LIFETIME BRANDS, INC
Form S-3/A
November 07, 2005

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As filed with the Securities and Exchange Commission on November 7, 2005

Registration No. 333-129345

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
TO
Form S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

LIFETIME BRANDS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**34203**	**11-2682486**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

One Merrick Avenue
Westbury, NY 11590
(516) 683-6000
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Robert McNally
Vice-President and
Chief Financial Officer
Lifetime Brands, Inc.
One Merrick Avenue
Westbury, NY 11590
(516) 683-6000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Lawrence Levinson, Esq. **Troutman Sanders LLP** **The Chrysler Building** **405 Lexington Avenue** **New York, NY 10174** **(212) 704-6251**	**Daniel J. Zubkoff, Esq.** **Cahill Gordon & Reindel LLP** **80 Pine Street** **New York, NY 10005** **(212) 701-3000**

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are being offered pursuant to a dividend or interest reinvestment plan, check the following box. o

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a) may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 7, 2005

PROSPECTUS

2,500,000 Shares

Lifetime Brands, Inc.

Common Stock
$ per share

We are selling 1,500,000 shares of our common stock and the selling stockholders named in this prospectus are selling 1,000,000 shares. We will not receive any proceeds from the sale of the shares of common stock sold by the selling stockholders. We and certain of our stockholders have granted the underwriters an option to purchase up to 375,000 additional shares of common stock to cover over-allotments.

Our common stock is quoted on the Nasdaq National Market under the symbol "LCUT." The last reported sale price of our common stock on the Nasdaq National Market on November 4, 2005 was $24.67 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 9.

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

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to Lifetime Brands, Inc. (before expenses)	$	$
Proceeds to the selling stockholders (before expenses)	$	$

The underwriters expect to deliver the shares to purchasers on or about , 2005.

Citigroup

Adams Harkness

, 2005

You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

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SUMMARY

This summary highlights selected information about us and the material terms of the offering. This summary does not contain all of the information that you should consider before making an investment decision. This prospectus contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in "Risk Factors" and elsewhere in this prospectus. Except as otherwise indicated, all information in this prospectus assumes no exercise of the underwriters' option to purchase additional shares. Unless otherwise indicated, references to "Lifetime Brands", "we," "our," and "us" refer to Lifetime Brands, Inc. and, if the context connotes, Lifetime Brands, Inc. and its consolidated subsidiaries, and the terms "fiscal year" and "year" in this prospectus refer to the year ended on December 31 of the year referenced.

Our Business

We are a leading designer, developer and marketer of a broad range of nationally branded consumer products used in the home. We market our products under some of the most well-respected and widely-recognized brand names in the U.S. housewares industry including three of the four most recognized brands in the "Kitchen Tool, Cutlery and Gadgets" product category according to the Home Furnishing News ("HFN") Brand Survey for 2005. We primarily target moderate to premium price points through every major level of trade. We generally market several lines within each of our product categories, often under more than one brand. At the heart of our company is a strong culture of innovation and new product development. We expect to develop or redesign over 700 products in 2005 and over 800 products in 2006. We have been sourcing our products in Asia for over 40 years; we currently source our products from approximately 125 suppliers located primarily in China. In June 2005, we changed our name from Lifetime Hoan Corporation to Lifetime Brands, Inc. to better reflect our business.

Our five main product categories are: (1) Kitchenware, (2) Tabletop, (3) Cutlery and Cutting Boards, (4) Bakeware and (5) Pantryware and Spices. Our principal brands and their respective product categories include:

Pfaltzgraff®	Tabletop, Bakeware, Pantryware and Spices
KitchenAid®	Kitchenware, Cutlery and Cutting Boards, Bakeware
Farberware®	Kitchenware, Cutlery and Cutting Boards, Tabletop
Cuisinart®	Cutlery and Cutting Boards
Sabatier®	Cutlery and Cutting Boards, Bakeware, Tabletop
Calvin Klein®	Tabletop
Hoffritz®	Cutlery and Cutting Boards, Kitchenware, Tabletop, Bakeware

We also sell and market our products under the following brands and trademarks which we own or license: Atlantis (Tabletop), Baker's Advantage® (Bakeware), Block® (Tabletop), CasaModa (Tabletop), Cuisine de France® (Cutlery and Cutting Boards), DBK Daniel Boulud Kitchen (Cutlery and Cutting Boards, Bakeware, Pantryware and Spices), Gemco® (Tabletop), Hershey®'s (Bakeware), Hoan® (Kitchenware), Joseph Abboud Environments® (Tabletop), Kamenstein® (Pantryware and Spices), Kathy Ireland Home® (Tabletop), NapaStyle (Tabletop), Nautica® (Tabletop), Retroneu® (Tabletop), Roshco® (Bakeware), Sasaki® (Tabletop), Stiffel® (Tabletop) and Weir in Your Kitchen (Bakeware). In addition, we sell and market products in the Bath Hardware and Accessories product category under our :USE® and Gemco® brands and we sell and market products in the Cookware product category under the DBK Daniel Boulud Kitchen brand.

We continuously innovate and introduce hundreds of new products across all of our product categories and brands each year. The substantial majority of our products are designed and developed in-house by our design and development team, which consists of 55 professional artists, designers and engineers. Utilizing the latest available design tools, technology and materials, we work closely with our suppliers to enable efficient and timely manufacturing of our products.

We sell our products to a diverse nationwide customer base including mass merchants (such as Wal-Mart and Target), specialty stores (such as Bed Bath & Beyond and Linens 'n Things), national chains (such as JC Penney, Kohl's and Sears), department stores (such as Bloomingdale's, Macy's and Saks), warehouse clubs (such as Costco, BJ's Wholesale Club and Sam's Club), home centers (such as Lowe's and The Home Depot), supermarkets (such as Stop & Shop and Kroger) and off-price retailers (such as Marshalls, T.J. Maxx and Ross Stores), as well as through other channels of distribution. Wal-Mart Stores, Inc. (including Sam's Club), which accounted for 24% of our net sales in 2004, is our single largest customer. We also sell our products directly to the consumer through our own mail order catalogs, outlet stores and the Internet. We have 119 outlet stores in 35 states operating under the Farberware® or Pfaltzgraff® brands.

Our 21 most important retail customers are each serviced by an in-house team that includes representatives from our sales, marketing, merchandising and product development departments. We generally collaborate with our retail customers and in many instances produce specific versions of our product lines with exclusive designs and packaging for their stores, which are appropriately priced for their respective customer bases.

Our national distribution system enables us to comply with the stringent "just-in-time" delivery requirements of our retail customers. Our principal distribution center is a modern facility located in Robbinsville, New Jersey. We operate two distribution facilities in York, Pennsylvania and a distribution facility in Winchendon, Massachusetts. In addition, we also utilize two distribution facilities in California operated for us by a third-party logistics provider.

We do not own or operate any manufacturing facilities (other than our spice packing line within our Winchendon, Massachusetts facility), but instead rely on established long-term relationships with our major suppliers. We have been sourcing products in Asia for over 40 years; we currently source our products from approximately 125 suppliers located primarily in the People's Republic of China, and to a lesser extent in the United States, Taiwan, Thailand, Malaysia, Indonesia, Germany, France, Korea, Czech Republic, Italy, India and Hong Kong. We collaborate with our major suppliers during the product development process and on manufacturing technology to achieve efficient and timely production. We believe the flexibility provided by our sourcing strategy has proven superior to our investing in manufacturing facilities.

For the year ended December 31, 2004, we generated net sales of $189.5 million, which represented growth of 18.1% over the previous year. For the nine months ended September 30, 2005, we generated net sales of $183.5 million, which represented growth of 51.2% over the corresponding period in the previous year. Excluding approximately $29 million in net sales attributable to the Pfaltzgraff businesses that we acquired in July 2005, net sales for the first nine months of 2005 increased approximately 27% to $154.5 million. Our business and working capital needs are highly seasonal, with a significant majority of our sales occurring in the third and fourth quarters. In 2004, 2003 and 2002, net sales for the third and fourth quarters combined accounted for approximately 63%, 66% and 61% of total annual net sales, respectively, and operating profit earned in the third and fourth quarters combined accounted for approximately 92%, 97% and 100% of total annual profits, respectively.

With the recent addition of retail outlet store, Internet and mail-order catalog businesses from The Pfaltzgraff Co. ("Pfaltzgraff"), we have determined that we now operate in two reportable segments wholesale and direct-to-consumer. The wholesale segment is comprised of our business that designs, markets and distributes household products to retailers and distributors. The direct-to-consumer segment is comprised of our business that sells household products directly to the consumer through our retail outlet stores, the Internet and our mail-order catalogs. We have segmented our operations in a manner that reflects how management reviews and evaluates the results of our operations. While both segments distribute similar products, the segments are distinct due to their different types of customers and the different methods used to sell, market and distribute the products in each segment.

We have assembled a seasoned management team with experience and talent in the housewares and consumer products industries. Our management team is focused on growing our business by capitalizing on the reputation of our well-respected and widely-recognized brands, our strengths in product design and innovation, our product sourcing experience and expertise and our long-term retail customer and supplier relationships.

Industry Overview

According to the International Housewares Association, or IHA, the product categories in the Housewares segment in the U.S. housewares industry, in which we directly compete, generated retail revenue of approximately $10.0 billion in 2004, however, we do not currently offer products in all categories included in the Housewares segment. The U.S. housewares industry is highly fragmented. We estimate there are approximately 2,200 companies in the housewares industry, of which approximately 1,700 are member companies of the IHA. The three largest distribution channels in the U.S. housewares industry are Discount Stores/Supercenters, Department Stores and Specialty Stores.

According to the IHA, the Housewares segment of the U.S. housewares industry has grown 18.6% from 1999 to 2004, including an increase of 4.7% from 2003 to 2004. However, growth of individual product categories varies and some new categories have experienced even higher growth, such as silicone bakeware, which according to HomeWorld, an industry publication, grew at an estimated average annual rate of 53.7% between 2000 and 2003.

According to HomeWorld, the list below shows total 2004 retail sales in the United States for those product categories in which we currently compete and for which data is available:

Kitchen Tools and Gadgets: $922.0 million

Tabletop: $1,911.1 million

Cutlery: $368.7 million

Bakeware: $733.5 million

Competitive Strengths

We believe that the following key competitive strengths, among others, will contribute to our continued success:

Broad Portfolio of Powerful Brands. Our products are marketed under some of the most well-respected and well-recognized brand names in our industry, which enables us to differentiate our product lines from lesser known brands and commodity items in the eyes of both our retail customers and consumers. According to the HFN Brand Survey for 2005, KitchenAid®, Farberware®, Cuisinart® and Hoffritz® ranked #1, #2, #4 and #14, respectively, in their "Kitchen Tool, Cutlery and Gadgets" category. We believe that our broad portfolio of brands and the use of sub-brands to differentiate product lines within each brand effectively address the varied needs of our diverse retail customer base.

Proven Track Record of Innovation and New Product Introductions. Our strategy is to constantly innovate and to introduce hundreds of new products across all of our brands each year. Our strong in-house product design and development capabilities allow us to continuously expand and refresh our product offerings according to our customers' preferences. The substantial majority of our products are designed and developed in-house by our design and development team, which consists of 55 professional artists, designers and engineers. We expect to develop or redesign over 700 products in 2005 and over 800 products in 2006. Utilizing the latest available design tools, technology and materials, we work closely with our suppliers to enable efficient and timely manufacturing of our products. In addition to styling and designing numerous products within each of our categories and each of our brands, our design and development team invents products with entirely new functionalities. We also utilize our design and development capabilities to help our suppliers achieve manufacturing efficiencies and introduce new manufacturing technologies. In addition, our in-house design capabilities lower product development costs and shorten the "time-to-market" of new products.

Established Sourcing Expertise. We have been sourcing products in Asia for over 40 years and we currently have two sourcing offices staffed by our employees in China. Our personnel's significant sourcing expertise allows us to determine where to source our products for the best prices and quality. By not investing in manufacturing facilities, we are able to minimize our fixed costs and concentrate on efficiently managing our suppliers' variable costs of production. We believe that we have and will continue to maintain strong relationships with our key suppliers, thereby affording us priority status and access to timely and quality production.

Strong Relationships with Retail Customers. We sell our products to a diverse nationwide retail customer base. Our 21 most important retail customers are each serviced by an in-house team that includes representatives from our sales, marketing, merchandising and product development departments. We generally collaborate with our retail customers and in many instances produce specific versions of our product lines with exclusive designs and packaging for their stores, which are appropriately priced for their respective customer bases.

National Distribution Capability. Our six primary distribution centers in New Jersey, Pennsylvania, Massachusetts, and California are strategically located near the ports of entry for our products on the East and West Coasts and afford us nationwide distribution capabilities. Our largest distribution center is a modern facility located in Robbinsville, New Jersey. We also operate two additional distribution facilities located in York, Pennsylvania which were acquired in connection with the Pfaltzgraff acquisition and a distribution facility located in Winchendon, Massachusetts. In addition, we utilize two facilities located in California, which are both operated for us by a third-party logistics provider.

Scalability and Ability to Integrate New Businesses. We believe that our centralized design, sourcing, marketing, distribution, finance and administration structure allows us to expand our business organically and to acquire new businesses which can benefit from such centralization. Our largest distribution center in Robbinsville, New Jersey is a modern facility that enables us to satisfy the current "just-in-time" delivery requirements of our retail customers, as well as potentially more stringent requirements that may be imposed upon us in the future.

Experienced and Incentivized Management Team. We believe our management team, which includes executives with significant experience in the U.S. housewares and consumer products industries (an average of approximately 25 years for our executive officers), provides us with a competitive advantage. After giving effect to this offering, our executive officers will beneficially own approximately 19.8% of our common stock on a fully diluted basis.

Our Strategy

Our primary objective is to be the leading supplier in each of the product categories in which we compete. We believe this objective would enable us to negotiate even more effectively with our key customers on product placement and pricing, which in turn would help us increase our revenues and improve our margins due to manufacturing economies of scale. Key elements of our strategy include:

Increase Sales of our Premium Brands. We focus on increasing our revenue from brands that are highly recognized and valued by both retail customers and consumers. We have achieved growth by adding additional categories under each brand as well as new products within existing categories. We offer consumers a broad spectrum of products across different price points, providing the opportunity for them to trade up to branded products and then to higher-end product lines within our well-recognized brand names.

Continue to Introduce New Innovative Products. We use our design capabilities to continuously introduce new products and to refresh our product assortment. We practice "disruptive technology" by creating innovative products, packaging, displays and marketing programs that force our competitors to follow. In addition, we have the capability to create entirely new products with different functionalities. We track design innovations in the broader consumer products market and, when appropriate, apply these concepts to our product lines.

Expand Product Categories. We intend to continue expanding our product categories beyond our current categories. We plan to do this both through acquisitions of existing businesses, as in the recent Pfaltzgraff and Salton acquisitions, and by introducing products in new categories under our existing brands as we have done with the recently introduced KitchenAid® line of sinkware.

Increase Customer Penetration. We sell our products to most major retailers in the United States. We work together with our major retail customers to broaden the range of products purchased by each customer within our existing product categories and to sell new categories of products to each customer.

Improve Operating Margins. Managing our variable costs is the principal factor that allows us to improve our operating margins. We use design initiatives to lower supplier production costs and, where appropriate, to take advantage of lower cost raw materials. Because we are not invested in fixed manufacturing facilities, we can seek the highest quality suppliers with the lowest cost. We also seek to improve our margins by reducing distribution costs through efficiencies in our distribution system and customer collaboration.

Pursue Selective Acquisition Opportunities. We have historically grown and expect to continue to grow by acquiring brands and businesses that allow us to expand our existing product categories or provide new opportunities in the market for home products and that can benefit from the use of our brands and our centralized design, marketing, sourcing and distribution capabilities.

Recent Developments

Since July 2004, we have completed three acquisitions in the Tabletop category, making it our second largest product category.

Excel Acquisition. On July 23, 2004, we completed the acquisition of the business and substantially all of the assets of Excel Importing Corp. ("Excel"), which designed, marketed and distributed a diversified line of high quality cutlery, tabletop, cookware and barware products under well-recognized premium brand names, including Sabatier®, Farberware®, Joseph Abboud Environments® and DBK Daniel Boulud Kitchen, all of which are licensed, and Retroneu®, which is owned. The Excel acquisition broadened our portfolio of brands, expanded our customer base to include additional higher-end retailers and specialty stores and added flatware, dinnerware, drinkware and cookware to the product categories we offer. The purchase price for the acquisition was approximately $7.1 million.

Pfaltzgraff Acquisition. On July 11, 2005, we completed the acquisition of the business and certain assets of Pfaltzgraff one of America's leading designers and marketers of dinnerware and tabletop accessories for the home. Its products are broadly distributed through retail chains and sold through company-operated outlet stores as well as through the Internet and our catalog operations. The purchase price for the acquisition was approximately $38.1 million.

Salton Acquisition. On September 19, 2005, we completed the acquisition of certain tabletop assets and the related business from Salton, Inc. ("Salton"). The assets include Salton's Block® and Sasaki® brands, licenses to market Calvin Klein® and NapaStyle tabletop products and distribution of upscale crystal products under the Atlantis brand. In addition, we entered into a license agreement with Salton to market tabletop products under the Stiffel® brand. The purchase price was approximately $14.0 million.

Our Corporate Information

We are a corporation organized under the laws of the State of Delaware. Our principal executive office is located at One Merrick Avenue, Westbury, New York 11590 and our telephone number is (516) 683-6000. Our website address is *www.lifetimebrands.com.* Neither our website nor the information contained in our website is part of this prospectus.

Market and Industry Data

In this prospectus we rely on and refer to information and statistics regarding our industry. We obtained this market data from independent industry publications, such as HFN, the IHA's 2005 "State of the Industry Report" and HomeWorld or other publicly available information. Some data is also based on our good faith estimates, which are derived from our review of internal surveys and studies, as well as independent industry publications. Although we believe that these outside sources are reliable, we have not independently verified and do not guarantee the accuracy and completeness of this information.

Trademarks and Service Marks

We own or have rights to various trademarks and tradenames used in our business, including: Baker's Advantage®, Block®, Calvin Klein®, Candleglow Serviceware, CasaModa , Cuisinart®, Cuisine de France®, DBK Daniel Boulud Kitchen, Farberware®, Gemco®, Hershey®'s, Hershey®'s Kiss®, Hoan®, Hoffritz®, Joseph Abboud Environments®, Kamenstein®, Kathy Ireland Home®, KitchenAid®, Knife Vault®, Lagioule , NapaStyle , Nautica®, PerfectTear®, Pfaltzgraff®, Retroneu®, Roshco®, Sabatier®, Sasaki®, S'mores Maker , Stiffel®, :USE® and Weir in Your Kitchen . This prospectus and the documents incorporated by reference also include trademarks, service marks and trade names of other companies.

The Offering

Common stock offered by us	1,500,000 shares(1)
Common stock offered by the selling stockholders	1,000,000 shares(1)
Common stock outstanding after this offering	12,660,645 shares
Use of proceeds	We estimate that our net proceeds from this offering will be approximately $ million. We will not receive any proceeds from the sale of any shares of our common stock by the selling stockholders. We intend to use the net proceeds of this offering to repay $ million of indebtedness outstanding under our $100 million secured revolving credit facility (the "Credit Facility"). See "Use of Proceeds."
Risk factors	See "Risk Factors" beginning on page 9 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
Nasdaq National Market symbol	LCUT

(1) Assumes the underwriters' over-allotment option to purchase 375,000 shares is not exercised.

The number of shares of common stock outstanding after this offering is based on shares of common stock outstanding as of September 30, 2005 and, unless otherwise indicated, the number of shares outstanding does not include shares of our common stock reserved for issuance upon exercise of stock options that have been or may in the future be granted under our compensation plans. As of September 30, 2005, there were 553,307 shares issuable upon the exercise of outstanding stock options, at a weighted average exercise price of $7.94 per share, and 965,550 shares of common stock reserved for future grants.

Summary Consolidated Financial Data

The table below sets forth a summary of our selected financial data as of the end of and for the fiscal years ended December 31, 2004, 2003 and 2002, and as of the end of and for the nine months ended September 30, 2005 and 2004 on an actual and, in the case of the September 30, 2005 balance sheet data, on an as adjusted basis as well. The information presented as of the end of and for the fiscal years ended December 31, 2004, 2003 and 2002, is derived from our audited consolidated financial statements for such periods and the information as of the end and for the nine months ended September 30, 2005 and 2004 is derived from our unaudited consolidated financial statements for such periods. As adjusted data gives effect to this offering and the use of proceeds therefrom as described under "Use of Proceeds." In our opinion, the information for the nine months ended September 30, 2005 and 2004 reflects all adjustments consisting only of normal recurring adjustments, necessary to fairly present our results of operations and financial condition. Results for the period ended September 30, 2005 should not be considered indicative of results for any other period. This information should be read together with the discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in the registration statement of which this prospectus is a part.

	Year Ended December 31,			Nine Months Ended September 30,	
	2004	2003	2002	2005	2004
				(unaudited)	
	(in thousands except per share data)				
Income Statement Data:					
Net sales	$ 189,458	$ 160,355	$ 131,219	$ 183,516	$ 121,399
Gross profit	77,961	67,437	58,074	78,548	50,003
Distribution expenses	22,830	21,030	22,255	22,171	16,406
Selling, general and administrative expenses	40,282	31,762	28,923	43,911	27,904
Income from operations	14,849	14,645	6,896	12,466	5,693
Income before income taxes	14,074	13,989	5,958	11,103	5,202
Income from continuing operations	8,472	8,415	3,551	6,883	3,132
Basic income per common share from continuing operations	$ 0.77	$ 0.79	$ 0.34	$ 0.62	$ 0.29
Weighted average shares basic	10,982	10,628	10,516	11,073	10,960
Diluted income per common share from continuing operations	$ 0.75	$ 0.78	$ 0.34	$ 0.61	$ 0.28
Weighted average shares and common share equivalents diluted	11,226	10,754	10,541	11,290	11,217
Cash dividends paid per common share	$ 0.25	$ 0.25	$ 0.25	$ 0.188	$ 0.188
Other Financial Data:					
Depreciation and amortization	$ 4,074	$ 3,673	$ 3,457	$ 3,930	$ 2,926
Capital expenditures	2,911	2,213	1,807	4,752	1,695

	December 31,			September 30,		September 30, 2005 As Adjusted
	2004	2003	2002	2005	2004	
				(unaudited)		
Balance Sheet Data:						
Cash and cash equivalents	$ 1,741	$ 1,175	$ 62	$ 105	$ 689	
Total assets	157,217	136,980	113,369	247,198	156,547	
Total debt	24,400	16,800	14,200	87,200	32,200	
Total stockholders' equity	92,938	86,081	78,309	99,070	87,835	

RISK FACTORS

Any investment in our common stock involves a high degree of risk. You should carefully consider the risks described below together with all of the other information included or incorporated by reference in this prospectus before making an investment decision. The risks and uncertainties described below may not be the only ones we face. If any of the following risks actually occurs, our business, results of operations or financial condition would likely suffer. In such an event, the trading price of our common stock could decline and you could lose all or part of your investment.

Risks Related to Our Business

We must successfully anticipate changing consumer preferences and buying trends and manage our product line and inventory commensurate with customer demand.

Our success depends upon our ability to anticipate and respond to changing merchandise trends and customer demands in a timely manner. Consumer preferences cannot be predicted with certainty and may change between selling seasons. We must make decisions as to design, development, expansion and production of new and existing product lines. If we misjudge either the market for our products, the purchasing patterns of our retailers' customers, or the appeal of the design, functionality or variety of our product lines, our sales may decline significantly, and we may be required to mark down certain products to sell the resulting excess inventory or sell such inventory through our outlet stores, or other liquidation channels, at prices which can be significantly lower than our normal wholesale prices, each of which would harm our business and operating results.

In addition, we must manage our inventory effectively and commensurate with customer demand. A substantial portion of our inventory is sourced from vendors located outside the United States. We generally commit to purchasing products before we receive firm orders from our retail customers and frequently before trends are known. The extended lead times for many of our purchases, as well as the development time for design and deployment of new products, may make it difficult for us to respond rapidly to new or changing trends. In addition, the seasonal nature of our business requires us to carry a significant amount of inventory prior to the year-end holiday selling season. As a result, we are vulnerable to demand and pricing shifts and to misjudgments in the selection and timing of product purchases. If we do not accurately predict our customers' preferences and acceptance levels of our products, our inventory levels may not be appropriate, and our business and operating results may be adversely impacted.

Our business depends, in part, on factors affecting consumer spending that are out of our control.

Our business depends on consumer demand for our products and, consequently, is sensitive to a number of factors that influence consumer spending, including general economic conditions, disposable consumer income, recession and inflation, incidents and fears relating to national security, terrorism and war, hurricanes, floods and other natural disasters, inclement weather, consumer debt, unemployment rates, interest rates, sales tax rates, fuel and energy prices, consumer confidence in future economic conditions and political conditions, and consumer perceptions of personal well-being and security generally. Adverse changes in factors affecting discretionary consumer spending could reduce consumer demand for our products, change the mix of products we sell to a different mix with a lower average gross margin, slower inventory turnover and greater markdowns on inventory, thus reducing our sales and harming our business and operating results.

We face intense competition from companies with brands or products similar to ours and from companies in the retail industry.

The markets for Kitchenware, Tabletop, Cutlery and Cutting Boards, Bakeware and Pantryware and Spices are highly competitive and include numerous domestic and foreign competitors, some of which are larger than us, have greater financial and other resources than we do and may have more established brand names in some or all of the markets we serve. The primary competitive factors in selling such products to retailers are consumer brand name recognition, quality, packaging, breadth of product line, distribution capability, prompt delivery in response to retail customers' order requirements, and ultimate price to the consumer.

The competitive challenges facing us include:

- anticipating and quickly responding to changing consumer demands better than our competitors;
- maintaining favorable brand recognition and achieving customer perception of value;
- effectively marketing and competitively pricing our products to consumers in several diverse market segments and price levels; and
- developing innovative, high-quality products in designs and styles that appeal to consumers of varying groups, tastes and price level preferences, and in ways that favorably distinguish us from our competitors.

In addition, we operate our outlet store, our mail order catalog and Internet businesses under highly competitive conditions. We have numerous and varied competitors at the national and local levels, including conventional and specialty department stores, other specialty stores, mass merchants, value retailers, discounters, and Internet and mail order retailers. Competition is characterized by many factors, including assortment, advertising, price, quality, service, location, reputation and credit availability. If we do not compete effectively with regard to these factors, our results of operations could be materially and adversely affected.

In light of the many competitive challenges facing us, we may not be able to compete successfully. Increased competition could adversely affect our sales, operating results and business, by forcing us to lower our prices or sell fewer units, which could reduce our gross profit and net income.

Our recently expanded direct-to-consumer retail business may not be successful.

Our recent acquisition of the business and certain assets of Pfaltzgraff included Pfaltzgraff's mail order catalog, Internet and outlet store businesses. As a result, our direct-to-consumer retail segment has become a more significant part of our overall business. In recent years, Pfaltzgraff incurred significant losses in the operation of its outlet stores and we incurred losses operating our Farberware® outlet stores. We intend to restructure our outlet stores operations by consolidating some locations and closing a significant percentage of our Pfaltzgraff® and Farberware® outlet stores. We may also open new Pfaltzgraff® and Farberware® stores and introduce new store formats. There can be no assurance that we can restructure our outlet store operations so as to achieve profitability in this segment of our business. Moreover, we have no prior experience in mail order catalog and Internet sales operations. Our failure to compete effectively in these areas would have an adverse effect upon the results of our operations.

We have a single customer that accounted for 24% of our net sales in 2004.

We distribute our products through a diverse nationwide base of retail customers including mass merchants, specialty stores, national chains, department stores, warehouse clubs, home centers, supermarkets and off-price retailers, as well as through other channels of distribution, including our outlet stores. However, during the years ended December 31, 2004, 2003 and 2002, Wal-Mart Stores, Inc. (including Sam's Club) accounted for approximately 24%, 29% and 20% of net sales, respectively, and our ten largest customers accounted for approximately 59%, 62% and 56% of net sales, respectively. Any material reduction of product orders by Wal-Mart Stores, Inc. could have significant adverse effects on our business and operating results, including the loss of predictability and volume production efficiencies associated with such a large customer. In addition, pressure by Wal-Mart Stores, Inc. to reduce the price of our products could result in the reduction of our operating margin. No customer other than Wal-Mart Stores, Inc. accounted for 10% or more of our net sales during 2004, 2003 or 2002.

We depend on key vendors for timely and effective sourcing of our products, and we are subject to various risks and uncertainties that may affect our vendors' ability to produce quality merchandise.

We do not own any manufacturing facilities other than our spice packing line within our Winchendon, Massachusetts facility and are dependent on key vendors for all of our production requirements. Our performance depends on our ability to have our products manufactured to our designs and specifications in sufficient quantities at competitive prices. We have no contractual assurances of continued supply, pricing or access to products, and generally, vendors could discontinue selling to us at any time. At various times in the future, we may not be able to acquire our products in sufficient quantities, with the quality assurance we require, and on terms acceptable to us.

We source our products from approximately 125 suppliers located primarily in the People's Republic of China, and to a lesser extent in the United States, Taiwan, Thailand, Malaysia, Indonesia, Germany, France, Korea, Czech Republic, Italy, India and Hong Kong. For the fiscal year ended December 31, 2004 our three largest suppliers provided us with approximately 54% of the products we distributed, as compared to 62% for the fiscal year ended December 31, 2003. This concentration of sourcing in certain key vendors is a risk to our business. Furthermore, because our product lines cover thousands of products, many products are produced for us by only one or two manufacturers. An interruption of supply from any of these manufacturers could have an adverse impact on our ability to fill orders on a timely basis.

As a result, an interruption of supply from any of our suppliers, or the loss of one or more key vendors, could have a negative effect on our business and operating results because we would be missing products that could be important to our assortment or to coordinated branded product lines, unless and until alternative supply arrangements are secured. We may not be able to develop relationships with new vendors, and products from alternative sources, if any, may be of a lesser quality and/or more expensive than those we currently purchase. Replacement of manufacturing sources would require long lead-times to assure the vendor's capability to manufacture to our designs and specifications, maintain quality control and achieve the production levels we require. In addition, some of our customers demand a certain standard of shipping fulfillment (usually as a percentage of orders placed) and any disruption in the manufacturing of our products could result in our failure to meet such standards.

In addition, we are subject to certain risks, including availability of raw materials, labor disputes, union organizing activity, inclement weather, natural disasters, and general economic and political conditions, that might limit our vendors' ability to provide us with quality merchandise on a timely basis. For these or other reasons, one or more of our vendors might not adhere to our quality control standards, and we might not identify the deficiency before products are shipped to our retail customers. Our vendors' failure to manufacture or ship quality merchandise in a timely and efficient manner could damage our reputation and that of brands offered by us, and could lead to a loss or reduction in orders by our retail customers and an increase in product liability claims or litigation.

Because most of our vendors are located in foreign countries, we are subject to a variety of additional risks and uncertainties.

Our dependence on foreign vendors means, in part, that we may be affected by declines in the relative value of the U.S. dollar to other foreign currencies. Although substantially all of our foreign purchases of products are negotiated and paid for in U.S. dollars, declines in foreign currencies and currency exchange rates might negatively affect the profitability and business prospects of our foreign vendors. This, in turn, might cause such foreign vendors to demand higher prices for products, hold up shipments to us or discontinue selling to us, any of which could ultimately reduce our sales or increase our costs.

We are also subject to other risks and uncertainties associated with changing economic and political conditions in foreign countries. These risks and uncertainties include import duties and quotas, concerns over anti-dumping, work stoppages, economic uncertainties (including inflation), foreign government regulations, incidents and fears involving security, terrorism and wars, political unrest and other trade restrictions. We cannot predict whether any of the countries in which our products are currently manufactured or may be manufactured in the future will be subject to trade restrictions imposed by the U.S. or foreign governments or the likelihood, type or effect of any such restrictions. Any event causing a disruption or delay of imports from foreign vendors, including the imposition of additional import restrictions, restrictions on the transfer of funds and/or increased tariffs or quotas, or both, with respect to products for the home could increase the cost or reduce the supply of products available to us and adversely affect our business, financial condition and operating results. Furthermore, some or all of our foreign vendors' operations may be adversely affected by political and financial instability resulting in the disruption of trade from exporting countries, restrictions on the transfer of funds and/or other trade disruptions.

In addition, there is a risk that one or more of our foreign vendors will not adhere to our compliance standards such as fair labor practices and prohibitions on child labor. Such circumstances might create an unfavorable impression of our sourcing practices or the practices of some of our vendors that could harm our image. Additionally, certain of our major retail customers, including Wal-Mart Stores, Inc., routinely inspect our suppliers' facilities to determine their compliance with applicable labor laws. A determination by such customers that one or more of our suppliers violate such standards could jeopardize our sales to such customers if we or our suppliers cannot effectively remedy any such violation in a timely manner. If any of these occur, we could lose sales, customer goodwill and favorable brand recognition, which could negatively affect our business and operating results.

Many of our leading product lines are manufactured under licensed trademarks and any failure to retain such licenses on acceptable terms may have an adverse effect on our business.

We promote and market some of our most successful product lines under trademarks we license from third-parties. Several of these license agreements are subject to termination by the licensor.

Our license agreement with Whirlpool Corporation allows us to design, manufacture and market an extensive range of kitchenware, bakeware, cutlery, sinkware, pantryware and spices under the KitchenAid® brand name. We have recently extended the term of the license agreement to December 31, 2009. Whirlpool Corporation may terminate this license for cause if we are in default or upon the occurrence of a change of control of our company. In addition, Whirlpool Corporation may terminate the agreement if, based on certain statistical parameters, a customer survey conducted by it shows that customers are dissatisfied with the products we market under the license. Products marketed under the KitchenAid® name accounted for a substantial portion of our revenues in the fiscal year ended December 31, 2004. We may not be successful in maintaining or renewing the KitchenAid® license, which has significant commercial value to us, on terms that are acceptable to us or at all. The loss of the KitchenAid® license, or an increase in the royalties we pay under such license upon renewal, could have a material adverse affect on our results of operations.

In addition, any of the licensors of the previously mentioned trade names may encounter problems that would potentially diminish the prestige of the licensed trade names. In turn, this could negatively reflect on our line of products that are marketed under the applicable trade name. In the event that this occurs with respect to one of our leading product lines, our sales and financial results may be adversely affected.

We must successfully manage the complexities associated with a multi-channel and multi-brand business.

Our business requires the development, marketing and production of a wide variety of products in several categories: Kitchenware, Tabletop, Cutlery and Cutting Boards, Bakeware and Pantryware and Spices. Within each of these categories, it is necessary to market several full lines of branded products targeting different price and prestige levels, and each of these branded lines must contain an assortment of products and accessories with matched designs and packaging which are often sold as sets. Our different product lines are sold under a variety of brand names, some of which are owned and some of which are licensed. Many of our products are inherently of the type that consumers prefer to purchase as part of a branded, matched line. Accordingly, both for marketing reasons and the requirements of our license agreements, we must maintain breadth of product lines and we must devote significant resources to developing and marketing new designs for our product lines. The inability to maintain breadth of our product lines whether due to vendor difficulties, design issues, retail orders for less than all of the products in a line, or other problems could result in competitive disadvantages as well as the potential loss of valuable license arrangements.

In addition, we sell our products through several different distribution channels (department store chains, mass merchants, specialty stores, national chains, warehouse clubs, home centers, supermarkets, off-price retailers, outlet stores, catalogs and over the Internet) and we must manage the selective deployment of branded lines within these channels so as to achieve maximum revenue and profitability. Failure to properly align brands and product lines to the price and prestige levels associated with particular channels of distribution could result in product line failures, damage to our reputation, and lost revenue and profits.

Our ability to deliver products to our customers in a timely manner and to satisfy our customers' fulfillment standards is subject to several factors, some of which are beyond our control.

Our retail customers place great emphasis on timely delivery of our products for specific selling seasons and to fulfill consumer demand throughout the year. We cannot control all of the various factors that might affect product delivery to our retail customers. Vendor production delays, difficulties encountered in shipping from overseas as well as customs clearance are on-going risks of our business. We also rely upon third-party carriers for our product shipments from our warehouse facilities to customers, and we rely on the shipping arrangements our suppliers have made in the case of products shipped directly to our retail customers from the supplier. Accordingly, we are subject to risks, including labor disputes such as the West Coast port strike of 2002, union organizing activity, inclement weather, natural disasters, possible acts of terrorism, availability of shipping containers and increased security restrictions, associated with such carriers' ability to provide delivery services to meet our shipping needs. Failure to deliver products in a timely and effective manner to our retail customers could damage our reputation and brands and result in loss of customers or reduced orders. In addition, fuel costs have increased substantially, which will likely result in increased shipping expenses. Increased transportation costs and any disruption in our distribution process, especially during the second half of the year, which is our busiest selling period, could adversely affect our business and operating results.

Our reliance on third party logistics providers may result in customer dissatisfaction or increased costs.

Our two distribution facilities in California are currently operated by a third-party logistics provider. Failure of the third-party logistics provider to effectively and accurately manage on-site inventory and logistics functions at these distribution facilities, especially during the second half of the year, could have an adverse effect on our business and our financial results.

Our quarterly results of operations might fluctuate due to a variety of factors, including ordering patterns of our customers and the seasonality of our business.

Our quarterly results have fluctuated in the past and may fluctuate in the future, depending upon a variety of factors, including, but not limited to the ordering patterns and timing of promotions of our major retail customers, which may differ significantly from period to period or from our original forecasts, and the strategic importance of third and fourth quarter results. A significant portion of our revenues and net earnings are realized during the second half of the calendar year, as order volume from our retail customer base reaches its peak as our customers increase their inventories for the end of year holiday season. If, for any reason, we were to realize significantly lower-than-expected revenues or net earnings during the September through December selling season, our business and results of operations would be materially adversely affected.

Our corporate compliance program cannot assure that we will be in complete compliance with all potentially applicable regulations, including the Sarbanes-Oxley Act of 2002.

As a publicly traded company we are subject to significant regulations, including the Sarbanes-Oxley Act of 2002. Many of these regulations are of recent adoption and may be subject to change. In connection with our assessment of the effectiveness of our internal controls over financial reporting as of December 31, 2004, and the corresponding audit of that assessment by our independent registered accounting firm, we identified several significant deficiencies in our internal controls over financial reporting. None of the deficiencies constituted a "material weakness" as defined by the Public Company Accounting Oversight Board. Although we believe that we have remediated each of the identified deficiencies, we cannot assure that we will not find significant deficiencies or material weaknesses in the future or that our independent registered public accounting firm will conclude that our internal control over financial reporting is operating effectively. In addition, our auditors have not yet performed their assessment of our internal controls over financial reporting for the current year and we cannot assure that our auditors will be satisfied with the steps that we have taken to remediate the deficiencies.

We may not be able to successfully identify, manage and integrate future acquisitions.

Since 1995 we have completed eight acquisitions. Although we have grown significantly through acquisitions and intend to continue to pursue additional acquisitions in the future, we may not be able to identify appropriate acquisition candidates or, if we do, we may not be able to successfully negotiate the terms of the acquisition, finance the acquisition or integrate the acquired business effectively and profitably into our existing operations. Integration of an acquired business could disrupt our business by diverting management away from day-to-day operations. Furthermore, failure to successfully integrate any acquisition may cause significant operating inefficiencies and could adversely affect our profitability.

We may not be able successfully to integrate the recent Pfaltzgraff and Salton acquisitions.

We are currently integrating the operations of our recently acquired Pfaltzgraff and Salton businesses. We may experience difficulties in managing the integration process or in establishing effective internal financial controls over these businesses, which could adversely affect our results. In addition, the independent registered public accounting firm auditing our financial statements must attest to and report on management's assessment of the effectiveness of our internal control over financial reporting on an annual basis. If our auditors are not satisfied with our internal controls, they may decline to attest to management's assessment or issue a qualified report. This could result in a loss of confidence in the reliability of our financial statements, which could adversely affect the market price of our common stock.

We have limited experience operating in the Tabletop category which is our second largest product category.

We recently acquired from Pfaltzgraff and Salton several brands and several product lines in categories where we have limited experience, including flatware, dinnerware, glassware, crystal, serveware and tabletop accessories. Although the businesses acquired from Pfaltzgraff and Salton are related to our existing categories of business, we only have brief experience operating in the Tabletop category in which the newly acquired businesses operate. We may encounter delays or difficulties in transitioning these brands and product lines and may not achieve the expected growth or cost savings, and it is not possible to predict the success of cross-selling our other product categories under the brands acquired from Pfaltzgraff or Salton or selling our other higher end brands to their respective upscale retail customers. In particular, sales of the tabletop category businesses tend to rely significantly more on the appeal to consumers of the aesthetic design of the products than our other products lines whose sales tend to depend more upon product functionality. Additionally, under their previous ownership, the recently acquired Pfaltzgraff and Salton businesses suffered material operating losses. We cannot assure that we can restore their respective product lines to profitability or that there will not be delays in doing so.

Loss of key employees may negatively impact our success.

Our success depends on our ability to identify, hire and retain skilled personnel. Our industry is characterized by a high level of employee mobility and aggressive recruiting among competitors for personnel with track records of success. We may not be able to attract and retain skilled personnel or may incur significant costs in order to do so. If Jeffrey Siegel, our Chairman, President and Chief Executive Officer, would leave us, it would have a materially adverse effect on us.

We may compete with our customers' internal efforts to design and manufacture products similar to ours.

Some of our existing and potential customers continuously evaluate whether to design and manufacture their own products or purchase them directly from outside vendors and distribute them under their own brand names. Although, based on our past experience, such products usually target the lower-end market, if any of our customers or potential customers pursue such option it may adversely affect our business.

High costs of raw materials and energy may result in increased operating expenses and adversely affect our results of operations and cash flow.

Significant variations in the costs and availability of raw materials and energy may negatively affect our results of operations. Our vendors purchase significant amounts of metal and plastic to manufacture our products. They also purchase significant amounts of electricity to supply the energy required in our production processes. The rising cost of fuel may also increase our transportation costs. The cost of these raw materials and energy, in the aggregate, represents a significant portion of our operating expenses. Our results of operations have been and could in the future be significantly affected by increases in these costs. Price increases increase our working capital needs and, accordingly, can adversely affect our liquidity and cash flow. Additionally, higher fuel prices may decrease the number of consumer shopping trips and lower demand for merchandise sold through our outlet stores.

If we fail to adequately protect or enforce our intellectual property rights, competitors may produce and market products similar to ours. In addition, we may be subject to intellectual property litigation and infringement claims by third parties.

The success of our products is inherently dependent on new and original designs which appeal to consumer tastes and trends at various price and prestige levels. Our trademarks, service marks, patents, trade dress rights, trade secrets and other intellectual property are valuable assets that are critical to our success. Although we attempt to protect our proprietary properties through a combination of trademark, patent and trade secret laws and non-disclosure agreements, these may be insufficient. Although we have trademarks and certain patents issued or licensed to us for our products, we may not always be able to successfully protect or enforce our trademarks and patents against competitors, or against challenges by others. We source substantially all of our products from foreign vendors, and the ability to protect our intellectual property rights in foreign countries may be far more difficult than in the United States. Many foreign jurisdictions provide less legal protection of intellectual property rights than the United States and it is difficult to even detect infringing products in such jurisdictions until they are already in widespread distribution. The costs of enforcing our intellectual property may adversely affect our operating results.

In addition, we may be subject to intellectual property litigation and infringement claims, which could cause us to incur significant expenses or prevent us from selling our products. A successful claim of trademark, patent or other intellectual property infringement against us could adversely affect our growth and profitability, in some cases materially. Others may claim that our proprietary or licensed products are infringing their intellectual property rights, and our products may infringe those intellectual property rights. We may be unaware of intellectual property rights of others that may cover some of our products. If someone claims that our products infringe their intellectual property rights, any resulting litigation could be costly and time consuming and would divert the attention of management and key personnel from other business issues. We also may be subject to significant damages or injunctions preventing us from manufacturing, selling or using some aspect of our products in the event of a successful claim of patent or other intellectual property infringement. Any of these adverse consequences could have a material adverse effect on our business and profitability.

If our products are found to be defective, our credibility and that of our brands may be harmed, market acceptance of our products may decrease and we may be exposed to liability in excess of our products liability insurance coverage.

The marketing of certain of our consumer products, such as tabletop cookware, involve an inherent risk of product liability claims or recalls or other regulatory or enforcement actions initiated by the U.S. Consumer Product Safety Commission, by state regulatory authorities or through private causes of action. Any defects in products we market could harm our credibility, adversely affect our relationship with our customers and decrease market acceptance of our products and the strength of the brand names under which we market such products. In addition, potential product liability claims may exceed the amount of our insurance coverage under the terms of our policy. In the event that we are held liable for a product liability claim for which we are not insured, or for damages exceeding the limits of our insurance coverage, such claim could materially damage our business and our financial condition.

We experience business risks as a result of our Internet business.

We compete with Internet businesses that handle similar lines of merchandise. These competitors have certain advantages, including the inapplicability of sales tax and the absence of retail real estate and related costs. As a result, increased Internet sales by our competitors could result in increased price competition and decreased margins adversely affecting our Internet, mail order catalog and retail outlet businesses as well as our wholesale business. Our Internet operations are subject to numerous risks, including:

- reliance on third-party hosting and computer software and hardware providers;
- diversion of sales from our outlet stores and mail order catalogs; and
- online security breaches and/or credit card fraud.

Our inability to effectively address these risks and any other risks that we face in connection with our Internet business could adversely affect the profitability of our Internet business.

Government regulation of the Internet and e-commerce is evolving and unfavorable changes could harm our business.

We are subject to general business regulations and laws, as well as regulations and laws specifically governing the Internet and e-commerce. Such existing and future laws and regulations may impede the growth of the Internet or other online services. These regulations and laws may cover taxation, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, the provision of online payment services, broadband residential Internet access, and the characteristics and quality of products and services. It is not clear how existing laws governing issues such as property ownership, sales and other taxes, and personal privacy apply to the Internet and e-commerce. Unfavorable resolutions of these issues would harm our business. This could, in turn, diminish the demand for our products on the Internet and increase our cost of doing business.

We may not be able to adapt quickly enough to changing customer requirements and e-commerce industry standards.

Technology in the e-commerce industry changes rapidly. We may not be able to adapt quickly enough to changing customer requirements and preferences and e-commerce industry standards. These changes and the emergence of new e-commerce industry standards and practices could render our existing websites obsolete.

Our business is subject to technological risks.

We rely on several different information technology systems for the operation of our principal business functions, including our enterprise, warehouse management, inventory and re-ordering, point of sale and call center systems. In the case of our inventory forecast and re-ordering system, most of our orders are received directly through electronic connections with our largest customers. The failure of any one of these systems could have a material adverse effect on our business and results of operations.

Risks Related to our Common Stock

Certain provisions of our charter documents and Delaware law could discourage potential acquisition proposals and could deter, delay or prevent a change in control of our company that our stockholders consider favorable and could depress the market value of our common stock.

Our certificate of incorporation grants our Board of Directors authority to issue shares of Series A and Series B preferred stock. The preferred stock, if issued, would have liquidation, dividend and other rights superior to the rights of our common stock. Potential issuances of preferred stock may delay or prevent a change in control of our company, discourage bids for the common stock, and adversely affect the market price and the voting and other rights of the holders of our common stock.

We are a Delaware corporation subject to the provisions of Section 203 of the Delaware General Corporation Law, an anti-takeover law. Generally, this statute prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which such person became an interested stockholder, unless the business combination is approved in a prescribed manner. A business combination includes a merger, asset sale or other transaction resulting in a financial benefit to the stockholder. We anticipate that the provisions of Section 203 may encourage parties interested in acquiring us to negotiate in advance with our board of directors because the stockholder approval requirement would be avoided if a majority of our directors then in office approve either the business combination or the transaction that results in the stockholder becoming an interested stockholder.

Our operating and financial performance in any given period might not meet the guidance that we have provided to the public.

We provide public guidance on our expected annual financial results for future periods. Although we believe that this guidance fosters confidence among investors and analysts and is useful to our stockholders and potential stockholders, such guidance is based on estimates and not on firm purchase orders and is comprised of forward-looking statements subject to the risks and uncertainties described in this prospectus and in our other public filings and public statements. We cannot ensure that our guidance will be accurate. If in the future our operating or financial results for a particular period do not meet our guidance or the expectations of investment analysts, the market price of our common stock could decline.

Future sales of our common stock could depress our market price and diminish the value of your investment.

Future sales of shares of our common stock could adversely affect the market price of our common stock. If our principal stockholders sell a large number of shares, or if we issue a large number of shares, the market price of our common stock could significantly decline. Moreover, the perception in the public market that our principal stockholders might sell shares of common stock could depress the market for our common stock.

In June 2000, our stockholders approved the Long-Term Incentive Plan, which re