risks after exposure for long periods of time. Additional applications include protection from viruses and bacteria, such as AIDS, streptococcus, SARS and hepatitis, at hospitals, clinics and emergency rescue sites and use in clean room environments to prevent human contamination in the manufacturing processes. This is our largest product line.

High-End Chemical Protective Suits. We manufacture heavy duty chemical suits made from TyChem® SL, TK and BR, which are DuPont manufactured fabrics. These suits are worn by individuals on hazardous material teams to provide protection from powerful, highly concentrated and hazardous or potentially lethal chemical and biological toxins, such as toxic wastes at Super Fund sites, toxic chemical spills or biological discharges, chemical or biological warfare weapons (such as anthrax or ricin), and chemicals and petro-chemicals present during the cleaning of refineries and nuclear facilities. These suits can be used in conjunction with a fire protective shell that we manufacture to protect the user from both chemical and flash fire hazards. Homeland Security measures and government funding of personal protective equipment for first responders to terrorist threats or attacks have recently resulted in increased demand for our high-end chemical suits and we believe demand for these suits will continue to increase in the future.

Fire Fighting and Heat Protective Apparel. We manufacture an extensive line of fire fighting and heat protective apparel for use by fire fighters and other individuals that work in extreme heat environments. Our branded fire fighting apparel Fyrepel™ is sold to local municipalities and industrial fire fighting teams. Our heat protective aluminized fire suits are manufactured from Nomex®, a fire and heat resistant material, and Kevlar®, a cut and heat resistant, high-strength, lightweight, flexible and durable material produced by DuPont. This apparel is also used for maintenance of extreme high temperature equipment, such as coke ovens, kilns, glass furnaces, refinery installations and smelting plants, as well as for military and airport crash and rescue teams.

Table of Contents

Gloves and Arm Guards. We manufacture gloves and arm guards from Kevlar® and Spectra®, a cut resistant fiber made by Honeywell. Our gloves are used primarily in the automotive, glass and metal fabrication industries to protect the wearer's hand and arms from lacerations and heat without sacrificing manual dexterity or comfort.

Reusable Woven Garments. We manufacture a line of reusable and washable woven garments that complement our fire fighting and heat protective apparel offerings and provide alternatives to our limited use/disposable protective clothing lines. Product lines include electrostatic dissipative apparel used in the automotive industry for control of static electricity in the manufacturing process, clean room apparel to prevent human contamination in the manufacturing processes, hospital garments to protect against blood borne pathogens and bacteria such as AIDS, streptococcus and hepatitis, and flame resistant Nomex® coveralls used in chemical and petroleum plants and for wild land fire fighting.

We believe we are one of the largest independent customers of DuPont's Tyvek® and TyChem® apparel grade material. We purchase Tyvek® under North American licensing agreements and other DuPont materials, such as Kevlar®, under international licensing agreements. While we have operated under these trademark agreements since 1995, we have been a significant customer of these DuPont materials since 1982. The trademark agreements require certain quality standards and the identification of the DuPont trademark on the finished product manufactured by us. We believe this brand identification with DuPont and Tyvek® significantly benefits the marketing of our largest product line, as over the past 30 years Tyvek® has become known as the standard for limited use/disposable protective clothing. We believe our relationship with DuPont to be excellent.

We maintain manufacturing facilities in Decatur, Alabama; Celaya, Mexico; AnQui City, China; Jiaozhou, China; and St. Joseph, Missouri, where our products are designed, manufactured and sold. We also have a relationship with a sewing subcontractor in Mexico, which we can utilize for unexpected production surges. Our China and Mexico facilities allow us to take advantage of favorable labor and supplier costs, thereby increasing our profit margins on products manufactured in these facilities. Our China and Mexico facilities are designed for the manufacture of limited use/disposable protective clothing as well as our high-end chemical protective suits. We have significantly improved our profit margins in these product lines by shifting production to our international facilities and we intend to expand our international manufacturing capabilities to include our gloves and reusable woven protective apparel product lines in the future.

Industry Overview

According to Global Industry Analysts, Inc., the global market for industrial protective clothing is projected to be approximately \$6.0 billion in 2004, and is projected to grow at a compound annual growth rate of approximately 6.5%. Our primary market, North America, is the largest market, expected to make up over one-third, or approximately \$2.0 billion, of the global market. The industrial protective clothing market includes our limited use/disposable protective clothing, our high-end chemical protective suits, our fire fighting and heat protective apparel and our reusable woven garments. Global Industry Analysts, Inc. estimates that the market for gloves was over \$2.6 billion worldwide in 2003.

The industrial protective clothing market has evolved over the past 35 years as a result of governmental regulations and requirements and commercial product development. In 1970, Congress enacted the Occupational Safety and Health Act, or OSHA, which requires employers to supply protective clothing in certain work environments. Almost two million workers are subject to OSHA standards today. Certain states have also enacted worker safety laws that supplement OSHA standards and requirements.

The advent of OSHA coincided with DuPont's development of Tyvek® which, for the first time, allowed for the economical production of lightweight, disposable protective clothing. The attraction of disposable garments grew in the late 1970s as a result of increases in labor and material costs of producing cloth garments and the promulgation of federal, state and local safety regulations.

Table of Contents

In 1990, additional standards proposed and developed by the National Fire Protection Association and the American Society for Testing and Materials were adopted by OSHA. These standards identify four levels of protection, A through D, and specify the equipment and clothing required to adequately protect the wearer at each level:

Level A requires total encapsulation in a vapor proof chemical suit with self contained breathing apparatus, or SCBA, and appropriate accessories.

Level B calls for SCBA or a positive pressure supplied respirator with escape SCBA, plus hooded chemical resistant clothing (coveralls), one or two piece chemical splash suit, or disposable chemical resistant coveralls.

Level C requires hooded chemical resistant clothing, such as coveralls, two piece chemical splash suit, or disposable chemical resistant coveralls.

Level D involves work and/or training situations that require minimal coverall protection.

In response to the terrorist attacks that took place on September 11, 2001, the federal government has provided for additional protective equipment funding through programs that are part of the Homeland Security initiative. The Fire Act of 2002 created the federal Assistance to Firefighters Grant Program, or AFGP, to provide funds directly to local fire districts to help improve their readiness and capability to respond to terrorist attacks. Funds are allocated under AFGP to the following areas: fire operations/firefighter safety; fire prevention; emergency medical services; and firefighting vehicle acquisition. AFGP will provide more than \$1.3 billion in funding through 2004, with approximately \$750 million appropriated for 2003 and \$750 million more appropriated for 2004. The Bio Terrorism Preparedness and Response Act of 2002, which we refer to as the Bio Terrorism Act, appropriated \$337 million for bio-defense equipment and another \$770 million to purchase equipment for first responders, such as fire, police, medical and military personnel. These bio terrorism monies are expected to be disbursed in late 2005 and 2006.

Recently, federal and state purchasing of industrial protective clothing and federal grants to fire departments have increased demand for industrial protective clothing to protect first responders against actual or threatened terrorist incidents. Specific events such as the 2002 U.S. Winter Olympics, the anthrax letters incidents in 2001 and the ricin letter incidents in 2004 have also resulted in increased demand for our products.

Industry Consolidation

The industrial protective clothing industry is highly fragmented and consists of a large number of small, closely-held family businesses. DuPont, Kimberly Clark and Lakeland and are the dominant disposable industrial protective apparel manufacturers. Since 1997, the markets for manufacturing and distribution have consolidated. A number of large distributors with access to capital have acquired smaller distributors. The acquisitions include Vallen Corporation's acquisitions of Safety Centers, Inc., All Supplies, Inc., Shepco Manufacturing Co., and Century Safety (Canada) and Hagemeyer's acquisition of Vallen Corporation; W.W. Grainger's acquisitions of Allied Safety, Inc., Lab Safety Supply, Inc., Acklands Limited, Gempler's safety supply division and Ben Meadows, Inc.; Air Gas's acquisitions of Rutland Tool & Supply Co., Inc., IPCO Safety Supply, Inc., Lyon Safety, Inc., Safety Supply, Inc., Safety West, Inc. and Delta Safety Supply, Inc.; and Fischer Scientific's acquisitions of Safety Services of America, Cole-Parner, Retsch and Emergo.

As these safety distributors consolidate and grow, we believe they are looking to reduce the number of safety manufacturing vendors they deal with and support, while at the same time shifting the burden of end user selling to the manufacturer. This creates a significant capital availability issue for small safety manufacturers as end user selling is more expensive, per sales dollar, than selling to safety distributors. As a result, the manufacturing sector in this industry is seeing follow-on consolidation. DuPont has acquired Marmac Manufacturing, Inc., Kappler, Inc., Cellucup, Melco, Mfg., and Regal Manufacturing since 1998, while in the related safety product industries Norcross Safety Products L.L.C. has acquired Morning Pride,

Table of Contents

Ranger-Servus, Salisbury, North and Pro Warrington and Christian Dalloz has acquired Bacou, USA which itself acquired Uvex Safety, Inc., Survivair, Howard Leight, Perfect Fit, Biosystems, Fenzy, Titmus, Optrel, OxBridge and Delta Protection.

We believe a larger industrial protective clothing manufacturer has competitive advantages over a smaller competitor including:

economies of scale when selling to end users, either through the use of a direct sales force or independent representation groups;

broader product offerings that facilitate cross-selling opportunities;

the ability to employ dedicated protective apparel training and selling teams;

the ability to offer volume and growth incentives to safety distributors; and

access to international sales.

We believe we have a substantial opportunity to pursue acquisitions in the industrial protective clothing industry, particularly because many smaller manufacturers share customers with us.

Business Strategy

Key elements of our strategy include:

Increase Sales to the First Responder Market. Our high-end chemical protective suits meet all of the requirements and are particularly well qualified to provide protection to first responders to chemical or biological attacks. For example, our products have been used for response to recent threats such as the 2001 anthrax letters and the 2004 ricin letters. A portion of appropriations for the Fire Act of 2002 and the Bio Terrorism Act of 2002 are available for purchase of products for first responders that we manufacture, and we intend to aggressively target this market.

Improve Marketing in Existing Markets. We believe significant growth opportunities are available to us through the better positioning, marketing and enhanced cross-selling of our reusable woven protective clothing, glove and arm guards and high-end chemical suit product lines, along with our limited use/disposable lines.

Increase Penetration of the North American Tyvek® Market. We intend to increase our sales of Tyvek®-based garments by introducing Tyvek® in industries which have generally used woven reusable garments, such as food processing and food service industries including kitchens, grocery stores and chicken and fishery slaughter operations. We believe that limited use/disposable garments are more effective at preventing contamination than reusable garments that are exposed to possible contamination while in transit or while being laundered. We also plan to expand our sales of Tyvek®-based products and marketing efforts in Mexico and Canada. Industrial safety gear utilized in U.S. manufacturing often gains acceptance as standard equipment for new facilities and factories operated by U.S. companies in other countries.

Emphasize Customer Service. We continue to offer a high level of customer service to distinguish our products and to create customer loyalty. We offer well-trained and experienced sales and support personnel, on-time delivery and accommodation of custom and rush orders. We also seek to extensively advertise our brand names.

Decrease Manufacturing Expenses by Moving Production to International Facilities. We have additional opportunities to take advantage of our low cost production capabilities in Mexico and China. Beginning in 1995, we successfully moved the labor intensive sewing operation for our limited use/disposable protective clothing lines to these facilities. Beginning January 1, 2005, pursuant to the United States World Trade Organization Treaty with China, quota requirements imposed by the U.S. on textiles such as our reusable woven garments and gloves are scheduled to be removed, making it more cost effective to move production for these product lines to our

Table of Contents

assembly facilities in China. We are in the early stages of this process and expect to complete this process by the third quarter of fiscal 2005. As a result, we expect to see profit margin improvements for these product lines, which will allow us to compete more effectively as the quota restrictions are removed.

Acquisitions. We believe that the protective clothing market is fragmented and presents the opportunity to acquire businesses that offer comparable products or specialty products that we do not offer. We intend to consider acquisitions that afford us economies of scale, enhanced opportunity for cross-selling, expanded product offerings and an increased market presence. We have no letters of intent or understandings with respect to any potential acquisitions.

Introduction of New Products. We continue our history of product development and innovation by introducing new proprietary products across all our product lines. Our innovations have included Micromax® disposable protective clothing line, our Despro™ glove and Grapolator™ sleeve lines for hand and arm cut protection and our Thermbar™ Mock Twist glove for hand and arm heat protection. We own seven patents on fabrics and production machinery and have eight additional patents in application. We will continue to dedicate resources to research and development.

Our Competitive Strengths

Our competitive strengths include:

Industry Reputation. We devote significant resources to creating customer loyalty by accommodating custom and rush orders and focusing on on-time delivery. Additionally, our ISO 9001 certified facilities manufacture high-quality products. As a result of these factors, we believe that we have an excellent reputation in the industry.

Long-standing Relationship with DuPont. We believe we are the largest independent customer for Dupont's Tyvek® and TyChem® material for use in the industrial protective clothing market. Our trademark agreements with DuPont for Tyvek®, TyChem® and Kevlar® require certain quality standards and the identification of the DuPont brand on the finished product. We believe this brand identification with DuPont significantly benefits the marketing of our product lines, as over the past 30 years Tyvek® has become known as the standard for limited use/disposable protective clothing. We believe our relationship with DuPont to be excellent.

International Manufacturing Capabilities. We have operated manufacturing facilities in Mexico since 1995 and in China since 1996. Our three facilities in China total over 160,000 sq. ft. of manufacturing, warehousing and administrative space while our facility in Mexico totals over 14,000 sq. ft. of manufacturing, warehousing and administrative space. Our facilities and capabilities in China and Mexico allow access to a less expensive labor pool than is available in the United States and permit us to purchase certain raw materials at a lower cost than they are available domestically.

Comprehensive Inventory. We have a large product offering with numerous specifications, such as size, styles and pockets, and maintain a large inventory of each in order to satisfy customer orders in a timely manner. Many of our customers traditionally make purchases of industrial protective gear with expectations of immediate delivery. We believe our ability to provide timely service for these customers enhances our reputation in the industry and positions us strongly for repeat business, particularly in our limited use/disposable protective clothing product lines.

Manufacturing Flexibility. By locating labor-intensive manufacturing processes such as sewing in Mexico and China, and by utilizing sewing sub-contractors, we have the ability to increase production without substantial additional capital expenditures. Our manufacturing systems allow us flexibility for unexpected production surges and alternative capacity in the event any of our independent contractors become unavailable.

Table of Contents

Experienced Management Team. We have an experienced management team. Our executive officers average greater than 20 years of experience in the industrial protective clothing market. The knowledge, relationships and reputation of our management team helps us maintain and build our customer base.

Products

The following table summarizes our principal product lines, the raw materials used to manufacture them, their applications and end markets:

Product Line	Raw Material	Protection Against	End Market
Limited use/disposable protective clothing	Tyvek® and TyvekQC, laminates of Polyethylene, Micromax®, SMS, Polypropylene, Pyrolon®, and other non-woven fabrics	Contaminants, irritants, metals, chemicals, fertilizers, pesticides, acids, asbestos, PCBs, lead, dioxin and many other hazardous chemicals Viruses and bacteria (AIDS, streptococcus, SARS and hepatitis)	Chemical/petrochemical industries Automotive and pharmaceutical industries Public utilities Government (terrorist response) Janitorial
High-end chemical protective suits	TyChem® SL TyChem® TK TyChem® BR Other Lakeland patented co-polymer laminates	Chemical spills Toxic chemicals used in manufacturing processes Terrorist attacks, biological warfare (anthrax and ricin)	Hazardous material teams Chemical and nuclear industries Fire departments Government (first responders)
Fire fighting and heat protective apparel	PBI Nomex® Millenia® Basofil® Advance Indura® Ultrasoft Aluminized Nomex® Aluminized Kevlar®	Fire, burns and excessive heat	Municipal, corporate and volunteer fire departments Wildland fire fighting Hot equipment maintenance personnel and industrial fire departments Oil well fires Airport crash rescue Automotive, glass and metal fabrication industries Chemical plants
Gloves and arm guards	Kevlar® yarns Spectra® yarns Kevlar® wrapped steel core yarns	Cuts, lacerations, heat and chemical irritants	
Reusable woven garments	Staticsorb carbon thread with polyester Cotton polyester blends Cotton Polyester FR cottons/ Nomex®	Protects manufactured products from human contamination or static electrical charge Bacteria, viruses and blood borne pathogens Protection from flash fires	Hospital and industrial facilities Clean room environments Emergency medical ambulance services Chemical and refining

Limited Use/ Disposable Protective Clothing

We manufacture a complete line of limited use/disposable protective garments, including coveralls, laboratory coats, shirts, pants, hoods, aprons, sleeves and smocks. Limited use garments can also be coated or laminated to increase splash protection against many inorganic acids, bases and other liquid chemicals. Limited use garments are made from several non-woven fabrics, including Tyvek® and TyvekQC (both DuPont fabrics) and our own fabrics such as Pyrolon® Plus 2, XT, CRFR, Micromax®, Safeguard 76®, Zonogard, Body Gard®, RyTex® and TomTex®, which are made of spunlaced polyester, polypropylene and polyethylene materials, laminates, films and derivatives. We incorporate many seaming techniques depending on the level of protection needed in the end use application.

Table of Contents

Typical users of these garments include chemical plants, petrochemical refineries and related installations, automotive manufacturers, pharmaceutical companies, construction companies, coal and oil power generation utilities and telephone utility companies. Numerous smaller industries use these garments for specific safety applications unique to their businesses. Additional applications include protection from viruses and bacteria, such as AIDS, streptococcus, SARS and hepatitis, at hospitals, clinics and emergency rescue sites and use in clean room environments to prevent human contamination in the manufacturing processes.

Our limited use/disposable protective clothing products range in unit price from \$0.04 for shoe covers to approximately \$14.00 for a Tyvek® QC laminated hood and booted coverall. Our largest selling item, a standard white Tyvek® coverall, sells for approximately \$2.75 to \$3.75 per garment. By comparison, similar reusable cloth coveralls range in price from \$30.00 to \$60.00, exclusive of laundering, maintenance and shrinkage expenses.

We cut, warehouse and sell our limited use/disposable garments primarily at our Decatur, Alabama and China facilities. The fabric is cut into required patterns at our Decatur plant and shipped to our Mexico facility for assembly. Our assembly facilities in China or Mexico and independent contractors sew and package the finished garments and return them primarily to our Decatur, Alabama plant, normally within one to eight weeks, for immediate shipment to the customer.

We presently utilize nine independent domestic sewing contractors and one international contractor under agreements that are terminable at will by either party. In fiscal 2004 and the three months ended April 30, 2004, no independent sewing contractor accounted for more than 5% of our production of limited use/disposable garments. We believe that we can obtain adequate alternative production capacity should any of our independent contractors become unavailable.

The capacity of our facilities, complemented by the availability of our independent sewing contractors, allow us to reduce by 10%, or alternately increase by 20%, our production capacity without incurring large ongoing costs typical of many manufacturing operations. This allows us to react quickly to changing unit demand for our products.

High-End Chemical Protective Suits

We manufacture heavy-duty chemical suits made from DuPont TyChem® SL, TK and BR fabrics. These suits are worn by individuals on hazardous material teams to provide protection from powerful, highly concentrated and hazardous or potentially lethal chemical and biological toxins, such as toxic wastes at Super Fund sites, toxic chemical spills or biological discharges, chemical or biological warfare weapons (such as anthrax or ricin), and chemicals and petro-chemicals present during the cleaning of refineries and nuclear facilities. Our line of chemical suits range in cost from \$24 per coverall to \$1,461. The chemical suits can be used in conjunction with a fire protective shell that we manufacture to protect the user from both chemical and flash fire hazards. We have also introduced two garments approved by the National Fire Protection Agency for varying levels of protection that are manufactured from DuPont materials:

TyChem® TK a co-polymer film laminated to a durable spun bonded substrate. This garment offers the broadest temperature range for limited use garments of -94F to 194F. TyChem® TK meets all OSHA Level A requirements. It is available in National Fire Protection Agency 1991-2000 certified versions when worn with an aluminized over cover.

TyChem® BR meets all OSHA Level B and all National Fire Protection Agency 1994 fabric requirements and offers splash protection against a wide array of chemicals.

We manufacture chemical protective clothing at our facilities in Decatur, Alabama and Mexico. Using fabrics such as TyChem® SL, TK and BR, we design, cut, glue and/or sew the materials to meet customer purchase orders.

Table of Contents

The federal government, through the Fire Act of 2002, appropriated approximately \$750 million in 2003 to fire departments in the United States and its territories to fund the purchase, among other things, of personal protective equipment, including our fire fighting and heat protective apparel and high-end chemical protective suits. An additional \$750 million has been appropriated for 2004. The Bio Terrorism Preparedness and Response Act of 2002 includes an appropriation of \$337 million for bio-defense equipment and \$770 million to purchase equipment for first responders, such as fire, police, medical and military personnel. Purchases of equipment under these appropriations will include our personal protective equipment and are expected to be made in late 2005 and in 2006.

Fire Fighting and Heat Protective Apparel

We manufacture an extensive line of products to protect individuals who work in high heat environments. Our heat protective aluminized fire suit product lines include the following:

Fire entry suit to allow total flame entry when dealing with volatile and highly flammable products.

Kiln entry suit to protect kiln maintenance workers from extreme heat.

Proximity suits to give protection in high heat areas where exposure to hot liquids, steam or hot vapors is possible.

Approach suits to protect personnel engaged in maintenance, repair and operational tasks where temperatures do not exceed 200F ambient, with a radiant heat exposure up to 2,000F.

We manufacture fire fighter protective apparel for domestic and foreign fire departments. We developed the popular Sterling Heights™ style (short coat and bib pants) bunker gear. Crash rescue continues to be a major market for us, as we were one of the first manufacturers to supply military and civilian markets with airport fire fighting protection.

Our fire suits range in price from \$480 for standard fire department turn out gear to \$2,000 for a fire entry suit. All of our heat protective clothing is currently manufactured at our facility in St. Joseph, Missouri. Our Fyrepel™ brand of fire fighting apparel continues to benefit from ongoing research and development investment, as we seek to address the ergonomic needs of stressful occupations.

Gloves and Arm Guards

We manufacture and sell specially designed gloves and arm guards made from Kevlar®, a cut and heat resistant material produced by DuPont, Spectra®, a cut resistant fiber made by Honeywell, and our proprietary patented yarns. We are one of only twelve companies licensed in North America to sell 100% Kevlar® gloves, which are high strength, lightweight, flexible and durable. Kevlar® gloves offer a better overall level of protection and lower worker injury rates, and are more cost effective, than traditional leather, canvas or coated work gloves. Kevlar® gloves, which can withstand temperatures of up to 400F and are cut resistant enough to allow workers to safely handle sharp or jagged unfinished sheet metal, are used primarily in the automotive, glass and metal fabrication industries. Our higher end Kevlar® and Spectra® gloves range in price from \$37 to \$240 for a dozen pair.

We manufacture gloves primarily at our Decatur, Alabama facility, but we are shifting production to our Mexico and China facilities. We expect to complete this shift by the third quarter of fiscal 2005 as quotas and tariffs on products of this type expire. Foreign production will allow lower fabric and labor costs.

We have applied for patents on manufacturing processes that provide hand protection to the areas of a glove where it is most needed in various applications. For example, while the top or back of a glove generally does not require the same thickness as the palm or thumb of a glove, gloves typically have a uniform level of yarn protection. This manufacturing process allows us to produce our gloves more economically.

Table of Contents

Reusable Woven Garments

We manufacture and market a line of reusable and washable woven garments that complement our fire fighting and heat protective apparel offerings and provide alternatives to our limited use/disposable protective clothing lines and give us access to the much larger woven industrial and health care-related markets. Cloth reusable garments are favored by customers for certain uses or applications because of familiarity with and acceptance of these fabrics and woven cloth's heavier weight, durability and longevity. These products allow us to supply and satisfy a wider range of safety and customer needs. Our product lines include the following:

Electrostatic dissipative apparel used primarily in the automotive industry.

Clean room apparel used in semiconductor manufacturing and pharmaceutical manufacturing to protect against human contamination.

Hospital garments used to protect against blood borne pathogens and common bacteria.

Flame resistant Nomex® coveralls/pants/jackets used in chemical and petroleum plants and for wild land firefighting.

Our reusable woven garments range in price from \$10 to \$100 per garment. We manufacture and sell woven cloth garments at our facility in St. Joseph, Missouri. We continue to relocate highly repetitive sewing processes for our high volume, standard product lines such as woven protective coveralls and electrostatic dissipative apparel to our facilities in China where lower fabric and labor costs allow increased profit margins. We expect the relocation process to be substantially complete by the third quarter of fiscal 2005.

Quality Control

Our Alabama, Missouri, Mexico and China manufacturing facilities are ISO 9001 certified. ISO standards are internationally recognized quality manufacturing standards established by the International Organization for Standardization based in Geneva, Switzerland. To obtain our ISO registration, our factories were independently audited to test our compliance with the applicable standards. In order to maintain registration, our factories receive regular announced inspections by an independent certification organization. We believe that the ISO 9001 certification makes us more competitive in the marketplace, as customers increasingly recognize the standard as an indication of product quality.

Marketing and Sales

We employ an in-house sales force of 14 people and utilize 42 independent sales representatives. These employees and representatives call on over 500 safety and mill supply distributors nationwide in order to promote, provide product information for and sell our products. Distributors buy our products for resale and typically maintain inventory at the local level in order to assure quick response times and the ability to service their customers properly. Our sales employees and independent representatives have consistent communication with end users and decision makers at the distribution level, thereby allowing us valuable feedback on market perception of our products, as well as information about new developments in our industry. During fiscal 2004 and the three months ended April 30, 2004, no single distributor accounted for more than 5% of our net sales.

We seek to maximize the efficiency of our established distribution network through direct promotion of our products at the end user level. We advertise primarily through trade publications and our promotional activities include sales catalogs, mailings to end users, a nationwide publicity program and our Internet web site. We exhibit at both regional and national trade shows such as the National Safety Congress and the American Industrial Hygienists Convention.

Table of Contents

Research and Development

We continue to evaluate and engineer new or innovative products. We recently introduced the Micromax® line of disposable protective clothing; a newly configured line of fire retardant work coveralls and fire turn-out gear; a SARS protective medical gown for Chinese hospital personnel; the Despro™, Grapolator™ and Kut Buster™ cut protective glove and sleeve lines; and our patented Thermbar™ Mock Twist that provides heat protection for temperatures up to 600F. We own seven patents on various fabrics, patterns and production machinery. We plan to continue investing in research and development in protective apparel fabrics and manufacturing equipment. Specifically, we plan to continue to develop new specially knit and coated gloves, woven gowns for industrial and medical uses, fire retardant cotton fabrics and protective non-woven fabrics. During fiscal 2002, fiscal 2003, fiscal 2004 and the three months ended April 30, 2004, we spent approximately \$378,000, \$164,000, \$82,000 and \$5,000, respectively, on research and development.

Suppliers and Materials

Our largest supplier is DuPont, from whom we purchase Tyvek® under North American trademark licensing agreements and Kevlar® under international trademark licensing agreements. Commencing in 1995, anticipating the expiration of certain patents on its proprietary materials, DuPont offered certain customers of these materials the opportunity to enter into two year trademark licensing agreements. We entered into such agreements and have renewed them continually since. In fiscal 2004, we purchased approximately 77.4% of the dollar value of our raw materials from DuPont, and Tyvek® constituted approximately 55% of our cost of goods sold and approximately 71.2% of the dollar value of our raw material purchases. In the three months ended April 30, 2004, we purchased approximately 77.2% of the dollar value of our raw materials from DuPont, and Tyvek® constituted approximately 65.3% of our cost of goods sold and approximately 66.9% of the dollar value of our raw material purchased. We believe our relationship with DuPont to be excellent and expect to continue our licenses.

We do not have long-term, formal agreements with any other suppliers of non-woven fabric raw materials used by us in the production of our limited use/disposable protective clothing product lines. Materials such as polypropylene, polyethylene, polyvinyl chloride, spun laced polyester and their derivatives are available from thirty or more major mills. Flame retardant fabrics are also available from a number of both domestic and international mills. The accessories used in the production of our disposable garments, such as thread, boxes, snaps and elastics are obtained from unaffiliated suppliers. We have not experienced difficulty in obtaining our requirements for these commodity component items.

We have not experienced difficulty in obtaining materials, including cotton, polyester and nylon, used in the production of reusable non-wovens and commodity gloves. We obtain Spectra® yarn used in our super cut-resistant Dextra Guard gloves from Honeywell, and we believe Honeywell will be able to meet our needs for this material in the future. We obtain Kevlar®, used in the production of our specialty safety gloves, from independent mills that purchase the fiber from DuPont. Our use of Kevlar® is subject to the trademark licensing agreements described above.

Materials used in our fire and heat protective suits include glass fabric, aluminized glass, Nomex®, aluminized Nomex®, Kevlar®, aluminized Kevlar®, polybenzimidazole and Gortex, as well as combinations utilizing neoprene coatings. Traditional chemical protective suits are made of Viton, butyl rubber and polyvinyl chloride, all of which are available from multiple sources. Advanced chemical protective suits are made from Tyvek® SL, TyChem® TK and BR, which we obtain from DuPont, and our patented fabrics. We have not experienced difficulty obtaining any of these materials.

Competition

Our business is highly competitive. We believe that the barriers to entry in the reusable garments and glove markets are relatively low. We face competition in some of our other product markets from large established companies that have greater financial, managerial, sales and technical resources. Where larger competitors, such as DuPont and Kimberly Clark, offer products that are directly competitive with our

Table of Contents

products, particularly as part of an established line of products, there can be no assurance that we can successfully compete for sales and customers. Larger competitors also may be able to benefit from economies of scale and technological innovation and may introduce new products that compete with our products.

Seasonality

Our operations have historically been seasonal, with higher sales generally occurring in February, March, April and May when scheduled maintenance on nuclear, coal, oil and gas fired utilities, chemical, petrochemical and smelting facilities, and other heavy industrial manufacturing plants occurs, primarily due to cooler temperatures. Sales decline during the warmer summer and vacation months and generally increase from Labor Day through February with slight declines during holidays. As a result of this seasonality in our sales, we have historically experienced a corresponding seasonality in our working capital, specifically inventories, with peak inventories occurring between September and March coinciding with lead times required to accommodate the spring maintenance schedules. We believe that by sustaining higher levels of inventory, we gain a competitive advantage in the marketplace. Certain of our large customers seek sole sourcing to avoid sourcing their requirements from multiple vendors whose prices, delivery times and quality standards differ.

In recent years, due to increased demand by first responders for our chemical suits and fire gear, our historical seasonal pattern has shifted. Governmental disbursements are dependent upon budgetary processes and grant administration processes that do not follow our traditional seasonal sales patterns. Due to the size and timing of these governmental orders, our net sales, results of operations, working capital requirements and cash flows can vary between different reporting periods. As a result, we expect to experience increased variability in net sales, net income, working capital requirements and cash flows on a quarterly basis.

Patents and Trademarks

We own seven patents and have eight patents in the application and approval process with the U.S. Patent and Trademark Office. Additionally, a Patent Corporation Treaty application was filed for our Unilayer Glove Fabrics which involves technology using a robotic knitter that allows us to knit a glove using stronger or weaker yarns in different parts of the glove, as necessary, depending on the expected wear. We license one patent from Lavian Corporation, covering manufacturing processes for certain limited use/ disposable protective clothing products. This license provides for semi-exclusive rights in North American and international markets, subject to royalty payments based on yards sold and annual dollar minimums. Net sales from products manufactured pursuant to this process accounted for less than 2% of our total net sales in fiscal 2004.

Employees

As of May 21, 2004, we had approximately 1,333 full time employees, 1,045, or 78.4%, of whom were employed in our international facilities and 288, or 21.6%, of whom were employed in our domestic facilities. An aggregate of 990 of our employees, representing all of our employees in our Mexico facility and in each of our China facilities, are members of unions. We are not currently a party to any collective bargaining agreements. We believe our employee relations to be excellent.

Properties

We believe that our owned and leased facilities are suitable for the operations we conduct in each of them. Each manufacturing facility is well maintained and capable of supporting higher levels of production. The table below sets forth certain information about our principal facilities.

Table of Contents

Address	Estimated Square Feet	Annual Rent	Lease Expiration	Principal Activity
Weifang Lakeland Safety Products Co., Ltd. Xiao Shi Village AnQui City, Shandong Province PRC 262100	65,000	Owned ⁽¹⁾	N/A	Manufacturing Administration Engineering
Qing Dao MayTung Healthcare Co., Ltd. Yinghai Industrial Park Jiaozhou, Shandong Province PRC 266318	90,415	Owned ⁽¹⁾	N/A	Manufacturing Administration Warehousing
Meiyang Protective Products Co., Ltd. Xiao Shi Village AnQui City, Shandong Province PRC 262100	9,360	\$3,630	12/31/04	Manufacturing
Uniland Division 2401 SW Parkway St. Joseph, MO 64503	44,000	\$96,000	7/31/06	Manufacturing Administration Warehousing
Lakeland de Mexico S.A. de C.V. Poniente, Mza 8, Lote 11 Ciudad Industrial, S/No. Celaya, Guanajuato 38010 Mexico	14,057	\$59,400	7/31/07	Manufacturing Administration Warehousing
Lakeland Protective Wear Canada 5109-B7 Harvester Road Burlington, ON L7L5Y9 Canada	8,250	\$55,600	11/30/07	Sales Administration Warehousing
Lakeland Industries, Inc. Headquarters 711-2 Koehler Avenue Ronkonkoma, NY 11779	4,362	\$43,402	6/30/04	Administration
Lakeland Industries, Inc. 751-4 Koehler Avenue Ronkonkoma, NY 11779	900	\$7,800	6/30/04	Studio Warehousing
Lakeland Industries, Inc. 202 Pride Lane Decatur, AL 35603	91,788	\$364,900	3/31/09	Manufacturing Administration Engineering Warehousing
Lakeland Industries, Inc. 3428 Valley Ave. (201 1/2 Pride Lane) Decatur, AL 35603	49,500	\$199,100	3/31/09	Warehousing Administration
Lakeland Industries, Inc. 201 Pride Lane, SW Decatur, AL 35603	2,400	\$18,000	3/31/09	Sales Administration
Lakeland Industries Europe Ltd. Wallingfen Park	2,470	Approximately \$25,528	1/31/08	Warehouse Sales

236 Main Road
Newport, East Yorkshire
HU15 2RH U United Kingdom

(varies with
exchange rates)

Table of Contents

- (1) We own the buildings in which we conduct our manufacturing operations and lease the land underlying the buildings from the Chinese government. We have 43 years and 48 years remaining under the leases with respect to the AnQui City and Jiaozhou facilities, respectively.

Our facilities in Decatur, Alabama; Celaya, Mexico; AnQui, China; Jiaozhou, China; and St. Joseph, Missouri contain equipment used for the design, development and manufacture and sale of our products. Our operations in Burlington, Canada and Newport, United Kingdom are primarily sales and warehousing operations receiving goods for resale from our manufacturing facilities around the world. We had \$0.2 million, \$1.4 million, \$1.9 million and \$1.9 million of long-lived assets, net located in China and \$0.1 million, \$0.2 million, \$0.2 million and \$0.2 million of long-lived assets, net located in Mexico as of January 31, 2002, 2003 and 2004 and April 30, 2004, respectively.

Legal Proceedings

From time to time, we are a party to litigation arising in the ordinary course of our business. We are not currently a party to any litigation that we believe could reasonably be expected to have a material adverse effect on our results of operations, financial condition or cash flows.

Environmental Matters

We are subject to various foreign, federal, state and local environmental protection, chemical control, and health and safety laws and regulations, and we incur costs to comply with those laws. We own and lease real property, and certain environmental laws hold current or previous owners or operators of businesses and real property responsible for contamination on or originating from property, even if they did not know of or were not responsible for the contamination. The presence of hazardous substances on any of our properties or the failure to meet environmental regulatory requirements could affect our ability to use or to sell the property or to use the property as collateral for borrowing, and could result in substantial remediation or compliance costs. If hazardous substances are released from or located on any of our properties, we could incur substantial costs and damages.

Although we have not in the past had any material costs or damages associated with environmental claims or compliance and we do not currently anticipate any such costs or damages, we cannot assure you that we will not incur material costs or damages in the future, as a result of the discovery of new facts or conditions, acquisition of new properties, the release of hazardous substances, a change in interpretation of existing environmental laws or the adoption of new environmental laws.

Table of Contents**MANAGEMENT****Directors and Executive Officers**

The following is a list of the names and ages of all of our directors and executive officers, indicating all positions and offices they hold with us as of June 14, 2004. Our directors hold office for a three-year term and until their successors have been elected and qualified.

Name	Age	Position
Raymond J. Smith	65	Chairman of the Board of Directors
Christopher J. Ryan	52	Chief Executive Officer, President, Secretary, General Counsel and Director
Harvey Pride, Jr.	57	Vice President Manufacturing
James M. McCormick	56	Chief Financial Officer and Treasurer
Paul C. Smith	37	Vice President
John J. Collins, Jr.	61	Director
Eric O. Hallman	61	Director
Walter J. Raleigh	76	Director
Michael E. Cirenza	49	Director

Raymond J. Smith, one of our co-founders, has been Chairman of our board of directors since our incorporation in 1982 and was President from 1982 to January 31, 2004. Mr. Smith's term as a director will expire at our annual meeting of stockholders in June 2004.

Christopher J. Ryan has served as our Chief Executive Officer since April 2004, President since February 1, 2004, Secretary since April 1991, General Counsel since February 2000 and a director since May 1986. Mr. Ryan was our Executive Vice President Finance from May 1986 until becoming our Chief Executive Officer and President on February 1, 2004. From October 1989 until February 1991, Mr. Ryan was employed by Sands Brothers and Rodman & Renshaw, Inc., both investment banking firms. Prior to that, he was an independent consultant with Laidlaw Holding Co., Inc., an investment banking firm, from January 1989 until September 1989. From February 1987 to January 1989, Mr. Ryan was employed as the Managing Director of Corporate Finance for Brean Murray, Foster Securities, Inc. He was employed from June 1985 to March 1986 as a Senior Vice President with the investment banking firm of Laidlaw Adams Peck, Inc., a predecessor firm to Laidlaw Holdings, Inc. Mr. Ryan has served as one of our directors since 1986 and his term as a director will expire at our annual meeting of stockholders in June 2005.

Harvey Pride, Jr. has been our Vice President of manufacturing since May 1986. He was Vice President of Ryland (our former subsidiary) from May 1982 to June 1986 and President of Ryland until its merger into Lakeland on January 31, 1990.

James M. McCormick was our Vice President and Treasurer from May 1986 to August 2003 and is presently Chief Financial Officer and Treasurer. Mr. McCormick has been our Chief Financial Officer since April 2004. Between January 1986 and May 1986 Mr. McCormick was our Controller.

Paul C. Smith, son of Raymond J. Smith, has served as Vice President since February 1, 2004. Prior to that, Mr. Smith was our Northeast Regional Sales Manager since September 1998. From April 1994 until September 1998, Mr. Smith was a sales representative for the Metropolitan Merchandising and Sales Co.

John J. Collins, Jr. was Executive Vice President of Chapdelaine GSI, a government securities firm, from 1977 to January 1987. He was Senior Vice President of Liberty Brokerage, a government securities firm, between January 1987 and November 1998. Presently, Mr. Collins is self-employed, managing a direct investment portfolio of small business enterprises for his own accounts. Mr. Collins has served as one of our directors since 1986 and his term as a director will expire at our annual meeting of stockholders in June 2006.

Table of Contents

Eric O. Hallman was President of Naess Hallman Inc., a ship brokering firm, from 1974 to 1991. Mr. Hallman was also affiliated between 1991 and 1992 with Finanshuset (U.S.A.), Inc., a ship brokering and international financial services and consulting concern, and was an officer of Sylvan Lawrence, a real estate development company, between 1992 and 1998. Between 1998 and 2000, Mr. Hallman was President of PREMCO, a real estate management company, and currently is Comptroller of the law firm Murphy, Bartol & O'Brien, LLP. Mr. Hallman has served as one of our directors since our incorporation in 1982 and his term as a director will expire at our annual meeting of stockholders in June 2006.

Walter J. Raleigh is a director of CMI Industries, Inc., the successor company to Clinton Mills, Inc., and was President of Clinton Mills Sales, Co. Division, N.Y. from 1974 to 1995. Clinton Mills was a textile manufacturer of woven fabrics. Mr. Raleigh retired from Clinton Mills in 1995 and was a Senior Adviser to CMI Industries, Inc. between 1995 and 2000. Mr. Raleigh has served as one of our directors since 1991 and his term as a director will expire at our annual meeting of stockholders in June 2004.

Michael E. Cirenza has been the Executive Vice President and Chief Financial Officer of Consac Industries, Inc., a manufacturer and distributor of vitamins and nutritional supplements, since September 2002. Mr. Cirenza was the Chief Financial Officer and Chief Operating Officer of Resilien, Inc., an independent distributor of computers, components and peripherals from January 2000 to September 2002. He was an Audit Partner with the international accounting firm of Grant Thornton LLP from August 1993 to January 2000 and an Audit Manager with Grant Thornton LLP from May 1989 to August 1993. Mr. Cirenza was employed by the international accounting firm of Price Waterhouse from July 1980 to May 1989. Mr. Cirenza is a Certified Public Accountant in the State of New York and a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants. Mr. Cirenza has served as one of our directors since June 18, 2003 and his term as a director will expire at our annual meeting of stockholders in 2005.

Committees of the Board

Our board of directors has a designated Audit Committee that reviews the scope and results of the audit and other services performed by our independent accountants. The Audit Committee is comprised solely of independent directors and consists of Messrs. Raleigh, Cirenza, Hallman and Collins. The board of directors has also designated a Compensation Committee that establishes objectives for our senior executive officers, sets the compensation of directors, executive officers and our other employees and is charged with the administration of our employee benefit plans. The Compensation Committee is comprised solely of independent directors and consists of Messrs. Collins, Hallman and Raleigh.

Compensation of Directors

Each non-employee director receives a fee of \$3,000 per quarter for attending meetings of our board of directors or committees of our board of directors. Non-employee directors are reimbursed for their reasonable expenses incurred in connection with attendance at or participation in such meetings. In addition, under our 1995 Director Plan, each non-employee director who becomes a director is granted an option to purchase 5,000 shares of our common stock. Messrs. Raleigh, Hallman and Collins were each granted an option to purchase 5,000 shares of our common stock under our previous 1986 Plan at the time of their respective appointments or reelections to the board of directors. Such grants and the terms thereof were renewed on April 18, 1997, May 5, 1996 and May 5, 1996, respectively, in accordance with stockholder approval of the 1995 Director Plan at our 1995 annual meeting of stockholders. Mr. Cirenza received an option to purchase 5,000 shares of our common stock upon his election to our board of directors in June 2003.

Directors who are employees of Lakeland receive no additional compensation for their service as directors. However, such directors are reimbursed for their reasonable expenses incurred in connection with travel to or attendance at or participation in meetings of our board of directors or committees of the board of directors.

Table of Contents

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Related Party Leases

In the past, because our access to third party financing was insufficient, we entered into arrangements with our directors and executive officers in order to fund the construction or acquisition of our assembly facilities. In such cases, we commissioned independent appraisals in 1999, 2002 and 2004 to ensure that these arrangements approximated arrangements made on an arms length basis. We believe that we currently have sufficient access to financing to fund our current and anticipated facility needs, we do not anticipate entering into additional arrangements with our directors or executive officers in the future and we are examining alternatives for restructuring the ownership and/or the financing of these facilities in a manner that would not involve our directors or executive officers. We intend to conclude our examination of the alternative ownership structures and financing arrangements by July 30, 2004 and to implement any new arrangements by October 30, 2004, if possible. Any such restructuring or financing would involve negotiations with, and require the agreement of, the entities described below and their partners or members, including some of our officers and directors, and we therefore cannot assure you that we will be able to implement any such restructuring or financing. A description of our current arrangements with our directors and executive officers follows.

POMS Holding Co., or POMS, was formed in 1984 to lease both land and a building to us because bank financing was unavailable. POMS is a partnership whose partners include three of our directors, one of our officers and six other individuals who were stockholders of Lakeland at the time of the formation of POMS. Raymond J. Smith, the chairman of our board of directors, Harvey Pride, Jr., our Vice President Manufacturing, and John J. Collins, Jr. and Eric O. Hallman, both of whom are directors, have a 20%, 20%, 8.75% and 5% interest in POMS, respectively. POMS presently leases to us a 91,788 square foot disposable garment manufacturing facility in Decatur, Alabama. Under a lease effective September 1, 1999, we paid an annual rent of \$364,900. This lease was renewed on April 1, 2004 through March 31, 2009 at the same rental rate.

On March 1, 1999, we entered into a one year (renewable for four additional one year terms) lease agreement with Harvey Pride, Jr., our Vice President Manufacturing, for a 2,400 sq. ft. customer service office located next to our existing Decatur, Alabama facility. We paid an annual rent of \$18,000 for this facility under the lease agreement in fiscal 2004. This lease was renewed on March 1, 2004 through March 31, 2009 at the same rental rate.

On June 1, 1999, we entered into a five year lease agreement (expiring May 31, 2004) with River Group Holding Co., L.L.C. for a 49,500 sq. ft. warehouse facility located next to our existing facility in Decatur, Alabama. River Group Holding Co., L.L.C. is a limited liability company, the members of which are Raymond J. Smith, John J. Collins, Jr., Eric O. Hallman, Walter J. Raleigh, Christopher J. Ryan and Harvey Pride, Jr., who all have an equal ownership interest. Mr. Ryan is our Chief Executive Officer, President, Secretary, General Counsel and a director of our company, Messrs. Smith, Collins, Hallman and Raleigh are all directors of our company, and Mr. Pride is our Vice President Manufacturing. We paid an annual rent of \$199,100 for this facility in fiscal 2004. We are the sole occupant of the facility. This lease was renewed on April 1, 2004 through March 31, 2009 at the same rental rate.

Past Related Party Transactions

In 1997, An Qui Holding Co., L.L.C., or An Qui, a limited liability company whose members include Lakeland and Messrs. Smith, Collins, Hallman, Raleigh, Ryan and Pride, provided financing for the construction of a 65,000 square foot building in An Qui City, China and the lease of the real property underlying the building for 50 years from the Chinese government to Weifang Lakeland Safety Product Co., Ltd., or Weifang, one of our subsidiaries. In connection with the financing, Weifang agreed to make annual payments to An Qui and to allocate a portion of the proceeds from any sale of the property to An Qui. In 2002, An Qui relinquished its rights to the annual payments and to its rights to proceeds from the sale of the property in exchange for the amount of \$406,185 (net of expenses). Weifang paid \$222,645,

Table of Contents

\$89,000 and \$94,400 of this amount to An Qui in December 2002, January 2003 and June 2003, respectively. Of the \$406,185 paid to An Qui, Messrs Smith, Collins, Hallman, Ryan and Pride each received \$44,421 and Mr. Raleigh received \$39,792.

In 2001, An Qui also helped to finance the construction of our facility in Jiaozhou, China through a loan to one of our Chinese subsidiaries. The loan bore interest at the rate of 9% per annum until May 30, 2003, when the rate increased to 10% per annum. On June 19, 2003, we repaid this construction loan by paying \$168,100 (plus accrued interest) to An Qui and a foreign investor who contributed to the loan. Messrs. Smith, Collins, Hallman, Ryan and Pride, the members of An Qui who participated in this transaction, were each repaid their \$26,000 investments plus interest of approximately \$3,038.

Table of Contents**PRINCIPAL AND SELLING STOCKHOLDERS**

The following table sets forth information as of June 14, 2004, regarding the beneficial ownership of our common stock before and after this offering (assuming no exercise of the underwriters' over-allotment option) of:

each of our directors;

each of our executive officers;

our executive officers and directors as a group; and

each person or group known to us to beneficially own five percent or more of the outstanding shares of our common stock.

The percentage of shares beneficially owned prior to this offering in the following table is based on 3,280,135 shares of common stock outstanding as of June 14, 2004.

Beneficial ownership is determined under the rules of the Securities and Exchange Commission. These rules deem common stock subject to options currently exercisable, or exercisable within 60 days, to be outstanding for purposes of computing the percentage ownership of the person holding the options or of a group of which the person is a member, but they do not deem such stock to be outstanding for purposes of computing the percentage ownership of any other person or group. To our knowledge, except under applicable community property laws, or as otherwise indicated, each person named in the table has sole voting and sole investment control with regard to all shares beneficially owned by such person.

Except as noted below, the address of each person listed on the table is c/o Lakeland Industries, Inc., 711-2 Koehler Avenue, Ronkonkoma, New York 11779.

Name of Beneficial Owner	Shares Beneficially Owned Prior to Offering ⁽¹⁾		Number of Shares Being Offered	Shares Beneficially Owned After Offering ⁽¹⁾	
	Number	Percent		Number	Percent
Raymond J. Smith ⁽²⁾	535,903	16.3%	100,000	435,903	10.0%
Christopher J. Ryan ⁽³⁾	292,429	8.9%		292,429	6.7%
James M. McCormick					
Harvey Pride, Jr. ⁽⁴⁾					
Paul Smith					
Eric O. Hallman ⁽⁵⁾	51,920	1.6%		51,920	1.2%
John J. Collins, Jr. ⁽⁶⁾	94,298	2.9%		94,298	2.2%
Walter J. Raleigh ⁽⁷⁾	9,680	*		9,680	*
Michael E. Cirenza ⁽⁸⁾	5,500	*	5,000	500	*
Luis A. Hernandez, Jacqueline E. Hernandez and Anthony Hernandez ⁽⁹⁾	206,000	6.3%		206,000	4.7%
All executive officers and directors as a group (9 persons)	989,730	30.2%	105,000	884,730	20.2%

* Represents less than 1% of the outstanding shares.

(1) Includes 6,330 shares of our common stock issuable upon the exercise of options that are exercisable within 60 days of June 14, 2004.

(2) Mr. Smith has been Chairman of our board of directors since our incorporation in 1982.

Edgar Filing: LAKELAND INDUSTRIES INC - Form 424B4

- (3) Includes 12,100 shares owned by Mr. Ryan's wife. Mr. Ryan disclaims beneficial ownership of these shares.
- (4) Mr. Pride's address is c/o Lakeland Industries, Inc., 202 Pride Lane SW, Decatur, Alabama 35602.
- (5) Includes 2,310 shares of common stock issuable upon the exercise of options.
- (6) Includes 2,310 shares of common stock issuable upon the exercise of options.

48

Table of Contents

- (7) Includes 1,210 shares of common stock issuable upon the exercise of options.
- (8) Includes 500 shares of common stock issuable upon the exercise of options. Mr. Cirenza has served as one of our directors since 2003.
- (9) According to Schedule 13G filed with the Securities and Exchange Commission on July 27, 2000, Luis A. Hernandez, Jacqueline E. Hernandez and Anthony Hernandez beneficially owned 169,000 shares of our common stock as of such date and share voting and dispositive power with respect to these shares. However, giving effect to our 10% stock dividends to stockholders of record on July 31, 2002 and July 31, 2003, and based upon additional information given to us by a representative of these stockholders, we believe that these stockholders beneficially owned 206,000 shares of our common stock as of June 14, 2004. According to Schedule 13G filed with the Securities and Exchange Commission on July 27, 2000, the address of each of Luis A. Hernandez, Jacqueline E. Hernandez and Anthony Hernandez is 3069 Misty Harbour, Las Vegas, Nevada 89117.

Table of Contents

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 10,000,000 shares of common stock, \$0.01 par value per share, and 1,500,000 shares of preferred stock, \$0.01 par value per share. As of June 14, 2004, we had 3,280,135 fully paid and non-assessable shares of common stock and no shares of preferred stock issued and outstanding. In addition, we had outstanding options exercisable for 6,330 shares of common stock under our employee and director stock option plans as of June 14, 2004. The following summary description of our capital stock is qualified by reference to our restated certificate of incorporation and our by-laws, as amended, each of which has previously been filed with the Securities and Exchange Commission.

Common Stock

Holders of common stock are entitled to one vote per share for each share held of record on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Directors are elected by a plurality of the votes of the shares present in person or by proxy at the meeting. The holders of common stock are entitled to receive ratably such lawful dividends as may be declared by our board of directors. See Price Range of Common Stock and Dividend Policy. However, such dividends are subject to preferences that may be applicable to the holders of any outstanding shares of preferred stock. In the event of a liquidation, dissolution or winding up of our affairs, whether voluntarily or involuntarily, the holders of common stock will be entitled to receive pro rata all of our remaining assets available for distribution to our stockholders. Any such pro rata distribution would be subject to the rights of the holders of any outstanding shares of preferred stock. The common stock has no preemptive, redemption, conversion or subscription rights. All outstanding shares of common stock are fully paid and non-assessable. The shares of common stock to be issued by us in this offering, when issued in consideration of payment, will be fully paid and non-assessable. The rights, powers, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which we may designate and issue in the future.

Preferred Stock

No shares of our preferred stock have been issued and there is no present plan to issue any preferred stock. Our board of directors may, without further action by our stockholders, from time to time direct the issuance of preferred stock in series and may, at the time of issuance, determine or fix the number of shares in each series and the designation of the titles thereof and rights, if any, as to dividends, redemption, including sinking funds, liquidation distributions, convertibility and voting. Satisfaction of any dividend preferences of outstanding preferred stock would reduce the amount of funds available for the payment of dividends on common stock. Our board of directors is authorized to issue preferred stock with voting, conversion and other rights and preferences that could adversely affect the voting power or other rights of the holders of common stock. Also, holders of preferred stock would normally be entitled to receive a preference payment in the event of liquidation, dissolution or winding-up before any payment is made to the holders of common stock.

Anti-Takeover Provisions

Our restated certificate of incorporation and by-laws and Delaware General Corporation Law contain provisions that could discourage, delay or prevent a change in control of Lakeland or an acquisition of Lakeland at a price which many stockholders may find attractive. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of our common stock.

Restated Certificate of Incorporation and By-Laws

The General Corporation Law of Delaware provides generally that the affirmative vote of a majority of the shares issued and outstanding is required to amend a corporation's certificate of incorporation or by-

Table of Contents

laws, unless a corporation's certificate of incorporation or by-laws, as the case may be, requires a greater percentage. Our restated certificate of incorporation requires:

that certain business combinations involving us and any beneficial owner of 5% or more of our outstanding voting securities be approved by the holders of at least two-thirds of our voting securities, unless two-thirds of the members of our board of directors have approved the transaction; and

the vote of not less than two-thirds of our outstanding voting securities to repeal, alter or amend certain provisions of our restated certificate of incorporation, including the provisions relating to the super majority stockholder vote requirement for certain transactions, the term of our existence, certain aspects of our management, the prohibition against actions for monetary damages by us or our stockholders against directors for certain breaches of the duty of due care, and the indemnification of directors, officers, employees and agents.

Our restated certificate of incorporation provides for the division of our board of directors into three classes with as nearly equal number of directors in each class as possible, and with staggered three-year terms. If the number of directors is increased, the increase will be apportioned among the classes, so as to make all classes as nearly equal in number as possible. The effect of the classification of our board of directors and the provisions of our restated certificate of incorporation described above may be to make more difficult the accomplishment of a merger or other takeover or change in control. To the extent that these provisions have this effect, removal of our incumbent board of directors and management may be rendered more difficult. Further, these provisions may make it more difficult for stockholders to participate in a tender or exchange offer for common stock. This may diminish the market value of our common stock.

Our by-laws provide that newly created directorships resulting from an increase in the authorized number of directors shall be apportioned by our board of directors among the classes of directors, and any vacancies regardless of the cause may be filled only by:

a majority of the directors then in office, even though less than a quorum may then be in office; or

the sole remaining director.

These provisions prevent a stockholder from enlarging our board of directors and filling the new directorships with this stockholder's own nominees without board approval.

Delaware Law

We are subject to Section 203 of the Delaware General Corporation Law which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the time that such stockholder became an interested stockholder.

Section 203 does not apply if:

prior to such time, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by persons who are directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

at or subsequent to such time, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the

Table of Contents

affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

The application of Section 203 may limit the ability of stockholders to approve a transaction that they may deem to be in their best interests. Section 203 defines "business combination" to include:

any merger or consolidation involving the corporation and the interested stockholder;

any sale, lease, transfer, pledge or other disposition of 10% or more of the assets of the corporation to or with the interested stockholder;

subject to limited exceptions, any transaction which results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

any transaction involving the corporation which has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or

the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an "interested stockholder" as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the past three years, and any entity or person associated with, affiliated with or controlling or controlled by such entity or person.

Limitations on Liability and Indemnification of Officers and Directors

Our restated certificate of incorporation provides that none of our directors shall be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except liability for:

any breach of the director's duty of loyalty to us or our stockholders;

acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

the payment of unlawful dividends and certain other actions prohibited by the Delaware General Corporation Law; and

any transaction from which the director derived any improper personal benefit.

The effect of this provision of our restated certificate of incorporation is to eliminate our rights and the rights of our stockholders to recover monetary damages against a director for breach of the fiduciary duty of care as a director, including breaches resulting from negligent or grossly negligent behavior, except in the situations described above. This provision does not limit or eliminate our rights or the rights of any stockholder to seek non-monetary relief, such as an injunction or rescission in the event of a breach of a director's duty of care.

Our restated certificate of incorporation and by-laws provide a right to indemnification to the fullest extent permitted by the Delaware General Corporation Law for expenses, attorney's fees, damages, punitive damages, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by any person whether or not the indemnified liability arises or arose from any threatened, pending or completed proceeding by or in our right by reasons of the fact that he or she is or was our director or officer.

Stock Transfer Agent

The transfer agent for our common stock is the Registrar and Transfer Company, Ten Commerce Drive, Cranford, New Jersey 07106. Its telephone number is (908) 272-8511.

Table of Contents

MATERIAL U.S. TAX CONSIDERATIONS TO NON-U.S. HOLDERS

This is a general summary of the material U.S. federal income tax considerations with respect to your acquisition, ownership and disposition of our common stock if you are a non-U.S. holder that holds our common stock as a capital asset. A non-U.S. holder means a beneficial owner of shares other than:

a citizen or resident of the United States;

a corporation, partnership or other entity created or organized in, or under the laws of, the United States or any political subdivision of the United States;

an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

This summary does not address all of the U.S. federal income and estate tax considerations that may be relevant to you in light of your particular circumstances or if you are a beneficial owner subject to special treatment under United States income tax laws such as a:

controlled foreign corporation;

passive foreign investment company;

foreign personal holding company;

company that accumulates earnings to avoid U.S. federal income tax;

foreign tax-exempt organization;

financial institution;

partnership or other pass through entity for U.S. federal income tax purposes;

broker or dealer in securities; or

former U.S. citizen or resident.

This summary does not discuss any aspect of state, local or foreign taxation. This summary is based on current provisions of the Internal Revenue Code, Treasury regulations, judicial opinions, published positions of the U.S. Internal Revenue Service (the IRS) and all other applicable authorities, all of which are subject to change, possibly with retroactive effect. This summary is not intended as tax advice.

We urge prospective non-U.S. holders to consult their tax advisors regarding the United States federal, state, local and foreign income and other tax considerations of acquiring, holding and disposing of shares of our common stock.

Dividends

In general, and subject to the discussion in the next paragraph, any distributions we make to you with respect to your shares of our common stock that constitute dividends for U.S. federal income tax purposes (excluding certain pro rata distributions of common stock to all of our stockholders) will be subject to U.S. withholding tax at a 30.0% rate or such lower rate as may be specified by an applicable income tax treaty. A distribution will constitute a dividend for U.S. federal income tax purposes to the extent of our current and accumulated earnings and profits as determined under the Internal Revenue Code. Any distribution not constituting a dividend will be treated first as reducing your basis in your shares of our common stock and, to the extent it exceeds your basis, as gain from the disposition of your shares of our common stock.

Table of Contents

Dividends we pay to you that are effectively connected with your conduct of a trade or business within the United States and, if certain income tax treaties apply, are attributable to a U.S. permanent establishment maintained by you, generally will not be subject to U.S. withholding tax if you comply with applicable certification and disclosure requirements. Instead, such dividends generally will be subject to U.S. federal income tax on a net income basis at the same rates applicable to U.S. persons. If you are a corporation, effectively connected income may also be subject to a branch profits tax at a rate of 30.0%, or a lower rate specified by an applicable income tax treaty.

A non-U.S. holder of our common stock who wishes to claim the benefit of an applicable treaty rate (and avoid backup withholding as discussed below) for dividends, will be required to (a) complete Internal Revenue Service Form W-8BEN (or successor form) and certify under penalty of perjury, that such holder is not a U.S. person or (b) if the common stock is held through certain foreign intermediaries, satisfy the relevant certification requirements of applicable Treasury regulations. Special certification and other requirements apply to certain non-U.S. holders that are pass-through entities.

A non-U.S. holder of our common stock eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

Sale or Other Disposition of Our Common Stock

You generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of your share of our common stock unless:

the gain is effectively connected with your conduct of a trade or business within the United States and, under certain income tax treaties, is attributable to a U.S. permanent establishment you maintain;

you are an individual, you hold your shares of our common stock as capital assets, you are present in the United States for 183 days or more in the taxable year of disposition and you meet other conditions; or

we are or have been a United States real property holding corporation for U.S. federal income tax purposes (which we believe we are not and have never been, and do not anticipate we will become) and you hold or have held, directly or indirectly, at any time within the shorter of the five-year period preceding disposition or your holding period for your shares of our common stock, more than 5.0% of our common stock.

Information Reporting and Backup Withholding

