

LIFETIME BRANDS, INC  
Form 10-K/A  
September 27, 2016

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-K/A**  
**Amendment No. 1**

x **ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2015**

**or**

.. **TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number: 0-19254**

**LIFETIME BRANDS, INC.**  
**(Exact name of registrant as specified in its charter)**

**Delaware** **11-2682486**  
**(State or other jurisdiction of** **(I.R.S. Employer**  
**incorporation or organization)** **Identification No.)**  
**1000 Stewart Avenue, Garden City, New York 11530**

**(Address of principal executive offices, including Zip Code)**

**(516) 683-6000**

**(Registrant's telephone number, including area code)**

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

<b>Common Stock, \$.01 par value</b>	<b>The NASDAQ Global Select Market</b>
<b>(Title of each class)</b>	<b>(Name of each exchange on which registered)</b>
<b>Securities registered pursuant to Section 12(g) of the Act: None</b>	

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the  
Act). Yes  No

The aggregate market value of 11,093,655 shares of the voting common equity held by non-affiliates of the registrant as of June 30, 2015 was approximately \$163,853,284. Directors, executive officers, and trusts controlled by said individuals are considered affiliates for the purpose of this calculation and may not necessarily be considered affiliates for any other purpose.

The number of shares of common stock, par value \$.01 per share, outstanding as of August 31, 2016 was 14,431,352.

### **DOCUMENTS INCORPORATED BY REFERENCE**

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

### **Explanatory Note**

This Amendment No. 1 to the Annual Report on Form 10-K of Lifetime Brands, Inc. (the Company), amends the Company's Annual Report on Form 10-K for the year ended December 31, 2015 (the Original Filing), which was filed with the U.S. Securities and Exchange Commission (SEC) on March 14, 2016. The Company is filing this Amendment No. 1 in response to a comment received by the Company from the staff of the SEC during a review of the Company's Original Filing and solely to amend Note C- Equity Investments of the Company's Notes to Consolidated Financial Statements. Note C is amended to provide a reconciliation of the separate financial statements of Grupo Vasconia, S.A.B. (Vasconia) for fiscal years 2014 and 2013, filed as Exhibit 99.1 to the Company's fiscal 2014 Form 10-K/A, to the Company's disclosure of Vasconia's net income. As indicated in the Company's Original Filing, Vasconia is an equity method investee in which the Company owns approximately a 30% interest.

In accordance with Rule 12b-15 under the Securities Exchange Act, as amended, this Amendment No. 1 sets forth an amended Item 15. Exhibits and Financial Statement Schedules in its entirety and includes the new certifications from the Company's Chief Financial Officer and Chief Executive Officer.

Except as otherwise expressly noted herein, this Amendment No. 1 does not modify or update in any way the financial position, results of operations, cash flows, or other disclosures in, or exhibits to, the Company's original Form 10-K as filed on March 14, 2016, nor does it reflect events occurring after the filing of the Company's original Form 10-K. Accordingly, this Amendment No. 1 should be read in conjunction with the Company's original Form 10-K.

**Item 15. Exhibits and Financial Statement Schedules**

(a) See Financial Statements and Financial Statement Schedule on page F-1.

(b) Exhibits\*:

**Exhibit**

<b>No.</b>	<b>Description</b>
3.1	Second Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005)
3.2	Amended and Restated By-Laws of the Company (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on January 28, 2016)
4.1	Indenture dated as of June 27, 2006, Lifetime Brands, Inc. as issuer, and HSBC Bank USA, National Association as trustee, \$75,000,000 4.75% Convertible Senior Notes due 2011 (incorporated by reference to Exhibit 4.2 to Amendment No. 1 to the Registrant's registration statement No. 333-137575 on Form S-3)
10.1	License Agreement dated December 14, 1989 between the Company and Farberware, Inc. (incorporated by reference to the Registrant's registration statement No. 33-40154 on Form S-1)
10.2	Evan Miller employment agreement dated July 1, 2003 (incorporated by reference to Exhibit 10.41 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003)*
10.3	Evan Miller Amendment of Employment Agreement dated June 29, 2007 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed July 3, 2007)*
10.4	Employment Agreement, dated March 4, 2011, by and between Lifetime Brands, Inc. and Jeffrey Siegel (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed March 8, 2011)*
10.5	First Amendment to Employment Agreement, dated April 30, 2012, between Lifetime Brands, Inc. and Jeffrey Siegel (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed April 30, 2012)*
10.6	Employment Agreement, dated March 12, 2014, by and between Lifetime Brands, Inc. and Jeffrey Siegel (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed March 18, 2014)*
10.7	Lease Agreement dated as of May 10, 2006 between AG Metropolitan Endo, L.L.C and Lifetime Brands, Inc. for the property located at 1000 Stewart Avenue in Garden City, New York (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed May 15, 2006)
10.8	First Amendment to the Lease Agreement dated as of May 10, 2006 between AG Metropolitan Endo, L.L.C and Lifetime Brands, Inc. for the property located at 1000 Stewart Avenue in Garden City, New York (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006)

- 10.9 Amended 2000 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed June 9, 2006)\*
- 10.10 Amendment to the Lifetime Brands, Inc. 2000 Long-Term Incentive Plan dated November 1, 2007 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed November 5, 2007)\*
- 10.11 Amendment of the Lifetime Brands, Inc. 2000 Long-Term Incentive Plan dated June 11, 2009 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed June 12, 2009)\*
- 10.12 Amendment of the Lifetime Brands, Inc. 2000 Long-Term Incentive Plan dated June 13, 2012 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed June 15, 2012)\*
- 10.13 Lifetime Brands Inc. Amended and Restated 2000 Long-Term Incentive Plan dated June 10, 2015 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed June 11, 2015) \*
- 10.14 Form of Restricted Stock Award Agreement under the Amended and Restated 2000 Long-term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed August 10, 2015) \*
- 10.15 Form of Deferred Stock (Performance-Vesting) Award Agreement under the Amended and Restated 2000 Long-term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed August 10, 2015) \*
- 10.16 Amended 2000 Incentive Bonus Compensation Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed June 9, 2006)\*
- 10.17 Employment Agreement dated June 28, 2007 between Lifetime Brands, Inc. and Laurence Winoker (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed July 3, 2007)\*
- 10.18 Amendment to Employment Agreement, dated March 8, 2010, between Lifetime Brands, Inc. and Laurence Winoker (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed March 10, 2010)\*
- 10.19 Amendment of Employment Agreement, dated April 12, 2012, between Lifetime Brands, Inc. and Laurence Winoker (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed April 16, 2012)\*
- 10.20 Amended and Restated Employment Agreement, dated September 10, 2015, between Lifetime Brands, Inc. and Laurence Winoker (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed September 16, 2015) \*
- 10.21 Shares Subscription Agreement by and among Lifetime Brands, Inc., Ekco, S.A.B. and Mr. José Ramón Elizondo Anaya and Mr. Miguel Ángel Huerta Pando, dated as of June 8, 2007 (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed June 11, 2007)

- 10.22 Amendment No. 1 dated September 5, 2007 to the Shares Subscription Agreement by and among Lifetime Brands, Inc., Ekco, S.A.B. and Mr. José Ramón Elizondo Anaya and Mr. Miguel Ángel Huerta Pando, dated as of June 8, 2007 (incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008)
- 10.23 Amendment No. 2 dated September 25, 2008 to the Shares Subscription Agreement by and among Lifetime Brands, Inc., Ekco, S.A.B. and Mr. José Ramón Elizondo Anaya and Mr. Miguel Ángel Huerta Pando, dated as of June 8, 2007 (incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008)
- 10.24 Lease Agreement between Granite Sierra Park LP and Lifetime Brands, Inc. dated June 29, 2007 (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed July 6, 2007)
- 10.25 Asset Purchase Agreement between Mikasa, Inc. and Lifetime Brands, Inc. dated June, 6 2008 (incorporated by reference to Exhibit 99.1 to the Registrant's Form 10-Q for the quarter ended June 30, 2008)
- 10.26 Amended and Restated Employment Agreement, dated August 10, 2009 by and between Lifetime Brands, Inc. and Ronald Shiftan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed August 12, 2009)\*
- 10.27 Amendment of Amended and Restated Employment Agreement, dated November 9, 2010, by and between Lifetime Brands, Inc. and Ronald Shiftan (incorporated by reference to Exhibit 10.33 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010)\*
- 10.28 Second Amended and Restated Employment Agreement, dated as of December 20, 2012, by and between Lifetime Brands, Inc. and Ronald Shiftan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed December 21, 2012)\*
- 10.29 Third Amended and Restated Employment Agreement, dated as of November 24, 2015, by and between Lifetime Brands, Inc. and Ronald Shiftan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed November 30, 2015)\*
- 10.30 Credit Agreement, dated as of June 9, 2010, among Lifetime Brands, Inc., JPMorgan Chase Bank, N.A., as administrative agent and a co-collateral agent, and HSBC Business Credit (USA) Inc., as syndication agent and a co-collateral agent, with exhibits (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013)
- 10.31 Second Lien Credit Agreement, dated as of June 9, 2010, among Lifetime Brands, Inc. and Citibank, N.A., as administrative agent and collateral agent, with exhibits (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed June 15, 2010)
- 10.32 Amendment No. 1 to the Second Lien Credit Agreement, dated as of March 9, 2011, among Lifetime Brands, Inc. and Citibank, N.A., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.34 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010)
- 10.33 Amendment No. 2 of the Second Lien Credit Agreement, dated as of October 28, 2011, by and among Lifetime Brands, Inc. and Citibank, N.A., as administrative agent and collateral agent, with exhibits (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed November 3, 2011)

- 10.34 Amended and Restated Credit Agreement, dated as of October 28, 2011, by and among Lifetime Brands, Inc., the Foreign Subsidiary Borrowers parties thereto, the Other Loan Parties hereto, the Lenders party hereto, JP Morgan Chase Bank, N.A., as Administrative Agent and a Co-Collateral Agent, and HSBC Bank USA, National Association, as Syndication Agent and a Co-Collateral Agent (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013)
- 10.35 Share Purchase Agreement, dated November 4, 2011, by and among Lifetime Brands, Inc. and Creative Tops Holding Limited and Creative Tops Far East Limited (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed November 8, 2011)
- 10.36 Senior Secured Credit Agreement, dated as of July 27, 2012, among Lifetime Brands, Inc., the Subsidiary Guarantors, the Lenders and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013)
- 10.37 Amendment No. 1 to the Senior Secured Credit Agreement, dated as of November 13, 2012, among Lifetime Brands, Inc., the Subsidiary Guarantors party thereto, the Swap Agreement Counterparty, the financial institutions party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K filed June 27, 2013)
- 10.38 Amendment No. 2 to the Senior Secured Credit Agreement, dated as of June 21, 2013, among Lifetime Brands, Inc., the Subsidiary Guarantors party thereto, the financial institutions party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed June 27, 2013)
- 10.39 Share Purchase Agreement, dated January 15, 2014, relating to Thomas Plant (Birmingham) Limited (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed January 17, 2014)
- 10.40 Deed of Variation and Settlement, dated April 1, 2015, by and among Lifetime Brands, Inc. and the sellers of Thomas Plant (Birmingham) Limited (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed May 8, 2015)
- 10.41 Second Amended and Restated Credit Agreement, dated as of January 13, 2014, among Lifetime Brands, Inc., as Borrower, the Subsidiary Guarantors Party Thereto, as Subsidiary Guarantors, the Lenders Party Thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and a Co-Collateral Agent, and HSBC Bank USA, National Association, as Syndication Agent and a Co-Collateral Agent, with exhibits. (incorporated by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K filed January 17, 2014)
- 10.42 Amendment No. 1 to the Second Amended and Restated Credit Agreement, dated as of September 23, 2014 among Lifetime Brands, Inc., as Borrower, the Subsidiary Guarantors Party Thereto, as Subsidiary Guarantors, the Lenders Party Thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and a Co-Collateral Agent, and HSBC Bank USA, National Association, as Syndication Agent and a Co-Collateral Agent. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed September 26, 2014)



- 10.43 Amendment No. 2 to the Second Amended and Restated Credit Agreement, dated as of February 17, 2015 among Lifetime Brands, Inc., as Borrower, the Subsidiary Guarantors Party Thereto, as Subsidiary Guarantors, The Lenders Party Thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and a Co-Collateral Agent, and HSBC Bank USA, National Association, as Syndication Agent and a Co-Collateral Agent. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed February 23, 2015)
- 10.44 Amendment No. 3 to Second Amended and Restated Credit Agreement, dated as of May 29, 2015, among Lifetime Brands, Inc., as the Company, the financial institutions party thereto as lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 2, 2015)
- 10.45 Employment Agreement, dated November 28, 2014, by and between Lifetime Brands, Inc. and Daniel Siegel (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed December 3, 2014)\*
- 10.46 Amendment of Employment Agreement dated April 27, 2015 between Lifetime Brands, Inc. and Daniel Siegel (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed April 29, 2015)\*
- 10.47 Form of Amended and Restated Director's and Officer's Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 28, 2016)
- 14.1 Code of Ethics dated February 28, 2013 (incorporated by reference to Exhibit 14.1 to the Registrant's Current Report on Form 8-K filed March 6, 2013)
- 18.1 Letter from Ernst & Young LLP stating an acceptable change in accounting method for the impairment of goodwill dated October 28, 2008 (incorporated by reference to Exhibit 18 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September, 30 2008)
- 21.1 Subsidiaries of the registrant +
- 23.1 Consent of Ernst & Young LLP \*\*
- 23.2 Consent of KPMG Cardenas Dosal, S. C. (Mexico) \*\*
- 23.3 Consent of Castillo Miranda Y Compañía, S.C. \*\*
- 31.1 Certification by Jeffrey Siegel, Chief Executive Officer and Chairman of the Board of Directors, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \*\*
- 31.2 Certification by Laurence Winoker, Senior Vice President Finance, Treasurer and Chief Financial Officer, pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \*\*
- 32.1 Certification by Jeffrey Siegel, Chief Executive Officer and Chairman of the Board of Directors, and Laurence Winoker, Senior Vice President Finance, Treasurer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002\*\*

- 99.1 Report of Independent Registered Accounting Firm on Grupo Vasconia, S.A.B. (formerly Ekco, S.A.B.), consolidated financial statements \*\*
- 99.2 Report of Independent Registered Accounting Firm on Grupo Vasconia, S.A.B. (formerly Ekco, S.A.B.), consolidated financial statements \*\*
- 101.INS XBRL Instance Document \*\*
- 101.SCH XBRL Taxonomy Extension Schema Document \*\*
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document \*\*
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document \*\*
- 101.LAB XBRL Taxonomy Extension Labels Linkbase Document \*\*
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document \*\*

Notes to exhibits:

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

\* Compensatory plans in which the directors and executive officers of the Company participate.

\*\* Filed herewith.

+ Previously filed with the Original Filing.

(c) Financial Statement Schedules the response to this portion of Item 15 is submitted as a separate section of this Annual Report.

Item 15

**LIFETIME BRANDS, INC.**

**LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE**

The following consolidated financial statements of Lifetime Brands, Inc. are filed as part of this Annual Report under Item 8 *Financial Statements and Supplementary Data*.

<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated Balance Sheets as of December 31, 2015 and 2014</u>	F-3
<u>Consolidated Statements of Operations for the Years ended December 31, 2015, 2014, and 2013</u>	F-4
<u>Consolidated Statements of Comprehensive Income (Loss) for the Years ended December 31, 2015, 2014 and 2013</u>	F-5
<u>Consolidated Statements of Stockholders' Equity for the Years ended December 31, 2015, 2014, and 2013</u>	F-6
<u>Consolidated Statements of Cash Flows for the Years ended December 31, 2015, 2014, and 2013</u>	F-7
<u>Notes to Consolidated Financial Statements</u>	F-8

The following consolidated financial statement schedule of Lifetime Brands, Inc. required pursuant to Item 15(a) is submitted herewith:

<u>Schedule II Valuation and Qualifying Accounts</u>	S-1
--	-----

All other financial schedules are not required under the related instructions or are inapplicable, and therefore have been omitted.

The unaudited supplementary data regarding quarterly results of operations are incorporated by reference to the information set forth in Item 8 *Financial Statements and Supplementary Data*.

**Report of Independent Registered Public Accounting Firm**

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

We have audited the accompanying consolidated balance sheets of Lifetime Brands, Inc. (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits. We did not audit the consolidated financial statements of Grupo Vasconia, S.A.B. and Subsidiaries, a corporation in which the Company has a 30% interest. In the consolidated financial statements, the Company's investment in Grupo Vasconia, S.A.B. and Subsidiaries is stated at \$24.7 million and \$27.8 million at December 31, 2015 and 2014, respectively, and the Company's equity in the net income (loss) of Grupo Vasconia, S.A.B. and Subsidiaries is stated at \$0.6 million, \$0.2 million and (\$4.0) million for the three years in the period ended December 31, 2015. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Grupo Vasconia, S.A.B. and Subsidiaries, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lifetime Brands, Inc. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Lifetime Brands, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 14, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Jericho, New York

March 14, 2016

**LIFETIME BRANDS, INC.**  
**CONSOLIDATED BALANCE SHEETS**

(in thousands-except share data)

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,131	\$ 5,068
Accounts receivable, less allowances of \$5,300 at December 31, 2015 and \$6,663 at December 31, 2014	90,576	107,211
Inventory (Note M)	136,890	137,924
Prepaid expenses and other current assets	8,783	7,914
<b>TOTAL CURRENT ASSETS</b>	<b>243,380</b>	<b>258,117</b>
PROPERTY AND EQUIPMENT, net (Note M)	24,877	26,801
INVESTMENTS (Note C)	24,973	28,155
INTANGIBLE ASSETS, net (Note D)	96,593	103,597
DEFERRED INCOME TAXES (Note I)	6,486	
OTHER ASSETS	2,643	4,732
<b>TOTAL ASSETS</b>	<b>\$ 398,952</b>	<b>\$ 421,402</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturity of Credit Agreement Term Loan (Note E)	20,000	\$ 10,000
Short term loan (Note E)	252	765
Accounts payable	27,245	28,694
Accrued expenses (Note M)	40,154	36,961
Deferred income taxes (Note I)		2,293
Income taxes payable (Note I)	4,064	5,156
<b>TOTAL CURRENT LIABILITIES</b>	<b>91,715</b>	<b>83,869</b>
DEFERRED RENT & OTHER LONG-TERM LIABILITIES (Note M)	18,556	20,160
DEFERRED INCOME TAXES (Note I)	8,596	1,485
REVOLVING CREDIT FACILITY (Note E)	65,617	92,655
CREDIT AGREEMENT TERM LOAN (Note E)	15,000	35,000
<b>STOCKHOLDERS EQUITY</b>		
Preferred stock, \$.01 par value, shares authorized: 100 shares of Series A and 2,000,000 shares of Series B; none issued and outstanding		
Common stock, \$.01 par value, shares authorized: 25,000,000; shares issued and outstanding: 14,030,221 at December 31, 2015 and 13,712,081 at December 31, 2014	140	137
Paid-in capital	165,780	160,315

Edgar Filing: LIFETIME BRANDS, INC - Form 10-K/A

Retained earnings	47,733	37,703
Accumulated other comprehensive loss (Note M)	(14,185)	(9,922)
<b>TOTAL STOCKHOLDERS EQUITY</b>	<b>199,468</b>	<b>188,233</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 398,952</b>	<b>\$ 421,402</b>

See notes to consolidated financial statements.

F-3

**LIFETIME BRANDS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands except per share data)

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net sales	\$ 587,670	\$ 586,010	\$ 502,721
Cost of sales	373,284	373,129	315,459
Gross margin	214,386	212,881	187,262
Distribution expenses	54,815	54,202	44,364
Selling, general and administrative expenses	134,903	133,786	114,345
Intangible asset impairment (Note D)		3,384	
Restructuring expenses	437	125	367
Income from operations	24,231	21,384	28,186
Interest expense (Note E)	(5,746)	(6,418)	(4,847)
Financing expense	(154)	(758)	
Loss on early retirement of debt (Note E)		(346)	(102)
Income before income taxes and equity in earnings	18,331	13,862	23,237
Income tax provision (Note I)	(6,627)	(5,825)	(9,175)
Equity in earnings (losses), net of taxes (Note C)	574	(6,493)	(4,781)
<b>NET INCOME</b>	<b>\$ 12,278</b>	<b>\$ 1,544</b>	<b>\$ 9,281</b>
<b>BASIC INCOME PER COMMON SHARE (NOTE H)</b>	<b>\$ 0.89</b>	<b>\$ 0.11</b>	<b>\$ 0.73</b>
<b>DILUTED INCOME PER COMMON SHARE (NOTE H)</b>	<b>\$ 0.86</b>	<b>\$ 0.11</b>	<b>\$ 0.71</b>

See notes to consolidated financial statements.

**LIFETIME BRANDS, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(in thousands)

	<b>Year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net income	\$ 12,278	\$ 1,544	\$ 9,281
Other comprehensive income (loss), net of tax:			
Translation adjustment (Note M)	(5,281)	(4,736)	(140)
Deferred (losses) gains on cash flow hedges (Notes F & M):			
Fair value adjustment, net of tax of \$1 in 2015, \$9 in 2014 and \$160 in 2013	(2)	13	241
Total deferred (losses) gains on cash flow hedges	(2)	13	241
Effect of retirement benefit obligations (Note M):			
Net income (loss) arising from retirement benefit obligations, net of tax of \$211 in 2015, (\$589) in 2014 and \$241 in 2013	941	(1,507)	361
Less: amortization of loss included in net income, net of tax of \$53 in 2015, \$19 in 2014 and \$36 in 2013	79	28	54
Total effects of retirement benefit obligations	1,020	(1,479)	415
Other comprehensive (loss) income, net of tax	(4,263)	(6,202)	516
Comprehensive income (loss)	\$ 8,015	\$ (4,658)	\$ 9,797

See notes to consolidated financial statements.



## LIFETIME BRANDS, INC.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(in thousands)

	Common stock Shares	Common stock Amount	Paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
<b>BALANCE AT DECEMBER 31, 2012</b>	12,754	\$ 128	\$ 142,489	\$ 33,849	\$ (4,236)	\$ 172,230
Comprehensive income:						
Net income				9,281		9,281
Translation adjustment					(140)	(140)
Derivative fair value adjustment (Note F)					241	241
Effect of retirement benefit obligations					415	415
<b>Total comprehensive income</b>						<b>9,797</b>
Shares issued to directors (Note G)	21			277		277
Stock compensation expense (Note G)				2,604		2,604
Reduction of tax benefit from stock options, net				(310)		(310)
Exercise of stock options	248	2		1,213		1,215
Treasury Stock Repurchase	(246)	(2)		(3,227)		(3,229)
Dividends (Note G)				(1,679)		(1,679)
<b>BALANCE AT DECEMBER 31, 2013</b>	12,777	\$ 128	\$ 146,273	\$ 38,224	\$ (3,720)	\$ 180,905
Comprehensive income:						
Net income				1,544		1,544
Translation adjustment					(4,736)	(4,736)
Derivative fair value adjustment (Note F)					13	13
Effect of retirement benefit obligations					(1,479)	(1,479)
<b>Total comprehensive loss</b>						<b>(4,658)</b>
Shares issued to directors (Note G)	23			344		344
Shares issued to employee (Note G)	5			2		2
Stock compensation expense (Note G)				2,489		2,489
Issuance of 581,432 shares of common stock for acquisition of Kitchen Craft (Note B)	581	6		8,376		8,382
Tax provision on exercise of stock options				343		343

Edgar Filing: LIFETIME BRANDS, INC - Form 10-K/A

Exercise of stock options	326	3	2,488			2,491
Dividends (Note G)				(2,065)		(2,065)
<b>BALANCE AT DECEMBER 31, 2014</b>	13,712	\$ 137	\$ 160,315	\$ 37,703	\$	(9,922) \$ 188,233
<b>Comprehensive income:</b>						
Net income				12,278		12,278
Translation adjustment					(5,281)	(5,281)
Derivative fair value adjustment (Note F)					(2)	(2)
Effect of retirement benefit obligations					1,020	1,020
Total comprehensive income						8,015
Shares issued to directors (Note G)	28		416			416
Shares issued to employees (Note G)	189	2	1,655			1,657
Stock compensation expense (Note G)			2,689			2,689
Reduction of tax benefit from stock options, net			(138)			(138)
Exercise of stock options	101	1	843			844
Dividends (Note G)				(2,248)		(2,248)
<b>BALANCE AT DECEMBER 31, 2015</b>	14,030	\$ 140	\$ 165,780	\$ 47,733	\$	(14,185) \$ 199,468

See notes to consolidated financial statements.

## LIFETIME BRANDS, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year ended December 31,		
	2015	2014	2013
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 12,278	\$ 1,544	\$ 9,281
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for doubtful accounts	46	286	139
Depreciation and amortization	14,203	14,200	10,415
Amortization of financing costs	641	617	528
Deferred rent	848	(722)	(962)
Deferred income taxes	(1,440)	(3,757)	(2,275)
Stock compensation expense	5,286	4,493	2,881
Undistributed equity (earnings) losses	(348)	6,724	5,354
Intangible asset impairment (Note D)		3,384	
Loss on early retirement of debt (Note E)		346	102
Contingent consideration fair value adjustment	650	(4,203)	
Changes in operating assets and liabilities (excluding the effects of business acquisitions)			
Accounts receivable	15,481	(6,209)	10,099
Inventory	(308)	(6,354)	(8,207)
Prepaid expenses, other current assets and other assets	1,087	(2,063)	(449)
Accounts payable, accrued expenses and other liabilities	(397)	(950)	9,437
Income taxes payable	(1,517)	(2,747)	(579)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>46,510</b>	<b>4,589</b>	<b>35,764</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment	(5,166)	(6,171)	(3,842)
Equity investments	112	(764)	
Kitchen Craft acquisition, net of cash acquired		(59,977)	
Other acquisitions, net of cash acquired		(5,389)	
Net proceeds from sale of property	26	68	11
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(5,028)</b>	<b>(72,233)</b>	<b>(3,831)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from Revolving Credit Facility (Note E)	263,632	278,014	220,222
Repayments from Revolving Credit Facility (Note E)	(290,346)	(234,067)	(231,959)
Repayments of Senior Secured Term Loan (Note E)		(20,625)	(14,375)
Proceeds from Credit Agreement Term Loan (Note E)		50,000	
Repayments of Credit Agreement Term Loan (Note E)	(10,000)	(5,000)	

Edgar Filing: LIFETIME BRANDS, INC - Form 10-K/A

Proceeds from Short Term Loan (Note E)	289	1,645	
Payments from Short Term Loan (Note E)	(802)	(880)	
Payments for stock repurchase			(3,229)
Payment of financing costs	(212)	(2,283)	
Cash dividends paid (Note G)	(2,150)	(2,031)	(1,515)
Payment of capital lease obligations	(50)		
Payment of contingent consideration	(391)		
Proceeds from the exercise of stock options	843	2,488	1,215
Excess tax benefit from stock options	43	553	613
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>	<b>(39,144)</b>	<b>67,814</b>	<b>(29,028)</b>
Effect of foreign exchange on cash	(275)	(49)	171
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,063</b>	<b>121</b>	<b>3,076</b>
Cash and cash equivalents at beginning of year	5,068	4,947	1,871
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 7,131</b>	<b>\$ 5,068</b>	<b>\$ 4,947</b>

See notes to consolidated financial statements

F-7

**LIFETIME BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**NOTE A SIGNIFICANT ACCOUNTING POLICIES**

**Organization and business**

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

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ( U.S. GAAP ) for financial information and with the instructions to Form 10-K.

The accompanying consolidated financial statements include estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. GAAP. The most significant of these estimates and assumptions relate to revenue recognition, allowances for doubtful accounts, reserves for sales returns and allowances and customer chargebacks, inventory mark-down provisions, impairment of tangible and intangible assets, stock based compensation expense, estimates for unpaid healthcare claims, derivative valuations, accruals related to the Company s tax positions and tax valuation allowances. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

**Principles of consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

**Foreign Currency**

All foreign wholly-owned subsidiaries use the local currency of their respective countries as their functional currency. Assets and liabilities are translated into U.S. dollars at exchange rates prevailing at the balance sheet dates. Revenues, costs and expenses are translated into U.S. dollars at average exchange rates for the relevant period. Income and losses resulting from translation are recorded as a component of accumulated other comprehensive income (loss). Gains and losses from foreign currency transactions are recognized in selling, general and administrative expenses in the consolidated statements of operations. Foreign currency gain/loss included within selling, general and administrative expenses was a \$714,000 loss in 2015, \$1.4 million loss in 2014 and a \$258,000 loss in 2013.

**Revenue recognition**

The Company sells products wholesale, to retailers and distributors, and retail, directly to consumers. Wholesale sales and retail direct sales are recognized when title passes to the customer, which is primarily at the shipping point for

wholesale sales and upon delivery to the customer for retail direct sales. Shipping and handling fees that are billed to customers in sales transactions are included in net sales and amounted to \$1.6 million in 2015 and \$1.4 million for each of the years ended December 31, 2014 and 2013. Net sales exclude taxes that are collected from customers and remitted to the taxing authorities.

F-8

**LIFETIME BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

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

**Cost of sales**

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

**Distribution expenses**

Distribution expenses consist primarily of warehousing expenses and freight-out expenses. Freight-out expenses were \$11.3 million, \$11.4 million and \$9.0 million for the years ended December 31, 2015, 2014, and 2013, respectively. Handling costs of products sold are included in cost of sales.

**Advertising expenses**

Advertising expenses are expensed as incurred and are included in selling, general and administrative expenses. Advertising expenses were \$1.5 million, \$1.6 million and \$0.8 million for the years ended December 31, 2015, 2014, and 2013, respectively.

**Accounts receivable**

The Company periodically reviews the collectability of its accounts receivable and establishes allowances for estimated losses that could result from the inability of its customers to make required payments. A considerable amount of judgment is required to assess the ultimate realization of these receivables including assessing the initial and on-going creditworthiness of the Company's customers. The Company also maintains an allowance for anticipated customer deductions. The allowances for deductions are primarily based on contracts with customers.

However, in certain cases the Company does not have a formal contract and, therefore, customer deductions are non-contractual. To evaluate the reasonableness of non-contractual customer deductions, the Company analyzes currently available information and historical trends of deductions.

**Inventory**

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

**Property and equipment**

Property and equipment is stated at cost. Property and equipment, other than leasehold improvements, is depreciated using the straight-line method over the estimated useful lives of the assets. Building and improvements are being depreciated over 30 years and machinery, furniture and equipment over periods ranging from 3 to 10 years. Leasehold improvements are amortized over the term of the lease or the estimated useful lives of the improvements, whichever is shorter. Advances paid towards the acquisition of property and equipment and the cost of property and equipment not ready for use before the end of the period are classified as construction in progress.

F-9



**LIFETIME BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**Cash equivalents**

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

**Concentration of credit risk**

The Company's cash and cash equivalents are potentially subject to concentration of credit risk. The Company maintains cash with several financial institutions that, in some cases, is in excess of Federal Deposit Insurance Corporation insurance limits.

Concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of entities comprising the Company's customer base.

During the years ended December 31, 2015, 2014, and 2013, Wal-Mart Stores, Inc., including Sam's Club and, in the United Kingdom, Asda Superstore, ( Walmart ), accounted for 16%, 16%, and 15% of net sales, respectively. Sales to Walmart are included in the Company's U.S. Wholesale and International segments. No other customers accounted for 10% or more of the Company's sales during these periods.

**Fair value measurements**

Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic No. 820, *Fair Value Measurements and Disclosures*, provides enhanced guidance for using fair value to measure assets and liabilities and establishes a common definition of fair value, provides a framework for measuring fair value under U.S. generally accepted accounting principles and expands disclosure requirements about fair value measurements. Fair value measurements included in the Company's consolidated financial statements relate to the Company's annual goodwill and other intangible asset impairment tests and derivatives, described in Notes D and F, respectively.

**Fair value of financial instruments**

The Company determined the carrying amounts of cash and cash equivalents, accounts receivable and accounts payable are reasonable estimates of their fair values because of their short-term nature. The Company determined that the carrying amounts of borrowings outstanding under its Revolving Credit Facility and Term Loan approximate fair value since such borrowings bear interest at variable market rates.

**Derivatives**

The Company accounts for derivative instruments in accordance with ASC Topic No. 815, *Derivatives and Hedging*. ASC Topic No. 815 requires that all derivative instruments be recognized on the balance sheet at fair value as either an asset or liability. Changes in the fair value of derivatives that qualify as hedges and have been designated as part of a hedging relationship for accounting purposes have no net impact on earnings to the extent the derivative is considered highly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being

hedged, until the hedge item is recognized in earnings. If the derivative which is designated as part of a hedging relationship is considered ineffective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, the changes in fair value are recorded in operations. For derivatives that do not qualify or are not designated as hedging instruments for accounting purposes, changes in fair value are recorded in operations.

F-10

**LIFETIME BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**Goodwill, intangible assets and long-lived assets**

Goodwill and intangible assets deemed to have indefinite lives are not amortized but, instead, are subject to an annual impairment assessment. Additionally, if events or conditions were to indicate the carrying value of a reporting unit may not be recoverable, the Company would evaluate goodwill and other intangible assets for impairment at that time. As it relates to the goodwill assessment, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment testing described in ASU Topic No. 350, *Intangibles Goodwill and Other*. If, after assessing qualitative factors, the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary and the Company's goodwill is considered to be unimpaired. However, if based on the Company's qualitative assessment it concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, or if the Company elects to bypass the qualitative assessment, the Company will proceed with performing the two-step process. The first step in the two-step process compares the carrying value of each reporting unit that has goodwill with the estimated fair value of the respective reporting unit. Should the carrying value of a reporting unit be in excess of the estimated fair value of that reporting unit, the second step must be performed. The second step represents a hypothetical purchase price allocation as if the Company had acquired the reporting unit on that date. The Company also evaluates qualitative factors to determine whether or not its indefinite lived intangibles have been impaired and then performs quantitative tests if required. These tests can include the royalty savings model or other valuation models.

Long-lived assets, including intangible assets deemed to have finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that such amounts may have been impaired. Impairment indicators include, among other conditions, cash flow deficits, historic or anticipated declines in revenue or operating profit or material adverse changes in the business climate that indicate that the carrying amount of an asset may be impaired. When impairment indicators are present, the Company compares the carrying value of the asset to the estimated discounted future cash flows expected to be generated by the asset. If the asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

**Income taxes**

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The Company accounts for foreign income taxes based upon anticipated reinvestment of profits into respective foreign tax jurisdictions.

The Company applies the authoritative guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the Company's financial statements. In accordance with this guidance, tax positions must meet a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position. A valuation allowance is required to be established or

maintained when it is more likely than not that all or a portion of deferred tax assets will not be realized.

**Share-based compensation**

The Company accounts for its share-based compensation arrangements in accordance with ASC Topic 718, *Stock Compensation*, which requires the measurement of compensation expense for all share-based compensation granted to employees and non-employee directors at fair value on the date of grant and recognition of compensation expense over the related service period for awards expected to vest.

F-11

**LIFETIME BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

The Company uses the Black-Scholes option valuation model to estimate the fair value of its stock options. The Black-Scholes option valuation model requires the input of highly subjective assumptions including the expected stock price volatility of the Company's common stock and the risk-free interest rate. Changes in these subjective input assumptions can materially affect the fair value estimate of the Company's stock options on the date of the option grant.

Performance share awards are initially valued at the Company's closing stock price on the date of grant. Each performance award represents the right to receive up to 150% of the target number of shares of common stock. The number of shares of common stock earned will be determined based on the attainment of specified performance goals by the end of the performance period, as determined by the Compensation Committee. Compensation expense for performance awards is recognized over the vesting period, and will vary based on remeasurement during the performance period. If the performance metrics are not probable of achievement during the performance period, compensation expense is reversed. The awards are forfeited if the performance metrics are not achieved as of the end of the performance period. The performance share awards vest in full at the end of a three year period.

The Company bases the estimated fair value of restricted stock awards on the date of grant. The estimated fair value is determined based on the closing price of the Company's common stock on the date of grant multiplied by the number of shares awarded. Compensation expense is recognized on a straight-line basis over the vesting period, reduced by an estimated forfeiture rate.

**Employee Healthcare**

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

**Restructuring Expenses**

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

In December 2015, the Company commenced a plan to reorganize its product categories and U.S. Wholesale organizational structure. The Company recorded \$437,000 of restructuring expenses during the year ended December 31, 2015 related to the execution of this plan. The Company expects to recognize an additional \$0.5 million, primarily for severance, in the first quarter of 2016 related to the execution of this plan.

In May 2014, the Company commenced a plan to consolidate its customer service and call center functions and eliminated certain employee positions in connection with this consolidation. The Company recorded \$125,000 of restructuring expenses during the year ended December 31, 2014 related to the execution of this plan. The Company does not anticipate that it will incur any further restructuring expenses related to this plan.

In April 2013, the Company commenced a plan to close the Fred® & Friends distribution center and eliminate certain employee positions in conjunction with the closure. The Company recorded \$367,000 of restructuring expenses during the year ended December 31, 2013 related to the execution of this plan. The Company does not anticipate that it will incur any further restructuring expenses related to this closure.

F-12

---

**LIFETIME BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**New Accounting Pronouncements**

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

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

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

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

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

In April 2015, FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs* and during August 2015, the FASB issued ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*, which clarifies the treatment of debt issuance costs from line-of-credit arrangements after adoption of ASU 2015-03. ASU 2015-03 requires debt issuance costs to be presented in the

balance sheet as a direct deduction from the associated debt liability. ASU 2015-15 clarifies that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. ASU 2015-03 is effective for financial statements issued for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. This ASU will be applied on a retrospective basis and early adoption is permitted. The Company's adoption of this guidance will not have a material impact on the Company's consolidated financial position.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles of recognizing revenue and create common revenue recognition guidance under U.S. GAAP and International Financial Reporting Standards. Following the FASB's finalization of a one year deferral of this standard, the ASU is now effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017, with early adoption permitted for fiscal years, and interim periods within those fiscal years, beginning on or after December 15,



---

**LIFETIME BRANDS, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2015**

2016. This ASU can be adopted either retrospectively to each reporting period presented or as a cumulative effect adjustment as of the date of the adoption. The Company is currently determining its implementation approach and assessing the impact, if any, on the consolidated financial statements.

**NOTE B ACQUISITIONS****Kitchen Craft**

On January 15, 2014, the Company acquired 100% of the share capital of Thomas Plant (Birmingham) Limited ( Kitchen Craft ) for cash in the amount of £37.4 million (approximately \$61.3 million) and 581,432 shares of common stock of the Company with an intrinsic value of £5.5 million (\$9.0 million). The purchase price also includes contingent cash consideration of up to £5.5 million (\$9.0 million) which will be payable in future years if Kitchen Craft achieves certain financial targets. Kitchen Craft is a leading supplier of kitchenware products and accessories in the United Kingdom. The assets, liabilities and operating results of Kitchen Craft are reflected in the Company's consolidated financial statements in accordance with ASC Topic No. 805, *Business Combinations*, commencing from the acquisition date.

The purchase price has been determined to be as follows (in thousands):

Cash	\$ 61,302
Share consideration issued <sup>(1)</sup>	8,382
Value of contingent consideration <sup>(2)</sup>	2,488
Working capital adjustment <sup>(3)</sup>	374
<b>Total purchase price</b>	<b>\$ 72,546</b>

- (1) Share consideration issued is valued at the closing market price discounted to account for lack of marketability related to the lock up period as described in the share purchase agreement.
- (2) The value of contingent consideration represents the present value of the estimated payments related to the attainment of certain financial targets for the years 2014 through 2016. The maximum undiscounted contingent consideration to be paid on the agreement is £5.5 million (\$9.0 million).
- (3) A working capital adjustment was made in May 2014 as provided for in the share purchase agreement. The purchase price was allocated based on the Company's estimate of the fair value of the assets acquired and liabilities assumed, as follows (in thousands):

Edgar Filing: LIFETIME BRANDS, INC - Form 10-K/A

	Purchase Price Allocation
Accounts Receivable <sup>(1)</sup>	\$ 14,267
Inventory	17,912
Other assets	4,054
Other liabilities	(10,242)
Deferred income tax	(8,391)
Goodwill and other intangibles	54,946
<b>Total allocated value</b>	<b>\$ 72,546</b>

(1) The fair value of accounts receivable approximated the gross contractual amounts receivable. Goodwill results from such factors as an assembled workforce. The total amount of goodwill is not expected to be deductible for tax purposes. All of the goodwill and other intangible assets are included in the International Segment. Customer relationships and trade names are amortized on a straight-line basis over their estimated useful lives (see Note D).

**LIFETIME BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

In April 2015, the Company entered into a Deed of Variation and Settlement with the sellers of Kitchen Craft to amend the calculation and financial targets of the contingent consideration included in the share purchase agreement. The maximum undiscounted contingent consideration to be paid remains unchanged at £5.5 million. As a result of the amendment, in April 2015, a charge of £1.0 million (approximately \$1.5 million) was recorded in selling, general and administration expenses. As of December 31, 2015, the fair value of the amended contingent consideration is £2.7 million (approximately \$4.0 million).

Kitchen Craft was the sponsor of a defined benefit pension plan (the Plan) for which service costs accrual ceased prior to the acquisition. Pursuant to the share purchase agreement, the Company and the sellers agreed to take action to settle the Plan's obligation through the purchase of a group annuity contract, to individual annuity contracts and to terminate the Plan. The Plan was settled and terminated in the fourth quarter of 2015. There was no impact to the Company's consolidated statement of operations for the year ended December 31, 2015 in connection with the 2015 settlement of the Plan.

The Company's net periodic benefit costs for the years ended December 31, 2015 and 2014 are described in Note L.

Unaudited pro forma results

The year ended December 31, 2014 includes the operations of Kitchen Craft for the period from January 15, 2014 to December 31, 2014. The consolidated statement of operations for the year ended December 31, 2014 includes \$67.6 million of net sales and \$4.1 million of income from operations attributable to Kitchen Craft.

The following table presents the Company's pro forma consolidated net sales and income before income taxes and equity in earnings for the years ended December 31, 2014 and 2013. The unaudited pro forma results include the historical statements of operations information of the Company and of Kitchen Craft, giving effect to the Kitchen Craft acquisition and related financing as if they had occurred at the beginning of the period presented. The Company consummated certain other acquisitions during the year ended December 31, 2014; however the Company has not included the results prior to their acquisition in these pro forma results as the impact would not have been material.

	Unaudited pro forma results	
	Year ended	
	December 31, 2014	December 31, 2013
	(In thousands, except per share data)	
Net sales	\$ 586,010	\$ 567,218
Income before income taxes and equity in earnings	15,760	26,491
Net income	2,702	12,031
Basic earnings per common share	0.20	0.90
Diluted earnings per common share	\$ 0.19	\$ 0.88

The pro forma results, prepared in accordance with U.S. GAAP, include the following pro forma adjustments related to the Kitchen Craft acquisition:

- (i) the elimination of the charge in cost of sales related to the increase in fair value of acquired inventory of \$0.9 million in the year ended December 31, 2014;
- (ii) an increase in amortization expense related to the fair value of the identifiable intangible assets of \$3.4 million in the year ended December 31, 2013;

F-15

---

**LIFETIME BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

- (iii) the elimination of acquisition costs recorded in the years ended December 31, 2014 and 2013 of \$1.0 million and \$0.6 million, respectively;
- (iv) an increase in interest expense and amortization of debt issuance costs of \$2.0 million, resulting from the refinancing of the Company's debt to finance the acquisition, during the year ended December 31, 2013; and
- (v) an adjustment of \$2.2 million in the year ended December 31, 2013 to conform compensation expense to the Company's current compensation policies.

The unaudited pro forma results do not include any revenue or cost reductions that may be achieved through the business combination, or the impact of non-recurring items directly related to the business combination.

The unaudited pro forma results are not necessarily indicative of the operating results that would have occurred if the Kitchen Craft acquisition had been completed as of the date for which the pro forma financial information is presented. In addition, the unaudited pro forma results do not purport to project the future consolidated operating results of the combined companies.

See Note M for amounts accrued as of December 31, 2015 and 2014 related to contingent consideration. The estimated fair value of the contingent consideration was calculated using level 3 unobservable inputs.

**NOTE C EQUITY INVESTMENTS**

The Company owns approximately 30% of the outstanding capital stock of Grupo Vasconia, S.A.B. ( Vasconia ) an integrated manufacturer of aluminum products and one of Mexico's largest housewares companies. Shares of Vasconia's capital stock are traded on the Bolsa Mexicana de Valores, the Mexican Stock Exchange. The Quotation Key is VASCONI. The Company accounts for its investment in Vasconia using the equity method of accounting and records its proportionate share of Vasconia's net income in the Company's statement of operations. Accordingly, the Company has recorded its proportionate share of Vasconia's net income (reduced for amortization expense related to the customer relationships acquired) for the years ended December 31, 2015, 2014, and 2013 in the accompanying consolidated statements of operations. The value of the Company's investment balance has been translated from Mexican Pesos ( MXN ) to U.S. Dollars ( USD ) using the spot rate of MXN 17.38 and MXN 14.74 at December 31, 2015 and 2014, respectively. The Company's proportionate share of Vasconia's net income has been translated from MXN to USD using the average exchange rates of MXN 14.94 to 16.76, MXN 12.99 to 13.87 and MXN 12.46 to 13.01, during the years ended December 31, 2015, 2014, and 2013, respectively. The effect of the translation of the Company's investment resulted in a decrease of the investment of \$4.9 million, \$4.0 million and \$0.3 million during the years ended December 31, 2015, 2014, and 2013, respectively. These translation effects are recorded in accumulated other comprehensive loss. The Company received cash dividends of \$226,000, \$230,000, and \$571,000 from Vasconia during the years ended December 31, 2015, 2014, and 2013, respectively. Included in prepaid expenses and other current assets at December 31, 2015 and 2014 was \$55,000 and \$33,000 due from Vasconia. Included within accrued expenses at December 31, 2015 and 2013 was \$28,000 and \$152,000 due to Vasconia.

F-16

## LIFETIME BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## DECEMBER 31, 2015

Summarized income statement information for the years ended December 31, 2015, 2014, and 2013, as well as summarized balance sheet information as of December 31, 2015 and 2014, for Vasconia in USD and MXN is as follows:

Income Statement	Year Ended December 31,					
	2015		2014		2013	
	USD	MXN	USD	MXN	USD	MXN
	(in thousands)					
Net Sales	\$ 178,832	\$ 2,824,399	\$ 188,863	\$ 2,514,294	\$ 159,574	\$ 2,038,200
Gross Profit	33,982	534,285	35,592	474,482	28,775	367,944
Income from operations	10,551	165,507	7,790	103,658	5,438	70,430
Net Income	7,353	117,194	5,328	71,732	4,315	55,077
Adjustments <sup>(1)</sup>			1,131	15,679	(1,205)	(15,630)
Net Income as reported by Vasconia <sup>(2)</sup>	7,353	117,194	6,459	87,411	3,110	39,447

- (1) Certain adjustments were identified and not recorded in Vasconia's consolidated financial statements for the year ended December 31, 2013 and were subsequently recorded by Vasconia in the year ended December 31, 2014. The Company recorded its proportionate share of the adjustments, approximately \$0.3 million, net of tax, in the correct period in connection with its equity method accounting for its investment in Vasconia.
- (2) Vasconia's consolidated financial statements for the years ended December 31, 2014 and 2013 were included as Exhibit 99.1 to Amendment 1 to the Company's fiscal year 2014 Form 10-K.

Balance Sheet	December 31,			
	2015		2014	
	USD	MXN	USD	MXN
	(in thousands)			
Current assets	\$ 100,482	\$ 1,745,922	\$ 110,865	\$ 1,634,154
Non-current assets	87,118	1,513,724	86,888	1,280,723
Current liabilities	38,983	677,355	37,032	545,852
Non-current liabilities	56,339	978,910	58,753	866,022

The Company recorded equity in earnings (losses) of Vasconia, net of taxes, of \$0.6 million, \$0.2 million and \$(4.0) million for the years ended December 31, 2015, 2014, and 2013, respectively. Equity in earnings in 2015 and 2014 includes deferred tax expense of \$1.3 million and \$1.1 million, respectively, due to the requirement to record tax benefits for foreign currency translation losses through other comprehensive income (loss), with a corresponding adjustment to deferred tax liabilities. Equity in losses in 2013 includes a charge of \$5.0 million, net of tax, for the

reduction in Vasconia's fair value as a result of a decline in the quoted stock price and the 2013 quarterly decline in the operating results of Vasconia.

As of December 31, 2015, the fair value (based upon the quoted stock price) of the Company's investment in Vasconia was \$35.9 million. The carrying value of the Company's investment in Vasconia was \$24.7 million.

The Company owns a 40% equity interest in GS Internacional S/A ( GSI ), a wholesale distributor of branded housewares products in Brazil, which the Company acquired in December 2011. As a result of the decline in operating results of GSI and the current business environment in Brazil, the Company evaluated its carrying value of the investment for other-than-temporary impairment under the equity-method of accounting. Management performed an evaluation of quantitative factors and concluded that the investment was other-than-temporarily impaired as of September 30, 2014. The estimate of fair value was based upon the median of the income-approach (discounted cash flow method) and market-approach valuation methodology using Level 3 unobservable inputs. During the fourth quarter of 2014, the Company purchased 40% of newly issued common stock of GSI for R\$2.0 million (\$764,000). The Company assessed the valuation of its fourth quarter investment in GSI and determined there were no significant changes to the assumptions used in the valuation of GSI performed during the third quarter. As a result, the new investment was also determined to be impaired. Accordingly, the Company recorded a total \$6.0 million impairment charge, net of tax, in equity in earnings (losses), net of tax during the third and fourth quarters 2014. As of December 31, 2015 and 2014, the carrying value of the Company's investment in GSI was \$0 and therefore the Company has not recorded its share of equity in losses in the year ended December 31, 2015.

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



## LIFETIME BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

equity in losses of the joint venture of \$20,000, \$39,000 and \$83,000 for the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015 and 2014, the carrying value of the Company's investment in Grand Venture was \$246,000 and \$251,000, respectively.

The Company evaluated the disclosure requirements of ASC Topic No. 860, *Transfers and Servicing*, and determined that at December 31, 2015, the Company did not have a controlling voting interest or variable interest in any of its investments and therefore continued accounting for the investments using the equity method of accounting.

**NOTE D GOODWILL AND INTANGIBLE ASSETS**

The Company's intangible assets, all of which are included in the U.S. Wholesale and International segments, consist of the following (in thousands):

	Year Ended December 31,					
	2015			2014		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
<b>Goodwill</b>	\$ 18,101	\$	\$ 18,101	\$ 18,101	\$	\$ 18,101
<b>Indefinite-lived intangible assets:</b>						
Trade names	7,616		7,616	7,616		7,616
<b>Finite-lived intangible assets:</b>						
Licenses	15,847	(8,462)	7,385	15,847	(8,007)	7,840
Trade names	29,724	(6,818)	22,906	29,768	(4,568)	25,200
Customer relationships	50,823	(10,806)	40,017	50,823	(6,754)	44,069
Other	1,202	(634)	568	1,202	(431)	771
<b>Total</b>	\$ 123,313	\$ (26,720)	\$ 96,593	\$ 123,357	\$ (19,760)	\$ 103,597

The Company performed its 2015 annual impairment test for its indefinite-lived trade names as of October 1, 2015. The Company elected to first perform a qualitative assessment to determine if it is more likely than not that the fair value of the Company's indefinite-lived trade names are less than the carrying values. The Company considered events and circumstances that could affect the significant inputs used to determine the fair values of the indefinite-lived trade names. Based on the qualitative assessment, the Company determined it is not more likely than not that the fair values of the Company's indefinite-lived trade names are less than the carrying values.

In 2014, the Company performed quantitative impairment test for its indefinite-lived trade names which involved the assessment of the fair market values of the Company's indefinite-lived trade names based on Level 3 unobservable inputs, using a relief from royalty approach, assuming a discount rate of 14.0%-15.5% and an average long term growth rate of 2.5%-3%. The result of the impairment assessment of the Company's indefinite-lived trade names

indicated that the carrying values of the Elements® and Melannco® trade names exceeded their fair values as of October 1, 2014. The Company's home décor products category has experienced a decline in sales and profit in recent years. The Company believes the most significant factor resulting in the decline was the reduction in retail space allocated by the Company's customers to the category which has also contributed to pricing pressure. As a result of these factors, the Company recorded an impairment charge of \$3.4 million, related to these brands, in its consolidated statement of operations for the year ended December 31, 2014.

In addition, as of October 1, 2015 and December 31, 2015, the Company assessed the carrying value of its goodwill and determined based on quantitative and qualitative factors that no impairment existed. The Company bypassed the optional qualitative impairment analysis for its three reporting units with goodwill for its October 1, 2015 impairment test. Accordingly, the first step of the two step goodwill impairment test as described was performed.

## LIFETIME BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

Under the first step, the estimated fair value of the reporting unit is calculated by the discounted cash flow method. The significant assumptions used under the discounted cash flow method are projected net sales, projected earnings before interest, tax, depreciation and amortization ( EBITDA ), terminal growth rates, and the cost of capital. Projected net sales, projected EBITDA and terminal growth rates were determined to be significant assumptions because they are three primary drivers of the projected cash flows in the discounted cash flow fair value model. Cost of capital was also determined to be a significant assumption as it is the discount rate used to calculate the current fair value of those projected cash flows. Under this approach, the resultant estimated fair value of each of the reporting units exceeded their carrying value as of October 1, 2015 and no goodwill impairment charges were recorded.

For one of the reporting units tested under the first step, the Kitchen Craft reporting unit, which carried goodwill of \$13.0 million, the excess of fair value over its carrying value was 5%. This reporting unit was acquired in 2014, and therefore the Company did not expect the fair value to be significantly in excess of the carrying value. There were no fundamental changes in the business that would indicate a significant decline in the fair value since the acquisition date, however macroeconomic conditions in Europe have contributed to a decline in EBITDA. Management's projections used to estimate the undiscounted cash flows included increasing net sales and operational improvements designed to reduce costs. Changes in any of the significant assumptions used can materially affect the expected cash flows, and such impacts can result in the requirement to proceed to the second step of the test and potentially a material non-cash impairment charge could result. The Company is not currently aware of any negative changes in its assumptions that could lead to the fair value of the reporting units being less than the carrying value.

A summary of the activities related to the Company's intangible assets for the years ended December 31, 2015, 2014 and 2013 consists of the following (in thousands):

	Intangible Assets	Goodwill	Total Intangible Assets and Goodwill
<b>Goodwill and Intangible Assets, December 31, 2012</b>	\$ 52,757	\$ 5,085	\$ 57,842
Amortization	(2,693)		(2,693)
<b>Goodwill and Intangible Assets, December 31, 2013</b>	50,064	5,085	55,149
Acquisition of trade names	12,348		12,348
Acquisition of customer relationships	32,417		32,417
Acquisition of other intangible assets	618		618
Goodwill from Kitchen Craft acquisition		13,016	13,016
Impairment of trade names	(3,384)		(3,384)
Amortization	(6,567)		(6,567)

<b>Goodwill and Intangible Assets, December 31, 2014</b>	85,496	18,101	103,597
Amortization	(7,004)		(7,004)
<b>Goodwill and Intangible Assets, December 31, 2015</b>	\$ 78,492	\$ 18,101	\$ 96,593

The weighted-average amortization periods for the Company's finite-lived intangible assets as of December 31, 2015 are as follows:

	<b>Years</b>
Trade names	14
Licenses	33
Customer relationships	13
Other	11

**LIFETIME BRANDS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2015**

Estimated amortization expense for each of the five succeeding fiscal years is as follows (in thousands):

<b>Year ending December 31,</b>	
2016	\$ 6,993
2017	6,705
2018	6,705
2019	6,705
2020	6,690

Amortization expense for the years ended December 31, 2015, 2014 and 2013 was \$7.0 million, \$6.6 million and \$2.7 million, respectively.

**NOTE E DEBT***Credit Agreement*

In January 2014, the Company entered into the Second Amended and Restated Credit Agreement, which has been amended, with JPMorgan Chase Bank, N.A, as Administrative Agent and Co-Collateral Agent, and HSBC Bank USA, National Association, as Syndication Agent and Co-Collateral Agent (the Credit Agreement ). The Credit Agreement, which expires in January 2019, provides for, among other things, a Revolving Credit Facility commitment totaling \$175.0 million (\$40.0 million of which is available for multi-currency borrowings) and a Term Loan facility of \$50.0 million.

At December 31, 2015 and 2014, borrowings outstanding under the Revolving Credit Facility were \$65.6 million and \$92.7 million, respectively. At December 31, 2015 and 2014, open letters of credit were \$1.4 million and \$2.3 million, respectively. At December 31, 2015 and 2014, availability under the Revolving Credit Facility was approximately \$86.2 million and \$64.9 million, respectively. The borrowing capacity under the Revolving Credit Facility depends, in part, on eligible levels of accounts receivable and inventory, each of which fluctuates based upon seasonality of the business, and certain trademark values, based upon periodic appraisals. Therefore, the actual borrowing capacity may be less than the \$175.0 million commitment.

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

The Company's payment obligations under the Revolving Credit Facility are unconditionally guaranteed by each of its existing U.S. subsidiaries and will be unconditionally guaranteed by each of its future U.S. subsidiaries. Certain payment obligations under the Revolving Credit Facility are also direct obligations of its foreign subsidiary borrowers designated as such under the Credit Agreement and, subject to limitations on such guaranties, are guaranteed by the

foreign subsidiary borrowers, as well as by the Company. The obligations of the Company under the Revolving Credit Facility and any hedging arrangements and cash management services and the guarantees by its domestic subsidiaries in respect of those obligations are secured by substantially all of the assets and stock (but in the case of foreign subsidiaries, limited to 65% of the capital stock in first-tier foreign subsidiaries and not including the stock of subsidiaries of such first-tier foreign subsidiaries) owned by the Company and the U.S. subsidiary guarantors, subject to certain exceptions. Such security interests consist of a first-priority lien, subject to certain permitted liens, with respect to the assets of the Company and its domestic subsidiaries pledged as collateral in favor of lenders under the Revolving Credit Facility.

F-20

---

**LIFETIME BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

As of December 31, 2015 and 2014, \$35.0 million and \$45.0 million, respectively, was outstanding under the Term Loan. In May 2015, the Credit Agreement was amended to provide for a \$10.0 million prepayment of the Term Loan if such amount exceeded 50% of the Company's excess cash flow for the 2015 fiscal year.

Interest rates on outstanding borrowings at December 31, 2015 ranged from 2.125% to 4.75%. In addition, the Company pays a commitment fee of 0.375% on the unused portion of the Revolving Credit Facility.

The Credit Agreement provides for customary restrictions and events of default. Restrictions include limitations on additional indebtedness, acquisitions, investments and payment of dividends, among other things. Further, the Credit Agreement provides that at any time any Term Loan is outstanding or at any time no Term Loan is outstanding and availability under the Revolving Credit Facility is less than \$17.5 million and continuing until availability of at least \$20.0 million is maintained for three consecutive months, the Company is required to maintain a minimum fixed charge coverage ratio of 1.20 to 1.00 for each of four consecutive fiscal quarter periods. The Credit Agreement also provides that when the Term Loan is outstanding, the Company is required to maintain a Senior Leverage Ratio within defined parameters not to exceed 4.50 to 1.00 for the fiscal quarter ending December 31, 2015; 4.00 to 1.00 for each fiscal quarter ending March 31, June 30 and September 30, 2016; and 3.75 to 1.00 for each fiscal quarter ending thereafter. For any fiscal quarter of the Company ending on September 30<sup>th</sup>, the maximum Senior Leverage Ratio is increased by an additional 0.25:1.00 in excess of the applicable level otherwise provided.

Pursuant to the Credit Agreement, as of December 31, 2015 the maximum additional permitted indebtedness other than certain subordinated indebtedness was \$99.7 million. The Company was in compliance with the financial covenants of the Credit Agreement at December 31, 2015.

*Other Credit Agreements*

A subsidiary of the Company has a credit facility ( HSBC Facility or Short term loan ) with HSBC Bank (China) Company Limited, Shanghai Branch ( HSBC ) for up to RMB 18.0 million (\$2.9 million). The HSBC Facility is subject to annual renewal and may be used to fund general working capital needs of the Company's subsidiary which is a trading company in the People's Republic of China. Borrowings under the HSBC Facility are guaranteed by the Company and are granted at the sole discretion of HSBC. At December 31, 2015, RMB 1.6 million (\$252,000) was outstanding and the interest rate was 5.0% under the HSBC Facility.

**NOTE F DERIVATIVES**

The Company is a party to interest rate swap agreements with an aggregate notional amount of \$20.1 million to manage interest rate exposure in connection with its variable interest rate borrowings. The hedge periods of these agreements commenced in March 2013 and expire in June 2018 and the notional amounts amortize over these periods. The interest rate swap agreements were designated as cash flow hedges under ASC Topic No. 815. The effective portion of the fair value gain or loss on these agreements is recorded as a component of accumulated other comprehensive income (loss).

The Company has also entered into foreign exchange contracts, primarily to offset the earnings impact related to fluctuations in foreign currency exchange rates associated with inventory purchases denominated in foreign currencies. The aggregate gross notional amount of foreign exchange contracts at December 31, 2015 was \$5.5 million. These foreign exchange contracts have not been designated as hedges as required in order to apply hedge accounting. The changes in the fair value of these contracts are recorded in earnings immediately.

F-21



## LIFETIME BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

The fair values of the Company's derivative financial instruments included in the consolidated balance sheets are presented as follows (in thousands):

Derivatives designated as hedging instruments	Balance Sheet Location	Liabilities December 31,	
		2015	2014
Interest rate swaps	Accrued Expenses	\$ 10	\$ 6
	Deferred rent & other long-term liability	25	26
		Assets December 31,	
Derivatives not designated as hedging instruments	Balance Sheet Location	2015	2014
Foreign exchange contracts	Prepaid expenses and other current assets	\$ 261	\$

The fair value of the derivatives have been obtained from the counterparties to the agreements and were based on Level 2 observable inputs using proprietary models and estimates about relevant future market conditions.

The amounts of the gains and losses related to the Company's derivative financial instruments designated as hedging instruments are presented as follows (in thousands):

Derivatives designated as hedging instruments	Amount of Gain or (Loss) Recognized in OCI on Derivatives Year ended December 31,		
	2015	2014	2013
Interest rate swaps	\$ (2)	\$ 13	\$ 241

No amounts recorded in accumulated other comprehensive income (loss) are expected to be reclassified to interest expense in the next twelve months.

The amounts of the gains and losses related to the Company's derivative financial instruments not designated as hedging instruments are presented as follows (in thousands):

Derivatives not designated as hedging instruments	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives Year Ended December 31,		
		2015	2014	2013
Foreign exchange contracts	Selling, general and administrative expense	\$ 272	\$ 694	\$

**NOTE G CAPITAL STOCK****Long-term incentive plan**

The Company's Amended and Restated 2000 Long-Term Incentive Plan (the "Plan") provides for the granting of awards of up to 4,850,000 shares of common stock. These shares of the Company's common stock are available for

**LIFETIME BRANDS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2015**

grants to directors, officers, employees, consultants and service providers and affiliates in the form of stock options or other equity-based awards. The Plan authorizes the Board of Directors of the Company, or a duly appointed committee thereof, to issue incentive stock options, non-qualified options, restricted stock, performance based awards and other stock-based awards. Options that have been granted under the Plan expire over a range of five to ten years from the date of grant and vest over a range of up to five years from the date of grant. Shares of restricted stock that have been granted under the Plan vest over a range of up to four years from the date of grant. Performance based awards that have been granted under the Plan vest after three years based upon the attainment of specified performance goals. As of December 31, 2015, there were 604,460 shares available for the grant of awards.

**Cash dividends**

Dividends were declared in 2015 and 2014 as follows:

<b>Dividend per share</b>	<b>Date declared</b>	<b>Date of record</b>	<b>Payment date</b>
\$0.0375	October 31, 2013	January 31, 2014	February 14, 2014
\$0.0375	March 11, 2014	May 1, 2014	May 15, 2014
\$0.0375	June 19, 2014	August 1, 2014	August 15, 2014
\$0.0375	July 29, 2014	October 31, 2014	November 14, 2014
\$0.0375	November 5, 2014	January 30, 2015	February 13, 2015
\$0.0375	March 4, 2015	May 1, 2015	May 15, 2015
\$0.0375	June 10, 2015	July 31, 2015	August 14, 2015
\$0.0425	August 4, 2015	October 30, 2015	November 13, 2015
\$0.0425	November 3, 2015	February 1, 2016	February 15, 2016

On March 3, 2016, the Board of Directors declared a quarterly dividend of \$0.0425 per share payable on May 16, 2016 to shareholders of record on May 2, 2016.

**Stock repurchase program**

On April 30, 2013, Lifetime's Board of Directors authorized the repurchase of up to \$10.0 million of the Company's common stock. The repurchase authorization permits the Company to effect repurchases from time to time through open market purchases and privately negotiated transactions. During the year ended December 31, 2013, the Company repurchased 245,575 shares for a total cost of \$3.2 million and thereafter retired the shares. No shares were repurchased during the years ended December 31, 2015 and 2014.

**Preferred stock**

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



## LIFETIME BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

**Stock options**

A summary of the Company's stock option activity and related information for the three years ended December 31, 2015, is as follows:

	Options	Weighted- average exercise price	Weighted- average remaining contractual life (years)	Aggregate intrinsic value
<b>Options outstanding at December 31, 2012</b>	2,528,177	13.06		
Grants	390,800	12.26		
Exercises	(247,827)	4.91		
Cancellations	(68,000)	16.89		
Expirations	(231,500)	22.46		
<b>Options outstanding at December 31, 2013</b>	2,371,650	12.75		
Grants	394,400	18.83		
Exercises	(365,223)	8.63		
Cancellations	(32,200)	12.23		
Expirations	(42,000)	26.61		
<b>Options outstanding at December 31, 2014</b>	2,326,627	14.19		
Grants	89,600	13.99		
Exercises	(110,375)	8.84		
Cancellations	(37,750)	15.57		
Expirations	(25,900)	26.60		
<b>Options outstanding at December 31, 2015</b>	2,242,202	14.28	5.1	3,715,000
<b>Options exercisable at December 31, 2015</b>	1,725,944	\$ 13.85	4.3	\$ 3,551,000

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that would have been received by the option holders had all option holders exercised their in-the-money stock options on December 31, 2015. The intrinsic value is calculated for each in-the-money stock option as the difference between the closing price of the Company's common stock on December 31, 2015 and the exercise price.

The total intrinsic values of those stock options that were exercised in the years ended December 31, 2015, 2014, and 2013 were \$639,000, \$3,103,000 and \$1,997,000, respectively. The intrinsic value of a stock option that is exercised is

calculated at the date of exercise.

Total unrecognized stock option compensation expense at December 31, 2015, before the effect of income taxes, was \$3.1 million and is expected to be recognized over a weighted-average period of 2.0 years.

The Company values stock options using the Black-Scholes option valuation model. The Black-Scholes option valuation model, as well as other available models, was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. The Black-Scholes option valuation model requires the input of highly subjective assumptions including the expected stock price volatility and risk-free interest rate. Because the Company's stock options have characteristics significantly different from those of traded options, changes in the subjective input assumptions can materially affect the fair value estimates of the Company's stock options. The weighted-average per share grant date fair value of stock options granted during the years ended December 31, 2015, 2014, and 2013 was \$4.68, \$9.73 and \$6.12, respectively.

## LIFETIME BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

The fair values for these stock options were estimated at the dates of grant using the following weighted-average assumptions:

	2015	2014	2013
Historical volatility	39%	58%	61%
Expected term (years)	5.2	6.0	5.6
Risk-free interest rate	1.67%	1.95%	0.88%
Expected dividend yield	1.18%	0.77%	0.97%

**Restricted Stock**

A summary of the Company's restricted stock activity and related information for the three years ended December 31, 2015 is as follows:

	Restricted Shares	Weighted- average grant date fair value
<b>Nonvested restricted shares, December 31, 2012</b>	23,394	\$ 11.54
Grants	22,459	13.26
Vested	(23,394)	11.54
<b>Nonvested restricted shares, December 31, 2013</b>	22,459	13.26
Grants	26,511	15.86
Vested	(22,459)	13.26
<b>Nonvested restricted shares, December 31, 2014</b>	26,511	15.86
Grants	100,073	14.78
Vested	(24,649)	15.97
Cancellations	(500)	14.84
<b>Nonvested restricted shares, December 31, 2015</b>	101,435	\$ 14.77
<b>Total unrecognized compensation expense remaining</b>	\$ 1,089,700	
<b>Weighted-average years expected to be recognized over</b>	2.6	

The total fair value of restricted stock that vested during the year ended December 31, 2015 was \$374,000.

**Performance shares**

During the year ended December 31, 2015, awards for performance shares were granted under the Plan. Each performance award represents the right to receive up to 150% of the target number of shares of common stock. The number of shares of common stock earned will be determined based on the attainment of specified performance goals by December 31, 2017, as determined by the Compensation Committee. The shares are subject to the terms and conditions of the Plan.

A summary of the Company's performance-based award activity and related information for the year ended December 31, 2015 is as follows:

	<b>Performance- based awards</b>	<b>Weighted- average grant date fair value</b>
<b>Nonvested performance-based awards, January 1, 2015</b>		\$
Grants (at target)	66,650	14.84
Cancellations	(500)	14.84
<b>Nonvested performance-based awards, December 31, 2015</b>	66,150	\$ 14.84
<b>Total unrecognized compensation expense remaining</b>	\$ 740,560	
<b>Weighted-average years expected to be recognized over</b>	2.0	



**LIFETIME BRANDS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2015**

The Company recognized total stock compensation expense of \$5.3 million for the year ended December 31, 2015, of which \$2.2 million represents stock option compensation expense, \$0.8 million represents restricted stock, including restricted stock granted to directors, and performance based compensation expense and \$2.2 million represents stock awards. For the year ended December 31, 2014 the Company recognized total stock compensation expense of \$4.5 million, of which \$2.5 million represents stock option compensation expense, \$0.3 million represents restricted stock compensation expense and \$1.7 million represents stock awards. For the year ended December 31, 2013, the Company recognized total stock compensation expense of \$2.9 million.

**NOTE H INCOME PER COMMON SHARE**

Basic income per common share has been computed by dividing net income by the weighted-average number of shares of the Company's common stock outstanding. Diluted income per common share adjusts net income and basic income per common share for the effect of all potentially dilutive shares of the Company's common stock. The calculations of basic and diluted income per common share for the years ended December 31, 2015, 2014, and 2013 are as follows:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
	(in thousands - except per share amounts)		
<b>Net income Basic and Diluted</b>	\$ 12,278	\$ 1,544	\$ 9,281
<b>Weighted-average shares outstanding Basic</b>	13,850	13,519	12,757
Effect of dilutive securities:			
Stock options and restricted stock	416	455	286
<b>Weighted-average shares outstanding Diluted</b>	14,266	13,974	13,043
<b>Basic income per common share</b>	\$ 0.89	\$ 0.11	\$ 0.73
<b>Diluted income per common share</b>	\$ 0.86	\$ 0.11	\$ 0.71

The computations of diluted income per common share for the years ended December 31, 2015, 2014 and 2013 excludes options to purchase 1,467,857, 2,004,836 and 1,417,145 shares of the Company's common stock, respectively. These shares were excluded due to their antidilutive effect.

**NOTE I INCOME TAXES**

The components of income before income taxes, equity in earnings and extraordinary item are as follows:

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	(in thousands)		
Domestic	\$ 22,096	\$ 10,251	\$ 26,470
Foreign	(3,765)	3,611	(3,233)
<b>Total income before income taxes and equity in earnings</b>	<b>\$ 18,331</b>	<b>\$ 13,862</b>	<b>\$ 23,237</b>

F-26

## LIFETIME BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

The provision for income taxes (before equity in earnings) consists of:

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	(in thousands)		
<b>Current:</b>			
Federal	\$ 5,584	\$ 4,709	\$ 8,996
State and local	1,879	1,284	1,707
Foreign	604	1,691	747
Deferred	(1,440)	(1,859)	(2,275)
 Income tax provision	 \$ 6,627	 \$ 5,825	 \$ 9,175

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

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
	(in thousands)	
<b>Deferred income tax assets:</b>		
Deferred rent expense	\$ 4,028	\$ 3,686
Stock options	4,179	3,348
Inventory	1,298	1,312
Operating loss carry-forward	2,213	2,073
Accounts receivable allowances	217	406
Accrued compensation	867	897
Other	2,820	2,911
 Total deferred income tax assets	 \$ 15,622	 \$ 14,633

Significant components of the Company's net deferred income tax (liability) asset are as follows:

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
	(in thousands)	

Edgar Filing: LIFETIME BRANDS, INC - Form 10-K/A

Deferred income tax liabilities:		
Depreciation and amortization	\$ (3,121)	\$ (3,461)
Intangibles	(12,380)	(12,549)
Equity in earnings	(154)	(504)
<b>Total deferred income tax liabilities</b>	<b>(15,655)</b>	<b>(16,514)</b>
Net deferred income tax asset (liability)	(33)	(1,881)
<b>Valuation allowance</b>	<b>(2,077)</b>	<b>(1,897)</b>
Net deferred income tax (liability) asset	\$ (2,110)	\$ (3,778)

The Company has generated various state net operating loss carryforwards of which, \$13.4 million remained at December 31, 2015 that begin to expire in 2016. The Company has net operating losses in foreign jurisdictions of

F-27

## LIFETIME BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## DECEMBER 31, 2015

\$7.5 million at December 31, 2015 that begin to expire in 2020. The reduction in the deferred tax liabilities is primarily due to the enactment of lower corporate income tax rates in the United Kingdom, from 20% in 2015 to 18% in 2020. The valuation allowance which remained as of December 31, 2015 relates to certain state and foreign net operating losses.

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

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Provision for federal income taxes at the statutory rate	35.0%	35.0%	35.0%
Increases (decreases):			
State and local income taxes, net of Federal income tax benefit	5.3	4.9	5.5
Foreign rate differences	(8.6)	(2.7)	(1.1)
Non-deductible expenses	5.5	6.4	2.8
Other	(1.0)	(1.6)	(2.7)
<b>Provision for income taxes</b>	<b>36.2%</b>	<b>42.0%</b>	<b>39.5%</b>

The estimated values of the Company's gross uncertain tax positions at December 31, 2015, 2014 and 2013 are liabilities of \$157,000, \$572,000 and \$351,000, respectively, and consist of the following:

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	(in thousands)		
Balance at January 1	\$ (572)	\$ (351)	\$ (301)
Additions based on tax positions related to the current year	(15)		(31)
Additions for tax positions of prior years		(221)	(164)
Settlements	430		145
<b>Balance at December 31</b>	<b>\$ (157)</b>	<b>\$ (572)</b>	<b>\$ (351)</b>

The Company had approximately \$42,000 and \$40,000, net of federal and state tax benefit, accrued at December 31, 2015 and 2014, respectively, for the payment of interest. The Company's policy for recording interest and penalties is to record such items as a component of income taxes.

If the Company's tax positions are ultimately sustained, the Company's liability, including interest, would be reduced by \$149,000 all of which would impact the Company's tax provision. On a quarterly basis, the Company evaluates its tax positions and revises its estimates accordingly. The Company believes that it is reasonably possible that \$76,000 of its tax positions will be resolved within the next twelve months.

The Company is no longer subject to U.S. Federal income tax examinations for the years prior to 2013. The Company has identified the following jurisdictions as major tax jurisdictions: U.S. Federal, California, Massachusetts, Illinois, New York, New Jersey and the United Kingdom. At December 31, 2015, the periods subject to examination by the Company's major state jurisdictions are the years ended 2011 through 2014.

## LIFETIME BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

## NOTE J BUSINESS SEGMENTS

## Segment information

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

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

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	(in thousands)		
<b>Net sales:</b>			
U.S. Wholesale	\$ 458,593	\$ 441,293	\$ 444,187
International	108,000	125,230	38,907
Retail Direct	21,077	19,487	20,680
Non-operating adjustment <sup>(1)</sup>			(1,053)
Total net sales	\$ 587,670	\$ 586,010	\$ 502,721
<b>Income from operations:</b>			
U.S. Wholesale <sup>(2)</sup>	\$ 41,343	\$ 34,874	\$ 46,303
International <sup>(3)</sup>	(1,600)	3,759	(2,151)
Retail Direct	(596)	(1,034)	(62)
Non-operating adjustment <sup>(1)</sup>			(1,053)
Unallocated corporate expenses	(14,916)	(16,215)	(14,851)
Total income from operations	\$ 24,231	\$ 21,384	\$ 28,186

**Depreciation and amortization:**

U.S. Wholesale	\$ 8,784	\$ 8,618	\$ 8,549
International	5,272	5,379	1,601
Retail Direct	147	203	265
Total depreciation and amortization	\$ 14,203	\$ 14,200	\$ 10,415

Note:

- (1) In 2013, the Company recorded a non-operating adjustment to reduce accounts receivable for previously issued credits within the Retail Direct business which related to 2010 and earlier periods.
- (2) In 2014, income from operations for the U.S. Wholesale segment included a \$3.4 million of intangible asset impairment charge and \$4.2 million related to the reduction in certain contingent consideration accruals.
- (3) In 2015, income from operations for the International segment includes a \$1.0 million net charge related to the change in certain contingent consideration accruals.

F-29



## LIFETIME BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
<b>Assets:</b>			
U.S. Wholesale	\$ 269,764	\$ 287,744	\$ 291,757
International	115,128	128,055	35,365
Retail Direct	443	535	730
Unallocated/ corporate/ other	13,617	5,068	8,887
Total assets	\$ 398,952	\$ 421,402	\$ 336,739
<b>Capital expenditures:</b>			
U.S. Wholesale	\$ 4,087	\$ 5,431	\$ 3,375
International	1,004	650	272
Retail Direct	75	90	195
Total capital expenditures	\$ 5,166	\$ 6,171	\$ 3,842
<b>Goodwill:</b>			
U.S. Wholesale			
Beginning balance	\$ 2,412	\$ 2,412	\$ 2,412
Acquisition activity			
Ending balance	2,412	2,412	2,412
International			
Beginning balance	15,689	2,673	2,673
Acquisition activity		13,016	
Ending balance	15,689	15,689	2,673
Total goodwill <sup>(1)</sup>	\$ 18,101	\$ 18,101	\$ 5,085

Note:

(1) No goodwill is allocated to the Company's Retail Direct reportable segment.

F-30

## LIFETIME BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

**Geographical information**

The following table sets forth net sales and long-lived assets by the major geographic locations:

	Year ended December 31,		
	2015	2014	2013
	(in thousands)		
<b>Net sales:</b>			
United States	\$ 462,234	\$ 436,049	\$ 439,129
United Kingdom	81,347	93,432	29,012
Rest of World	44,089	56,529	34,580
<b>Total</b>	<b>\$ 587,670</b>	<b>\$ 586,010</b>	<b>\$ 502,721</b>

	December 31,	
	2015	2014
	(in thousands)	
<b>Long-lived assets, excluding intangible assets, at period-end:</b>		
United States	\$ 49,990	\$ 54,594
United Kingdom	1,550	3,927
Rest of World	953	1,167
<b>Total</b>	<b>\$ 52,493</b>	<b>\$ 59,688</b>

**Product category information net sales**

The following table sets forth net sales by major product categories included within the Company's U.S. Wholesale operating segment:

Category:	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Kitchenware	\$ 271,045	\$ 269,265	\$ 281,211
Tableware	124,353	117,546	110,108

Edgar Filing: LIFETIME BRANDS, INC - Form 10-K/A

Home Solutions	63,195	54,482	52,868
<b>Total</b>	<b>\$ 458,593</b>	<b>\$ 441,293</b>	<b>\$ 444,187</b>

The following table sets forth net sales by major product categories included within the Company's International operating segment:

<b>Category:</b>	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	(in thousands)		
Kitchenware	\$ 61,291	\$ 67,604	\$
Tableware	46,709	57,626	38,907
<b>Total</b>	<b>\$ 108,000</b>	<b>\$ 125,230</b>	<b>\$ 38,907</b>

F-31

**LIFETIME BRANDS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2015****NOTE K COMMITMENTS AND CONTINGENCIES****Operating leases**

The Company has lease agreements for its corporate headquarters, distribution centers, showrooms and sales offices that expire through 2029. These leases generally provide for, among other things, annual base rent escalations and additional rent for real estate taxes and other costs.

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

<b>Year Ending December 31,</b>	
2016	\$ 17,058
2017	17,294
2018	13,476
2019	11,280
2020	10,132
Thereafter	71,035
<b>Total</b>	<b>\$ 140,275</b>

Rent and related expenses under operating leases were \$17.4 million, \$15.8 million and \$14.3 million for the years ended December 31, 2015, 2014 and 2013, respectively. There was no sublease rental income in 2015, 2014 or 2013.

The Company leases two properties from the trustees of active retirement benefit plans in which former and current employees of the Company participate in. Total lease payments made to these related parties in 2015 were \$850,000. The lease agreements expire in 2020.

**Royalties**

The Company has license agreements that require the payment of royalties on sales of licensed products which expire through 2023. Future minimum royalties payable under these agreements are as follows (in thousands):

<b>Year ending December 31,</b>	
2016	\$ 6,986
2017	6,823
2018	6,733
2019	1,140
2020	406

Thereafter	604
<b>Total</b>	<b>\$ 22,692</b>

**Legal proceedings**

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

---

**LIFETIME BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

In May 2008, WSPR received from the EPA a Notice of Potential Liability and Request for Information Pursuant to 42 U.S.C. Sections 9607(a) and 9604(e) of the Comprehensive Environmental Response, Compensation, and Liability Act ( CERCLA ). In July 2011, WSPR received a letter from the EPA requesting access to the property that it leases from PRIDCO to conduct an environmental investigation, and the Company granted such access. In February 2013, the EPA requested access to conduct a further environmental investigation at the property. PRIDCO agreed to such access and the Company consented. EPA conducted further investigation during 2013 and, in April 2015, notified the Company and PRIDCO that the results from vapor intrusion sampling may warrant implementation of measures to mitigate potential exposure to sub-slab soil gas. The Company reviewed the information provided by the EPA and requested that PRIDCO, as the property owner, find and implement a solution acceptable to the EPA. While WSPR did not cause the sub-surface condition that resulted in the potential for vapor intrusion, in order to protect the health of its employees and continue its business operations, it has nevertheless implemented corrective action measures to prevent vapor intrusion such as sealing floors of the building and conducting periodic air monitoring to address potential exposure. On August 13, 2015, the EPA released its remedial investigation and feasibility study ( RI/FS ) for the Site.

On December 11, 2015, the EPA issued the Record of Decision ( ROD ) for OU-1, electing to implement its preferred remedy which consists of soil vapor extraction and dual-phase extraction/*in-situ* treatment. This selected remedy includes soil vapor extraction ( SVE ) to address soil (vadose zone) source areas at the Site, impermeable cover as necessary for the implementation of SVE, dual phase extraction in the shallow saprolite zone, and *in-situ* treatment as needed to address residual sources. The EPA s estimated capital cost for its selected remedy is \$7.3 million. The EPA also designated a second operable unit which will consist of further investigations to determine the nature and extent of groundwater contamination. WSPR never used the primary contaminant of concern and did not take up its tenancy at the Site until after the EPA had discovered the contamination in the local water supply. The EPA has also issued notices of potential liability to numerous other entities affiliated with the Site, which used the contaminants of concern.

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

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

**NOTE L RETIREMENT PLANS**

**401(k) plan**

The Company maintains a defined contribution retirement plan for eligible employees under Section 401(k) of the Internal Revenue Code. Participants can make voluntary contributions up to the Internal Revenue Service limit of

\$18,000 (\$24,000 for employees 50 years or over) for 2015. Effective January 1, 2009, the Company suspended its matching contribution as an expense savings measure. The Company's United Kingdom-based subsidiaries also maintain defined contribution pension plans.

**Retirement benefit obligations**

The Company assumed retirement benefit obligations, which are paid to certain former executives of a business acquired in 2006. These obligations under these agreements are unfunded and amounted to \$6.5 million at December 31, 2015 and \$6.9 million at December 31, 2014.



**LIFETIME BRANDS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2015**

The discount rate used to calculate the retirement benefit obligations was 3.96% at December 31, 2015 and 3.65% at December 31, 2014. The retirement benefit obligations are included in accrued expenses and deferred rent and other long-term liabilities.

The Company expects to recognize \$91,000 of actuarial losses included in accumulated other comprehensive loss in net periodic benefit cost in 2016.

Expected benefit payments for each of the next five fiscal years and in the aggregate for the five fiscal years thereafter are as follows (in thousands):

<b>Year ending December 31,</b>	
2016	\$ 144
2017	294
2018	396
2019	386
2020	375
2021 through 2024	2,003

**Kitchen Craft pension plan**

Kitchen Craft was the sponsor of a defined benefit pension plan (the Plan) for which service costs accrual ceased prior to its acquisition in January 2014. In October 2014, the Plan trustees secured, in full, all benefits payable or contingently payable under the Plan (subject to adjustment as determined by the UK pension authority in connection with its approval of the Plan's termination) through the purchase of a group annuity contract from a major UK-based insurance company. The share purchase agreement, pursuant to which the Company acquired Kitchen Craft, provides that any additional contributions required in connection with the settlement and termination of the Plan shall be offset by future amounts owed to the sellers or, if those amounts are insufficient, reimbursed to the Company by the sellers. Accordingly, there was no impact, nor is there any expected future impact, to the Company's statement of operations in connection with the settlement and termination of the Plan, which occurred in 2015.

## LIFETIME BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## DECEMBER 31, 2015

The following table summarizes the changes in the projected benefit obligations and plan assets for the years ended December 31, 2015 and 2014:

	<b>Year Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
	(in thousands)	
<b>Change in projected benefit obligations</b>		
Projected benefit obligations, beginning of year/ acquisition	\$ 13,796	\$ 11,678
Interest cost		364
Actuarial (gain) loss	(2,492)	2,887
Benefits paid	(58)	(216)
Annuity purchase	(11,008)	
Currency adjustment	(238)	(917)
Projected benefit obligations, end of year	\$	\$ 13,796
<b>Change in plan assets</b>		
Fair value of plan assets, beginning of year/ acquisition	\$ 15,533	\$ 11,678
Actual return on plan assets	(1,903)	2,618
Employer (refund) contributions	(2,295)	2,471
Benefits paid	(58)	(216)
Annuity purchase	(11,008)	
Currency adjustment	(269)	(1,018)
Fair value of plan assets, end of year	\$	\$ 15,533
Net Plan funding, end of year	\$	\$ 1,738

The following table summarizes the components of net period pension costs:

	<b>Year Ended</b>	
	<b>December 31,</b>	<b>December 31,</b>
	<b>2015</b>	<b>2014</b>
	(in thousands)	
<b>Components of net periodic pension cost</b>		
Expected return on plan assets	\$	\$ (390)

Interest cost on projected benefit obligations		364
Net periodic pension cost	\$	\$ (26)

The accumulated benefit obligations at December 31, 2015 and 2014 are \$0 and \$13.8 million. The amounts in accumulated other comprehensive income at December 31, 2015 and 2014 are \$0 and \$623,000.

F-35

## LIFETIME BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

## NOTE M OTHER

## Inventory

The components of inventory are as follows:

	December 31,	
	2015	2014
	(in thousands)	
Finished goods	\$ 133,618	\$ 134,564
Work in process	1,754	1,887
Raw materials	1,518	1,473
Total	\$ 136,890	\$ 137,924

## Property and equipment

Property and equipment consist of:

	December 31,	
	2015	2014
	(in thousands)	
Machinery, furniture and equipment	\$ 88,914	\$ 85,556
Leasehold improvements	28,989	28,056
Building and improvements	1,604	1,604
Construction in progress	1,543	1,108
Land	100	100
	121,150	116,424
Less: accumulated depreciation and amortization	(96,273)	(89,623)
Total	\$ 24,877	\$ 26,801

Depreciation and amortization expense of property and equipment for the years ended December 31, 2015, 2014 and 2013 was \$7.2 million, \$7.7 million and \$7.7 million, respectively.

Included in machinery, furniture and equipment at each of December 31, 2015 and 2014 is \$2.3 million and \$2.1 million, respectively, related to assets recorded under capital leases. Included in accumulated depreciation and

amortization at December 31, 2015 and 2014 is \$2.1 million and \$2.0 million, respectively, related to assets recorded under capital leases.

---

**LIFETIME BRANDS, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2015****Accrued expenses**

Accrued expenses consist of:

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
	(in thousands)	
Customer allowances and rebates	\$ 10,474	\$ 12,314
Compensation and benefits	10,762	9,412
Interest	241	224
Vendor invoices	4,424	3,071
Royalties	2,330	2,266
Commissions	989	1,222
Freight	1,360	1,519
Professional fees	860	1,527
VAT	1,312	1,400
Contingent consideration related to acquisitions	3,193	
Other	4,209	4,006
Total	\$ 40,154	\$ 36,961

**Deferred rent & other long-term liabilities**

Deferred rent &amp; other long-term liabilities consist of:

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
	(in thousands)	
Deferred rent liability	\$ 10,450	\$ 9,530
Retirement benefit obligations	6,349	6,776
Contingent consideration related to acquisitions	892	3,286
Compensation	719	542
Capital lease obligations	121	
Derivative liability	25	26
Total	\$ 18,556	\$ 20,160



## LIFETIME BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

## Supplemental cash flow information

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for interest	\$ 4,909	\$ 5,035	\$ 4,115
Cash paid for taxes	8,963	4,912	10,862
<b>Non-cash investing activities:</b>			
Translation adjustment	\$ (5,281)	\$ (4,736)	\$ (140)

## Components of accumulated other comprehensive loss, net

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
<i>Accumulated translation adjustment:</i>			
Balance at beginning of year	\$ (7,680)	\$ (2,944)	\$ (2,804)
Translation adjustment during period	(5,281)	(4,736)	(140)
Balance at end of year	\$ (12,961)	\$ (7,680)	\$ (2,944)
<i>Accumulated effect of retirement benefit obligations:</i>			
Balance at beginning of year	\$ (2,224)	\$ (745)	\$ (1,160)
Net gain (loss) arising from retirement benefit obligations, net of tax	941	(1,507)	361
Amounts reclassified from accumulated other comprehensive loss:			
Amortization of loss, net of tax <sup>(1)</sup>	79	28	54
Balance at end of year	\$ (1,204)	\$ (2,224)	\$ (745)
<i>Accumulated deferred gains (losses) on cash flow hedges:</i>			
Balance at beginning of year	\$ (18)	\$ (31)	\$ (272)
Derivative fair value adjustment, net of tax	(2)	13	241
Balance at end of year <sup>(2)</sup>	\$ (20)	\$ (18)	\$ (31)



Notes:

- (1) Amount is recorded in selling, general and administrative expenses on the consolidated statements of operations.
- (2) No amounts were reclassified out of accumulated other comprehensive loss. Amounts reclassified would be recorded in interest expense on the consolidated statements of operations.

F-38

## Item 15(a)

## LIFETIME BRANDS, INC.

## SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

COL. A	COL. B	COL. C	COL. D	COL. E	
Description	Balance at beginning of period	Due to acquisitions	Additions Charged to costs and expenses	Deductions	Balance at end of period
<b>Year ended December 31, 2015</b>					
Deducted from asset accounts:					
Allowance for doubtful accounts	\$ 815	\$	\$ 226	\$ (344) (a)	\$ 697
Reserve for sales returns and allowances	5,848		6,504 (c)	(7,749) (b)	4,603
	\$ 6,663	\$	\$ 6,730	\$ (8,093)	\$ 5,300
<b>Year ended December 31, 2014</b>					
Deducted from asset accounts:					
Allowance for doubtful accounts	\$ 473	\$ 119	\$ 401	\$ (178) (a)	\$ 815
Reserve for sales returns and allowances	4,736	350	10,996 (c)	(10,234) (b)	5,848
	\$ 5,209	\$ 469	\$ 11,397	\$ (10,412)	\$ 6,663
<b>Year ended December 31, 2013</b>					
Deducted from asset accounts:					
Allowance for doubtful accounts	\$ 361	\$	\$ 260	\$ (148) (a)	\$ 473
Reserve for sales returns and allowances	3,635		6,004 (c)	(4,903) (b)	4,736
	\$ 3,996	\$	\$ 6,264	\$ (5,051)	\$ 5,209

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

(b) Allowances granted.

(c) Charged to net sales.

**SIGNATURES**

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

Lifetime Brands, Inc.

/s/ Jeffrey Siegel

Jeffrey Siegel

Chairman of the Board of Directors,  
Chief Executive Officer and Director

Date: September 27, 2016