LIFETIME BRANDS, INC
Form DEFM14A
January 24, 2018
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials

Soliciting Material Pursuant to §240.14a11(c) or §240.14a

LIFETIME BRANDS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common Stock, par value $.01 per share, of Lifetime Brands, Inc.

(2) Aggregate number of securities to which transaction applies:

5,638,000

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

$17.98

(4) Proposed maximum aggregate value of transaction:

$319,371,240[1]

(5) Total fee paid:

$39,761.72

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

[1] Includes $218 million of cash consideration.

Table of Contents

LIFETIME BRANDS, INC.

1000 Stewart Avenue

Garden City, New York 11530

January 24, 2018

Dear Fellow Stockholder:

Lifetime Brands, Inc., a Delaware corporation (the Company), entered into a merger agreement with Taylor Parent, LLC, a Delaware limited liability company (Taylor Parent) and the other parties thereto, dated as of December 22, 2017 (the Merger Agreement) providing for the acquisition of Taylor Holdco, LLC (dba Filament Brands), a Delaware limited liability company (Taylor), by the Company. If the acquisition contemplated by the Merger Agreement is consummated, Taylor will become a wholly-owned subsidiary of the Company and Taylor Parent will be entitled to receive (i) $27.5 million in cash (the Cash Consideration) and (ii) a number of shares of common stock of the Company (the Acquisition Shares and, together with the Cash Consideration, the Total Consideration), such that, following the consummation of the acquisition, Taylor Parent will own, by virtue of the issuance of the Acquisition Shares, 27% of the common stock of the Company on a fully diluted basis, including shares issuable upon the exercise of all vested and unvested in-the-money stock options and unvested restricted shares of common stock that will vest by June 22, 2018 pursuant to the terms of the agreements in which such shares were granted, determined as described in the attached proxy statement, following the consummation of the acquisition.

At a special meeting of our stockholders, you will be asked to consider and vote on a proposal to approve the issuance of the Acquisition Shares. After careful consideration, our Board of Directors has unanimously approved the Merger Agreement, the acquisition, the issuance of the Acquisition Shares and the other transactions contemplated by the Merger Agreement and determined that the acquisition and the issuance of the Acquisition Shares is fair to and in the best interests of the Company and its stockholders. **THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO APPROVE THE ISSUANCE OF THE ACQUISITION SHARES AT THE CONSUMMATION OF OUR PROPOSED ACQUISITION OF TAYLOR HOLDCO, LLC.**

The special meeting will be held at the Company s office at 1000 Stewart Avenue, Garden City, New York 11530 on February 28, 2018 at 10:30 a.m. (Eastern Time). Notice of the special meeting and the related proxy statement are enclosed.

The attached proxy statement provides you with detailed information about the special meeting, the acquisition, and the issuance of the Acquisition Shares. A copy of the Merger Agreement is attached as Annex A to the proxy statement. We encourage you to read the entire proxy statement and the Merger Agreement carefully. You may also obtain more information about the Company from documents we have filed with the Securities and Exchange Commission.

Your vote is very important regardless of the number of shares you own. While we are not seeking stockholder approval for the adoption of the Merger Agreement or the acquisition of Taylor, we cannot consummate the acquisition and the issuance of the Acquisition Shares unless the majority of the shares present in person or by proxy and entitled to vote at the special meeting vote in favor of the proposal to approve the issuance of the Acquisition Shares.

The consummation of the acquisition is also subject to the satisfaction of certain other conditions to closing as set forth in the Merger Agreement, which is attached to this proxy statement as Annex A.

Table of Contents

Whether or not you plan to attend the special meeting, please complete, sign, date, and return the enclosed proxy card as soon as possible to ensure your representation at the special meeting. We have provided a postage-paid envelope for your convenience. If you plan to attend the special meeting and prefer to vote in person, you may still do so even if you have already returned your proxy card.

If you are a stockholder of record (that is, if your stock is registered with us in your own name), then you may vote by telephone or electronically via the Internet by following the instructions included in the proxy statement and with your proxy card. If your shares are registered in the name of a broker or other nominee, your nominee may be participating in a program provided through Broadridge Financial Solutions, Inc. that allows you to vote by telephone or via the Internet. If so, the voting form that your nominee sends you will provide telephone and Internet instructions.

We look forward to seeing you at the special meeting. Thank you in advance for your cooperation and continued support.

Sincerely,

JEFFREY SIEGEL

Chairman of the Board of Directors

Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the issuance of the Acquisition Shares, passed upon the merits of the issuance of the Acquisition Shares or the fairness of the issuance of the Acquisition Shares or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

The proxy statement is dated January 24, 2018, and is first being mailed to stockholders on or about, January 24, 2018.

Table of Contents

LIFETIME BRANDS, INC.

1000 Stewart Avenue

Garden City, New York 11530

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

January 24, 2018

A special meeting of stockholders of Lifetime Brands, Inc. (the Company) will be held at the Company s office at 1000 Stewart Avenue, Garden City, New York 11530, on February 28, 2018 at 10:30 a.m. (Eastern Time) for the following purposes:

1. to approve the issuance of a number of shares of common stock of the Company (the Acquisition Shares), pursuant to the merger agreement dated December 22, 2017 (the Merger Agreement), among the Company, Taylor Parent, LLC, a Delaware limited liability company (Taylor Parent), and the other parties thereto, providing for the acquisition by the Company of Taylor Holdco, LLC (dba Filament Brands), a Delaware limited liability company (Taylor), at the consummation of such acquisition, such that, following the consummation of the acquisition, Taylor Parent will own, by virtue of the issuance of the Acquisition Shares, 27% of the common stock of the Company on a fully diluted basis, including shares issuable upon the exercise of all vested and unvested in-the-money stock options and unvested restricted shares of common stock that will vest by June 22, 2018 pursuant to the terms of the agreements in which such shares were granted, determined as described in the attached proxy statement, following the consummation of the acquisition;

2. to consider and vote upon a proposal to approve, on a nonbinding advisory basis, the golden parachute compensation that may be payable to the Company s named executive officers, in connection with the acquisition as reported in the Golden Parachute Compensation table on page 83;

3. to transact any other business that may properly come before the special meeting or to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve Proposal 1 described above.

The foregoing items of business are more fully described in the proxy statement.

We are not seeking stockholder approval for the adoption of the Merger Agreement or the acquisition of Taylor.

The Board of Directors has fixed the close of business on January 22, 2018 as the record date for the determination of stockholders entitled to notice of and to vote at the special meeting and at any adjournment or postponement thereof. A list of stockholders entitled to vote at the special meeting will be available for inspection at our offices 10 days before the special meeting.

After careful consideration, the Board of Directors unanimously recommends that you vote:

FOR the proposal to approve the issuance of the Acquisition Shares;

FOR the proposal to approve, on a nonbinding advisory basis, the golden parachute compensation set forth on page 83;

FOR any proposal to adjourn the special meeting in order to allow the Company to solicit additional proxies in favor of Proposal 1 set forth above in the event that there are insufficient proxies received to approve the proposal at the special meeting.

Table of Contents

This proxy statement is dated January 24, 2018, and is first being mailed to stockholders on or about January 24, 2018.

By order of the Board of Directors,

SARA SHINDEL

Secretary

Garden City, New York

Dated: January 24, 2018

All stockholders are cordially invited to attend the special meeting in person. Whether or not you expect to attend the special meeting, please complete, sign, date and return the enclosed proxy card as soon as possible to ensure your representation at the special meeting. A postage-paid return envelope is enclosed for your convenience. Stockholders of record may choose to vote those shares via the Internet at www.envisionreports.com/lcut or telephonically, within the United States and Canada, by calling toll free 1-800-652-VOTE (8683) within the USA, US territories and Canada on a touch tone telephone. Stockholders holding shares with a broker, bank or other nominee may also be eligible to vote via the Internet or telephonically if their broker, bank or other nominee participates in the proxy voting program provided by Broadridge Financial Solutions, Inc. (Broadridge). See Voting Shares Registered in the Name of a Broker, Bank or Other Nominee in the proxy statement for further details on the Broadridge program. Even if you have given your proxy, you may still vote in person if you attend the special meeting. Please note, however, that if a broker, bank or other nominee holds your shares of record and you wish to vote at the special meeting, then you must obtain from the record holder a proxy issued in your name.

Table of Contents

TABLE OF CONTENTS

PROXY STATEMENT FOR SPECIAL MEETING OF STOCKHOLDERS	1
GENERAL INFORMATION	1
SUMMARY TERM SHEET RELATING TO ISSUANCE OF ACQUISITION SHARES	1
QUESTIONS AND ANSWERS ABOUT THE ISSUANCE OF THE ACQUISITION SHARES AND THE SPECIAL MEETING OF STOCKHOLDERS	11
RISK FACTORS	17
CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION	25
SELECTED HISTORICAL FINANCIAL INFORMATION OF TAYLOR	27
SOLICITATION AND VOTING	28
DESCRIPTION OF OUR CAPITAL STOCK	32
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	35
PROPOSAL 1 TO APPROVE THE ISSUANCE OF THE ACQUISITION SHARES	37
PROPOSAL 2 APPROVAL, ON A NONBINDING ADVISORY BASIS, OF THE GOLDEN PARACHUTE COMPENSATION THAT MAY BE PAYABLE TO THE COMPANY S EXECUTIVE OFFICERS	156
PROPOSAL 3 APPROVAL OF THE ADJOURNMENT OF THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES	157
WHERE YOU CAN FIND ADDITIONAL INFORMATION	158
INCORPORATION BY REFERENCE	159
TRANSACTION OF OTHER BUSINESS	159
Annex A Merger Agreement	A-1
Annex B Form of Stockholders Agreement	B-1
Annex C Voting Agreement	C-1
Annex D Opinion of Houlihan Lokey Capital, Inc.	D-1

LIFETIME BRANDS, INC.

1000 Stewart Avenue

Garden City, New York 11530

PROXY STATEMENT FOR SPECIAL MEETING OF STOCKHOLDERS

GENERAL INFORMATION

The Board of Directors of Lifetime Brands, Inc., a Delaware corporation, is providing these proxy materials to you in connection with the solicitation of proxies for use at our special meeting of stockholders to be held at the Company s office at 1000 Stewart Avenue, Garden City, New York 11530 on February 28, 2018 at 10:30 a.m. (Eastern Time) or at any adjournment or postponement thereof, for the purposes stated herein. This proxy statement summarizes the information that you will need to know to vote in an informed manner.

SUMMARY TERM SHEET RELATING TO ISSUANCE OF ACQUISITION SHARES

This summary term sheet, together with the Questions and Answers About the Issuance of the Acquisition Shares and the Special Meeting of Stockholders, highlights selected information from this proxy statement and may not contain all of the information that is important to you. We urge you to read carefully the entire proxy statement, the annexes, and the other documents to which we refer or incorporate by reference in order to fully understand the acquisition and the related transactions. See Where You Can Find Additional Information on page 158. Each item in this summary refers to the page of this proxy statement on which that subject is discussed in more detail. Except as otherwise specifically noted in this proxy statement, the Company, we, our, us and similar words in this proxy statement refer to Lifetime Brands, Inc. and its subsidiaries.

Parties to the Acquisition

The Company

Lifetime Brands, Inc., a Delaware corporation, designs, sources and sells branded kitchenware, tableware and other products used in the home and markets its products under a number of widely-recognized brand names and trademarks, which are either owned or licensed by the Company, or through retailers private labels and their licensed brands. The Company s products, which are targeted primarily towards consumer purchases of moderately priced kitchenware, tableware and housewares, are sold through virtually every major level of trade.

Taylor

Taylor Holdco, LLC (dba Filament Brands), which we refer to herein as Taylor, is a Delaware limited liability company whose capital stock is privately held and is not traded on a public market. Taylor, through its subsidiaries, produces a wide variety of kitchen, bar, bath and grilling tools and equipment, including kitchen measurement tools, bath scales, weather instruments, wine and barware, portable drinkware and other cooking and baking accessories.

Stockholders of Taylor

Taylor Parent, LLC, a Delaware limited liability company, which we refer to herein as Taylor Parent, is the holder of all of the common equity interests of Taylor. Taylor also has outstanding preferred interests, which are redeemable by Taylor and which are held by an unaffiliated third party. These preferred interests will be redeemed by Taylor in connection with the Acquisition (as defined herein).

Table of Contents

The Acquisition

On December 22, 2017, we entered into a merger agreement (the Merger Agreement) with certain of our wholly-owned merger subsidiaries, Taylor, Taylor Parent and, solely for purposes of certain sections referenced therein, CP Taylor GP, LLC providing for the acquisition of Taylor by the Company (the Acquisition). If the Acquisition is consummated, Taylor will become a wholly-owned subsidiary of the Company and Taylor Parent will be entitled to receive a number of shares of common stock of the Company (the Acquisition Shares), such that, following the consummation of the Acquisition, Taylor Parent will own, by virtue of the issuance of the Acquisition Shares, 27% of the common stock of the Company on a fully diluted basis (rounded up to the nearest share).

The fully diluted basis shall be determined by, as of the time of determination, the sum of (a) the number of registered and unregistered shares of common stock of the Company issued and outstanding (excluding any unvested restricted shares of common stock of the Company), plus (b) the number of shares of common stock of the Company issuable upon the exercise of all vested and unvested in-the-money stock options of the Company (calculated using the treasury stock method, based on the average of the closing stock price of shares of common stock of the Company on the last 20 trading days prior to the day that is two business days prior to the closing date of the Acquisition, weighted for volume), plus (c) the number of shares of unvested restricted common stock of the Company that will vest by June 22, 2018 pursuant to the terms of the agreements in which such shares were granted. The value of the shares of common stock of the Company to be issued to Taylor Parent pursuant to the Merger Agreement will be determined based on the trading price of the Company common stock at the date of consummation of the Acquisition.

The Merger Agreement is included as **Annex A** to this proxy statement.

Board of Directors and Management of the Company Following the Acquisition; Stockholders Agreement

Following the consummation of the Acquisition, the Company s Board of Directors will be expanded to 13 directors, 10 of whom initially will be the current members of our Board of Directors, one of whom is expected to be Robert B. Kay, the current Chief Executive Officer of Taylor, and two of whom are expected to initially be Bruce Pollack and Michael Schnabel (as designated by Taylor Parent). Mr. Kay is expected to become Chief Executive Officer of the Company upon consummation of the Acquisition. In connection with the consummation of the Acquisition, the Company and Taylor Parent will enter into a stockholders agreement (the Stockholders Agreement) pursuant to which:

For so long as Taylor Parent beneficially owns at least 20% of the outstanding common stock on a Future Fully Diluted Basis (as defined herein), up to two persons designated by Taylor Parent will be nominated for election or appointment to the Board of Directors at each meeting of stockholders at which members of our Board of Directors are elected;

For so long as Taylor Parent beneficially owns less than 20%, but greater than 10% of the outstanding common stock on a Future Fully Diluted Basis, one person designated by Taylor Parent will be nominated for election or appointment to the Board of Directors at each meeting of stockholders at which members of our Board of Directors are elected;

If Taylor Parent beneficially owns less than 10% of the outstanding common stock on a Future Fully Diluted Basis, then Taylor Parent shall have no right to designate anyone for election or appointment to the Board of Directors;

Taylor Parent will agree not to nominate any person for election to our Board of Directors other than in accordance with the right to designate directors for nomination described above; and

Taylor Parent will agree not to initiate, propose or otherwise solicit, or participate in the solicitation of stockholders for the approval of, any stockholder proposals with respect to the Company.

Jeffrey Siegel will continue to serve the Company in a new role as the Company s Executive Chairman of the Board. Ronald Shiftan will continue to serve as the Company s Vice Chairman of the Board and Chief

2

Table of Contents

Operating Officer. A copy of the form of Stockholders Agreement is included as **Annex B** to this proxy statement.

Additional Governance Rights of Taylor Parent Following the Acquisition

The Stockholders Agreement will also provide that, for so long as Taylor Parent continues to beneficially own at least 50% of the Acquisition Shares, neither the Company nor any of its subsidiaries may take any of the following actions without the approval of the members of the Board of Directors designated by Taylor Parent, such approval not to be unreasonably withheld, conditioned or delayed:

Enter into any agreement for a transaction that would result in a change of control of the Company;

Consummate any transaction for the sale of all or substantially all of the Company s assets;

File for reorganization pursuant to Chapter 11, or for liquidation pursuant to Chapter 7, of the U.S. Bankruptcy Code;

Liquidate or dissolve the business and affairs of the Company;

Take any Board of Directors actions to seek an amendment to the Company Certificate of Incorporation or approve, or recommend that the Company s stockholders approve, an amendment to our Amended and Restated Bylaws, except as required by DE Law (as defined in the Merger Agreement) or other applicable law and other than amendments that would not materially and disproportionately affect Taylor Parent;

Incur additional debt in excess of $100 million in the aggregate, subject to certain exceptions;

Acquire or dispose of assets or a business, in each case with an individual value in excess of $100 million;

Terminate the employment of the Chief Executive Officer, other than for cause (in which case the Company shall consult in good faith with Taylor Parent on a replacement Chief Executive Officer); and

Adopt a stockholder rights plan that does not exempt as grandfathered persons the stockholders party to the Stockholders Agreement and their affiliates from being deemed acquiring persons due to their beneficial ownership of the common stock of the Company upon the public announcement of adoption of such stockholder rights plan (it being understood that no such plan shall restrict any stockholder party to the Stockholders Agreement or its affiliates from acquiring, in the aggregate, common stock up to the level of their aggregate percentage beneficial ownership as of the public announcement of the adoption of such stockholder rights plan).

Voting Agreement

In connection with the Merger Agreement, at the specific request of Taylor and Taylor Parent and as an inducement to their willingness to enter into the Merger Agreement, certain of our stockholders, including our Chief Executive Officer, Jeffrey Siegel, our Chief Operating Officer, Ronald Shiftan, our President, Daniel Siegel and our Executive Vice-President Global Supply Chain, Clifford Siegel (collectively, the Agreed Voting Persons) entered into a voting agreement (the Voting Agreement) with Taylor Parent, whereby each of the Agreed Voting Persons agreed, among other things, to vote all of the shares of our common stock beneficially owned (other than with respect to unexercised options held by such persons) by such Agreed Voting Persons in favor of the approval of the issuance of the Acquisition Shares. Further, the Agreed Voting Persons agreed during the term such person s respective voting restrictions under the Voting Agreement are in effect, not to, directly or indirectly, sell, transfer, assign, tender in any tender or exchange offer, pledge, encumber, hypothecate or similarly dispose of (by merger, by testamentary disposition, by operation of law or otherwise) any of the shares of our common stock beneficially owned by such Agreed Voting Person (a Transfer), or enter into any contract, option, or other arrangement or understanding providing for the Transfer of any of the shares of our common stock beneficially owned by such Agreed Voting Person, except for certain permitted Transfers as

described in the Voting Agreement. As of the record date, the Agreed Voting Persons beneficially owned (excluding shares underlying unexercised options) approximately 12% of the total outstanding shares of our common stock. A copy of the form of Voting Agreement is included as **Annex C** to this proxy statement.

Debt Financing

Concurrent with the Acquisition, and pursuant to the Commitment Letter (the Commitment Letter), dated December 22, 2017, by and among the Company, JPMorgan Chase Bank, N.A. (JPMorgan) and Golub Capital LLC (Golub Capital), the Company expects to enter into (1) a credit agreement among JPMorgan, as administrative agent, the lenders from time to time party thereto, the Company, the foreign subsidiary borrowers from time to time party thereto, and certain of its other domestic and foreign subsidiaries from time to time party thereto (the ABL Credit Agreement) providing for a senior secured asset-based $150.0 million revolving credit facility with a maturity five years from the completion of the Acquisition (the ABL Credit Financing) and (2) a credit agreement among JPMorgan, as term loan administrative agent, Golub Capital, as lender, and the other lenders from time to time party thereto and the Company (the Term Loan Credit Agreement) providing for a $275.0 million term loan facility with a maturity seven years from the completion of the Acquisition and quarterly principal payments equal to 1% per annum of the original amount of the term loan facility (the Term Loan Credit Financing and together with the ABL Credit Financing, the Debt Financing).

The terms and condition of the Commitment Letter are more fully described in Proposal 1 To Approve the Issuance of the Acquisition Shares Debt Financing .

Basis of Stockholder Approval Requirement

Our common stock is listed on the NASDAQ Global Select Market, and we are subject to the NASDAQ listing standards set forth in its Listing Rules. Although we are not required to obtain stockholder approval under Delaware law in connection with the Acquisition, we are required under Listing Rule 5635(a)(1) and Listing Rule 5635(b) to seek stockholder approval of our proposed issuance of the Acquisition Shares at the consummation of the Acquisition.

Listing Rule 5635(a)(1) requires stockholder approval prior to the issuance of securities in connection with the acquisition of the stock or assets of another company, where due to the present or potential issuance of common stock (or securities convertible into or exercisable for common stock), other than a public offering for cash, the common stock to be issued (a) constitutes voting power in excess of 20% of the outstanding voting power prior to the issuance or (b) is or will be in excess of 20% of the outstanding common stock prior to the issuance. In addition, Listing Rule 5635(b) requires stockholder approval prior to the issuance of securities when such issuance or potential issuance will result in a change of control of a company. NASDAQ may deem a change of control to occur when, as a result of an issuance, an investor or a group would own, or have the right to acquire, 20% or more of the outstanding shares of common stock or voting power and such ownership or voting power would be the largest ownership position of the issuer.

The total shares proposed to be issued to Taylor Parent will equal 27% of our outstanding shares of common stock at the consummation of the Acquisition on a Closing Fully Diluted Basis (as defined herein).

In addition, under NASDAQ Listing Rule 5635(d), prior stockholder approval is required for the issuance, other than in a public offering, of securities convertible into common stock at a price less than the greater of book or market value of the common stock if the securities are convertible into 20% or more of a company s common stock. Because the Acquisition Shares will be issued in exchange for all of the common equity interests of Taylor, the deemed issuance price of the Acquisition Shares may be less than the greater of the book or market value of our common stock

immediately before the consummation of the Acquisition. If the proposal is approved, the issuance of the Acquisition Shares will exceed 20% of our common stock currently outstanding. Because the issuance price may be below the greater of the book or market value of our Common Stock

immediately prior to the consummation of the Acquisition, the NASDAQ Listing Rules may require that we obtain stockholder approval of the issuance of the Acquisition Shares at the consummation of the Acquisition. Therefore, we are requesting stockholder approval for the issuance of the Acquisition Shares under the NASDAQ Listing Rules.

When the Acquisition is Expected to be Completed

We currently anticipate that the Acquisition will be consummated in the first half of 2018. However, there can be no assurances that the Acquisition will be consummated at all or, if consummated, that it will be consummated in the first half of 2018.

Date, Time and Place of the Special Meeting of Stockholders

The special meeting will be held at the Company s office at 1000 Stewart Avenue, Garden City, New York 11530 on February 28, 2018 at 10:30 a.m. (Eastern Time).

Record Date, Outstanding Shares and Quorum Requirement

You are entitled to vote at the special meeting if you owned shares of our common stock at the close of business on January 22, 2018, the record date for the determination of stockholders entitled to vote at the meeting. The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of our common stock issued and outstanding as of the close of business on the record date for the determination of stockholders entitled to vote at the meeting will constitute a quorum. On the record date, there were 14,897,152 shares of our common stock issued and outstanding.

Vote Required

Each share of our common stock outstanding on the record date for the determination of stockholders entitled to vote at the meeting will be entitled to one vote, in person or by proxy, on each matter submitted for the vote of stockholders. The approvals of the issuance of the Acquisition Shares, the golden parachute compensation and the adjournment of the special meeting require the affirmative vote of a majority of the shares present in person or by proxy and entitled to vote at the special meeting.

Voting of Proxies

Any stockholder entitled to vote at the special meeting whose shares are registered in his, her or its name may submit a proxy by telephone or via the Internet in accordance with the instructions provided on the enclosed proxy card, or by returning the enclosed proxy card by mail, or may attend the special meeting and vote in person by appearing at the special meeting.

If your shares are held in street name by a broker, bank, or other nominee, you should advise your broker, bank, or other nominee how to vote your shares using the instructions provided by your broker, bank, or other nominee. If you do not provide your broker, bank, or other nominee with instructions, your shares will not be voted and will have no effect on the approval of the issuance of the Acquisition Shares, the golden parachute compensation and any proposal to adjourn the special meeting in order to solicit additional proxies in the event that there are insufficient proxies received to approve the issuance of the Acquisition Shares at the special meeting.

Quorum; Broker Non Votes

The proxy card indicates the number of shares of our common stock that you own. We will have a quorum to conduct the business of the special meeting if holders of a majority of the shares of our common stock are present, in person or by proxy. Abstentions and broker non-votes (i.e., shares of common stock held by a broker, bank, or other nominee that are represented at the special meeting, but that the broker, bank, or other nominee is

not empowered to vote on a particular proposal) will be counted in determining whether a quorum is present at the special meeting. Brokers, banks, and other nominees typically do not have discretionary authority to vote on non-routine matters. Under the rules of the New York Stock Exchange (the NYSE), as amended (the NYSE Rules), which apply to all NYSE-licensed brokers, brokers have discretionary authority to vote on routine matters when they have not received timely voting instructions from the beneficial owner.

The proposal to approve the issuance of the Acquisition Shares (Proposal 1), the proposal to approve the golden parachute compensation (Proposal 2) and the proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the issuance of the Acquisition Shares (Proposal 3), are not routine matters and therefore a broker may not be entitled to vote shares held in street name on these proposals absent instructions from the beneficial holder of such shares. Consequently, if your shares are held in street name and you do not submit any voting instructions to your bank, broker or other nominee, your shares will not be voted on these proposals and will be considered a broker non vote. In order to minimize the number of broker non votes, we encourage you to provide voting instructions to the organization that holds your shares by carefully following the instructions provided in the Notice of Special Meeting of Stockholders.

Revocability of Proxies

As a stockholder of record, once you have submitted your proxy by mail, telephone or via the Internet, you may revoke it at any time before it is voted at the special meeting. You may revoke your proxy in any one of three ways:

- you may grant another proxy marked with a later date (which automatically revokes the earlier proxy) using any of the methods described above (and until the applicable deadline for each method);
- you may notify our Secretary in writing that you wish to revoke your proxy before it is voted at the special meeting at the following address: Corporate Secretary, Lifetime Brands, Inc., 1000 Stewart Avenue, Garden City, New York 11530; or
- you may vote in person at the special meeting.

Please note that if you hold your shares in street name through a broker, bank or other nominee and you have instructed your broker, bank or other nominee to vote your shares, the above-described options for changing your vote do not apply, and instead, you must follow the instructions received from your broker, bank or other nominee to change your vote.

Recommendation of Our Board of Directors as to the Issuance of the Acquisition Shares

After careful consideration, our Board of Directors unanimously recommends that you vote FOR the proposal to approve the issuance of the Acquisition Shares and FOR any proposal to adjourn the special meeting in order to allow the Company to solicit additional proxies in the event that there are insufficient proxies received to approve the proposal at the special meeting.

Interests of the Company s Executive Officers and Directors in the Acquisition

When considering the recommendation of the Company s Board of Directors, you should be aware that certain of our executive officers and directors have interests in the Acquisition other than their interests as stockholders generally, pursuant to individual agreements with certain officers and directors. These interests are different from your interests as a Company stockholder, however, the members of our Board of Directors have taken these additional interests into consideration.

Potential Accelerated Vesting of Awards Under the Company s Equity Incentive Plan

If the Acquisition were to qualify as a Change of Control for purposes of the Company s Amended and Restated 2000 Long-Term Incentive Plan (the LTIP), awards under the LTIP would be subject to accelerated

vesting in the event of an award holder s subsequent termination of employment or service other than for Cause (not as a result of disability) or Good Reason (as defined in the LTIP) on or within 24 months following the Acquisition. Under the LTIP, performance stock units would also become fully vested upon such qualifying termination of employment or service as though target performance with respect to the performance conditions thereunder had been achieved. As more fully described under Proposal 1 Interests of the Company s Stockholders in the Acquisition, the Company s directors, executive officers and former directors and executive officers who have served in such positions since January 1, 2016 own an aggregate of 85,935 shares of restricted stock and 80,666 unvested options to purchase shares of our common stock, the vesting of which equity awards would accelerate if the Acquisition is a Change of Control for purposes of the LTIP and a qualifying termination of employment or service took place. Such directors, executive officers and former directors also own an aggregate of 61,500 performance stock units. The employment agreements with each of our executive officers already provide that the restrictions on such restricted stock and vesting of such options would accelerate in connection with a termination other than for Cause (not as a result of disability) or without Good Reason in the absence of a Change of Control (subject to the minimum vesting requirements in the LTIP which generally prohibit vesting within one year following the date of grant other than in connection with death, disability or a change of control), but such employment agreements do not provide for the acceleration of performance stock units or the deemed satisfaction of the applicable performance conditions.

For this purpose, a Change of Control includes the acquisition by any person of beneficial ownership of securities of the Company representing 30% or more of the combined voting power of the Company s then outstanding securities. As described elsewhere in this proxy statement, the Acquisition Shares will constitute 27% of the common stock of the Company on a fully diluted basis. The 30% threshold for a Change of Control is measured with a smaller denominator, the number of shares of common stock of the Company actually outstanding at the consummation of the Acquisition. The actual number of Acquisition Shares will depend, in part, upon the number of shares of common stock underlying in-the-money options as of the consummation of the Acquisition. Based upon the Company s trading price history as of the date of this proxy statement, the Company expects that the number of Acquisition Shares will constitute less than 30% of the number of shares of common stock outstanding upon the consummation of the Acquisition. Nevertheless, we cannot assure you that, if the trading price of the common stock increases between the date of this proxy statement and the consummation of the Acquisition, that such 30% threshold will not be exceeded, resulting in a Change of Control under the LTIP.

Opinion of Houlihan Lokey Capital, Inc.

On December 19, 2017, Houlihan Lokey Capital, Inc. (Houlihan Lokey) verbally rendered its opinion to our Board of Directors (which was subsequently confirmed in writing by delivery of Houlihan Lokey s written opinion to our Board of Directors dated December 19, 2017) as to the fairness, from a financial point of view, to the Company of the Total Consideration to be paid by the Company in the Acquisition pursuant to the Merger Agreement.

Houlihan Lokey s opinion was directed to our Board of Directors (in its capacity as such) and only addressed the fairness, from a financial point of view, to the Company of the Total Consideration to be paid by the Company in the Acquisition pursuant to the Merger Agreement and did not address any other aspect or implication of the Acquisition or any other agreement (including the Stockholders Agreement), arrangement or understanding. The summary of Houlihan Lokey s opinion in this proxy statement is qualified in its entirety by reference to the full text of its written opinion, which is attached as Annex D to this proxy statement and describes the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in connection with the preparation of its opinion. However, neither Houlihan Lokey s opinion nor the summary of its opinion and the related analyses set forth in this proxy statement are intended to be, and do not constitute, advice or a recommendation to our Board of Directors, any security holder of the Company or any other person as to how to act or vote with respect to any matter relating

to the Acquisition. See Proposal 1 Opinion of the Financial Advisor to Board of Directors.

Our Conduct of Business Pending the Acquisition

As described below and set forth in the Merger Agreement, (i) we have agreed that, from December 22, 2017 through the consummation of the Acquisition, subject to certain exceptions, we will not take certain actions without Taylor Parent s prior written consent and (ii) Taylor and Taylor Parent have agreed that, from December 22, 2017 through the consummation of the Acquisition, subject to certain exceptions, Taylor and Taylor Parent will not take certain actions without our prior written consent.

Registration Rights

The Stockholders Agreement will provide Taylor Parent certain demand registration rights and the right to participate in registered public offerings we initiate, subject to certain limitations and exceptions. In the event that the managing underwriter advises us in writing that marketing factors require a limitation on the number of shares that can be included in the registration statement for an underwritten offering, the shares will be included in the registration statement in an agreed order of preference.

Lockup and Standstill

The Stockholders Agreement will provide that Taylor Parent may not sell, offer or agree to sell, or otherwise transfer, subject to certain customary exceptions, directly or indirectly, any of the Acquisition Shares through and including December 31, 2019. In addition, Taylor Parent and its affiliates will be prohibited from, without the express written approval of at least a majority of the disinterested members of our Board of Directors, acquiring and making certain transfers of common stock or other securities issued by the Company, entering into voting agreements or soliciting proxies with respect to our common stock and taking certain other actions. Our Board of Directors approved the Acquisition for purposes of Section 203 of the Delaware General Corporation Law and we have agreed to certain restrictions on the adoption of a stockholder rights plan following the consummation of the Acquisition that materially adversely affects Taylor Parent.

Restrictions on Solicitations of Other Offers and Change in Recommendation

The Merger Agreement restricts our ability to solicit or engage in discussions or negotiations with third parties regarding alternative transaction proposals of our Company. However, subject to specified conditions, we may furnish information to, or enter into discussions or negotiations with, a third party in response to an unsolicited transaction proposal from such third party if our Board of Directors determines in good faith (after consultation with its outside legal counsel) that failure to approve and cause the Company to take such action would be reasonably likely to be inconsistent with its exercise of fiduciary duties to stockholders of the Company.

Conditions That Must Be Satisfied or Waived for the Acquisition to Occur

As more fully described in this proxy statement and in the Merger Agreement, the consummation of the Acquisition depends on a number of conditions being satisfied or waived. These conditions include, among others, absence of any injunction prohibiting the consummation of the Acquisition and absence of any legal requirements enacted by any court or other governmental entity since the date of the Merger Agreement that remain in effect prohibiting consummation of the Acquisition.

Termination of the Merger Agreement

The Merger Agreement may be terminated and the Acquisition may be abandoned at any time prior to the consummation of the Acquisition in certain cases, by either the Company or by Taylor Parent.

Table of Contents

Termination Fee

We have agreed to pay Taylor Parent a termination fee of $9 million if one of the following occurs:

- We or Taylor Parent, as applicable, terminate the Merger Agreement because:

  - the Board of Directors changes its recommendation that our stockholders vote FOR Proposal 1; or

  - the Board of Directors (i) after receipt by the Company of an unsolicited offer to effect an alternative transaction or (ii) as a result of an intervening event, determines in good faith, following consultation with outside legal counsel, that failing to terminate the Merger Agreement would be reasonably likely to be inconsistent with the Board of Directors s exercise of its fiduciary obligations to our stockholders, subject to certain other exceptions set forth in the Merger Agreement.

- Taylor Parent terminates the Merger Agreement because:

  - we willfully and intentionally breached the exclusivity, proxy or stockholder meeting sections of the Merger Agreement.

In addition, if the Merger Agreement is terminated because of our failure to obtain the required stockholder approval, our breach of the Merger Agreement or the Acquisition was not consummated on or before June 20, 2018 and (i) at the time of such termination we received an alternative transaction proposal and (ii) we consummate any alternative transaction within nine months of the termination of the Merger Agreement, we have agreed to pay Taylor Parent a termination fee of $9 million (less any transaction expense fee previously paid).

If the Merger Agreement is terminated due to our failure to obtain the required stockholder approval (unless, at such time, Taylor Parent or the Company is in breach of the Merger Agreement such that we would have been entitled to terminate the Merger Agreement), then we have agreed to pay Taylor Parent up to $3 million of reasonable and documented out-of-pocket expenses, which amount of expense reimbursement will be deducted from any termination fee payable.

Material U.S. Federal Income Tax Consequences to Stockholders

We do not believe the consummation of the Acquisition or the issuance of the Acquisition Shares will have any material tax consequences on the holders of our existing shares of common stock.

Regulatory Approvals

Under the Hart-Scott-Rodino (HSR Act), parties to certain large mergers and acquisitions must file premerger notification and wait for government review. Early termination of the waiting period under the HSR Act was granted on January 8, 2018.

Market Price and Dividends

Our common stock is listed on the NASDAQ Global Select Market under the trading symbol LCUT. On December 21, 2017, which was the last trading day before we announced the transaction, our common stock closed at $17.10. On January 23, 2018, which was the last trading day before the date of this proxy statement, our common stock closed at $17.50.

Appraisal Rights

Under Delaware law, our stockholders do not have any dissenters rights or rights to an appraisal of the value of their shares in connection with the Acquisition or the issuance of the Acquisition Shares.

Solicitation

We have engaged Georgeson to assist in the solicitation of proxies and provide related advice and informational support for a services fee and the reimbursement of customary disbursements that are not expected to exceed $8,500 in the aggregate.

Additional Information

You can find more information about the Company in the periodic reports and other information we file with the SEC. The information is available at the SEC s public reference facilities and at the website maintained by the SEC at www.sec.gov. For a more detailed description of the additional information available, see Where You Can Find Additional Information beginning on page 158 below.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE ISSUANCE OF THE ACQUISITION SHARES AND THE SPECIAL MEETING OF STOCKHOLDERS

The following questions and answers address briefly some questions you may have regarding the special meeting and the proposed Acquisition. These questions and answers may not address all questions that may be important to you as a stockholder of the Company. Please refer to the more detailed information contained elsewhere in this proxy statement, including the annexes and the documents we refer to in this proxy statement.

Q: Why am I receiving this proxy statement?

A: You are receiving this proxy statement because you have been identified as a stockholder of the Company as of the close of business on the record date for the determination of stockholders entitled to notice of the special meeting. This proxy statement contains important information about the Acquisition, the issuance of the Acquisition Shares, and the special meeting of stockholders. You should read this proxy statement carefully.

The Issuance of the Acquisition Shares and Related Transactions

Q: What is the proposed transaction for which I am being asked to vote?

A: You are being asked to consider and vote on a proposal to approve the issuance of the Acquisition Shares. On December 22, 2017, we entered into the Merger Agreement with Taylor, Taylor Parent and solely for purposes of certain sections set forth therein, CP Taylor GP, LLC providing for the acquisition of Taylor by the Company. If the Acquisition is consummated, Taylor will become a wholly-owned subsidiary of the Company and Taylor Parent will be entitled to receive a number of shares of common stock of the Company, such that, following the consummation of the Acquisition, Taylor Parent will own, by virtue of the issuance of the Acquisition Shares, 27% of the common stock of the Company on a Closing Fully Diluted Basis (rounded up to the nearest share).

We are not seeking stockholder approval for the adoption of the Merger Agreement or the acquisition of Taylor. However, we cannot consummate the Acquisition unless the holders of a majority of the shares present in person or by proxy and entitled to vote at the special meeting vote in favor of the proposal to approve the issuance of the Acquisition Shares.

Q: As a stockholder, what will I receive in the Acquisition?

A: Current stockholders of the Company will not receive anything in the Acquisition. As a result of the Acquisition, our stockholders existing share ownership will be diluted by the issuance of the Acquisition Shares, which will represent 27% of our outstanding shares of common stock outstanding at the consummation of the Acquisition on a Closing Fully Diluted Basis (rounded up to the nearest share).

Q: Is the Acquisition expected to be taxable to me?

A: We do not believe the consummation of the Acquisition or the issuance of the Acquisition Shares will have any material tax consequences on the holders of our existing shares of common stock.

Q: When is the Acquisition expected to be consummated?

A: We are working toward completing the Acquisition as promptly as reasonably possible, and we currently anticipate that the Acquisition will be consummated in the first half of 2018. However, there can be no assurances that the Acquisition will be consummated at all or, if consummated, that it will be consummated in the first half of 2018. Please refer to the section titled Risk Factors for more information on risks related to failure to completing the Acquisition or a delay in the consummation of the Acquisition. The exact timing and likelihood of consummation of the Acquisition cannot be predicted because the Acquisition is

subject to certain conditions, including the receipt of regulatory approvals. Neither we nor Taylor or Taylor Parent are obligated to consummate the Acquisition unless and until the closing conditions in the Merger Agreement have been satisfied or waived.

Q: What effects will the proposed Acquisition have on the Company?

A: If the Acquisition is consummated, Taylor will become a wholly-owned subsidiary of the Company, and Taylor Parent will become a stockholder of the Company. In addition, we have agreed to increase the size of the Board of Directors of the Company from 10 directors to 13 directors at the consummation of the Acquisition, and it is expected that we will appoint Robert B. Kay and two directors designated by Taylor Parent to fill the newly created vacancies, who are initially expected to be Bruce Pollack and Michael Schnabel. Under the terms of the Merger Agreement, Mr. Kay is expected to serve as the Chief Executive Officer of the Company. In addition, Jeffrey Siegel will continue to serve the Company in a new role as the Executive Chairman of the Board of Directors of the Company and Ronald Shiftan will continue to serve as the Company s Vice Chairman of the Board of Directors and Chief Operating Officer.

Q: What happens if the Acquisition is not consummated?

A: If the issuance of the Acquisition Shares is not approved by our stockholders, or if the Acquisition is not consummated for any other reason, we will not issue the Acquisition Shares and Taylor will not become a wholly-owned subsidiary of the Company. Instead, Taylor will continue to be independently owned by Taylor Parent and its other preferred interest holders. We may also be required, under certain circumstances, to pay Taylor Parent a termination fee of $9 million or the reimbursement of certain expenses up to $3 million.

Q: Am I entitled to exercise appraisal or similar rights under Delaware law as a result of the Acquisition or the issuance of the Acquisition Shares?

A: No. Under Delaware law, our stockholders do not have any dissenters rights or rights to an appraisal of the value of their shares in connection with the Acquisition or the issuance of the Acquisition Shares.

The Special Meeting

Q: When and where is the special meeting?

A: The special meeting will be held at the Company s office at 1000 Stewart Avenue, Garden City, New York, 11530, on February 28, 2018 at 10:30 a.m. (Eastern Time).

Q: What other proposals are being presented at the special meeting?

A: In addition to the proposal to approve the issuance of the Acquisition Shares (Proposal 1), stockholders will be asked to vote to approve, on a nonbinding advisory basis, the golden parachute compensation set forth on page 83 (Proposal 2) and to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the issuance of the Acquisition Shares (Proposal 3). Although we have included the disclosure regarding golden parachute compensation set forth on page 83 and are soliciting your approval for Proposal 2, none of the named executive officers are entitled to receive any payments or benefits solely as a result of the transactions contemplated by the Acquisition.

Q: How does the Board of Directors recommend that I vote?

A: Our Board of Directors unanimously recommends that you vote your shares:

FOR the proposal to approve the issuance of the Acquisition Shares (Proposal 1).

FOR the proposal to approve, on a nonbinding advisory basis, the golden parachute compensation set forth on page 83 (Proposal 2)

FOR the proposal to adjourn the special meeting, if necessary, to solicit additional proxies (Proposal 3).

Table of Contents

Q: Who is entitled to vote at the special meeting?

A: All stockholders of record as of the close of business on January 22, 2018, the record date for the determination of stockholders entitled to vote at the special meeting, are entitled to vote at the special meeting. On that date, 14,897,152 shares of our common stock were issued and outstanding.

As of the record date, our executive officers and directors held an aggregate of 3,266,476 shares of our common stock, which represents approximately 21% of all shares issued and outstanding on the record date.

Q: What vote is required to approve each proposal?

A: Proposal 1, the approval of the issuance of the Acquisition Shares, requires the affirmative vote of the holders of a majority of the shares of our common stock present in person or by proxy and entitled to vote on this proposal at the Special Meeting.

With respect to Proposal 1, if you do not submit a proxy or voting instructions or do not vote in person at the meeting, your shares will not be counted in determining the outcome of the proposal. If you **ABSTAIN** from voting on Proposal 1, the effect will be the same as a vote **AGAINST** that proposal.

Proposal 2, the approval, on a nonbinding advisory basis, of the golden parachute compensation that may be payable to the Company s named executive officers, in connection with the acquisition as reported in the Golden Parachute Compensation table on page 83, requires the affirmative vote of the holders of a majority of the shares of our common stock present in person or by proxy and entitled to vote on this proposal at the special meeting.

With respect to Proposal 2, if you do not submit a proxy or voting instructions or do not vote in person at the meeting, your shares will not be counted in determining the outcome of the proposal. If you **ABSTAIN** from voting on Proposal 2, the effect will be the same as a vote **AGAINST** that proposal.

Proposal 3, approval of the adjournment of the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the issuance of the Acquisition Shares, requires the affirmative vote of a majority of the shares present in person or by proxy and entitled to vote at the special meeting.

With respect to Proposal 3, if you do not submit a proxy or voting instructions or do not vote in person at the meeting, your shares will not be counted in determining the outcome of the proposal. If you **ABSTAIN** from voting on Proposal 3, the effect will be the same as a vote **AGAINST** that proposal.

Q: Can I attend the special meeting? What do I need for admission?

A: You are entitled to attend the special meeting if you were a stockholder of record or a beneficial owner as of the close of business on January 22, 2018 or you hold a valid legal proxy for the special meeting. **If you are a stockholder of record, your name will be verified against the list of stockholders of record prior to your being admitted to the special meeting. If you are a beneficial owner, you will need to provide proof of beneficial ownership on the record date in order to be admitted to the special meeting, such as a brokerage**

account statement showing that you owned common stock of the Company as of the record date, a voting instruction form provided by your bank, broker or other nominee, or other similar evidence of ownership as of the record date, including a valid legal proxy from your bank, broker or other nominee. You should also be prepared to present photo identification for admission. If you do not provide photo identification or comply with the other procedures outlined above upon request, you may not be admitted to the special meeting.

Q: How can I vote my shares in person at the special meeting?

A: All stockholders, including stockholders of record and stockholders who hold their shares through banks, brokers or other nominees, as of the record date are invited to attend the special meeting and vote their shares in person.

Table of Contents

If your shares of our common stock are registered directly in your name with our transfer agent, Computershare, N.A., you are considered the stockholder of record with respect to those shares. If you are a stockholder of record as of the close of business on the record date for the determination of stockholders entitled to vote at the meeting, you have the right to vote your shares in person at the special meeting. If you choose to do so, you can vote at the special meeting using the written ballot that will be provided at the meeting or you can complete, sign and date the enclosed proxy card you received with this proxy statement and submit it at the special meeting.

If your shares are held in a stock brokerage account or by a bank, broker, or other nominee (that is, in street name) rather than directly in your own name with our transfer agent, you are considered a beneficial owner of your shares and this proxy statement is being forwarded to you by your bank, broker, or other nominee. As the beneficial owner, you may attend the special meeting and vote your shares in person at the special meeting only if you obtain a legal proxy from the bank, broker, or other nominee that holds your shares giving you the right to vote the shares at the meeting.

Even if you plan to attend the special meeting, we recommend that you submit your proxy or voting instructions in advance of the meeting as described below so that your vote will be counted if you later decide not to attend the special meeting.

Q: How can I vote my shares without attending the special meeting?

A: Whether you are a stockholder of record or a beneficial owner, you may direct how your shares are voted without attending the special meeting. If you are a stockholder of record, you may submit a proxy to authorize how your shares are voted at the special meeting. Your proxy can be submitted by mail by completing, signing, and dating the proxy card you received with this proxy statement and then mailing it in the enclosed prepaid envelope. Stockholders of record may also submit a proxy over the Internet or by telephone. If you are a stockholder of record, then you may go to www.envisionreports.com/lcut to vote your shares via the Internet. The votes represented by this proxy will be generated on the computer screen and you will be prompted to submit or revise your vote as desired. If you are using a touch-tone telephone and are calling from the United States or Canada, then you may vote your shares by calling toll free 1-800-652-VOTE (8683) within the USA, US territories and Canada on a touch tone telephone and following the recorded instructions. If you are a beneficial owner, you must submit voting instructions to your bank, broker or other nominee in order to authorize how your shares are voted at the special meeting. Please follow the instructions provided by your bank, broker or other nominee.

Submitting a proxy or voting instructions will not affect your right to vote in person should you decide to attend the special meeting, although beneficial owners must obtain a legal proxy from the bank, broker, or other nominee that holds their shares giving them the right to vote the shares at the special meeting in order to vote in person at the meeting.

Q: What does it mean if I received more than one set of proxy materials?

A: If you received more than one set of proxy materials, it means that you hold shares of our common stock in more than one account. For example, you may own your shares in various forms, including jointly with your spouse, as trustee of a trust, or as custodian for a minor. To ensure that all of your shares are voted, please provide a proxy

or voting instructions for each account for which you received proxy materials.

Q: How will my shares be voted if I do not provide specific voting instructions in the proxy or voting instruction form I submit?

A: If you submit a proxy or voting instructions but do not indicate your specific voting instructions on one or more of the proposals to be presented at the special meeting, your shares will be voted as recommended by our Board of Directors on those proposals and as the proxyholders may determine with respect to any other matter properly presented for a vote at the special meeting.

Table of Contents

Q: What is the deadline for voting my shares?

A: If you are a stockholder of record, your proxy must be received by telephone or the Internet by 11:59 p.m. (Eastern Time) on February 27, 2018 in order for your shares to be voted at the special meeting. However, if you are a stockholder of record, you may instead mark, sign, date, and return the enclosed proxy card, which must be received before the polls close at the special meeting, in order for your shares to be voted at the meeting. If you are a beneficial owner, please read the voting instructions provided by your bank, broker, or other nominee for information on the deadline for voting your shares.

Q: What is a quorum?

A: The presence at the special meeting, in person or by proxy, of the holders of a majority of the shares of our common stock outstanding at the close of business on the record date for the determination of stockholders entitled to vote at the meeting constitutes a quorum for the purposes of the special meeting. Abstentions and broker non-votes are counted as present for the purpose of determining whether a quorum is present.

Q: How will abstentions be counted?

A: If you **ABSTAIN** from voting on any proposal the effect will be the same as a vote **AGAINST** such proposal.

Q: Why is my vote important?

A: If you do not submit a proxy or voting instructions or vote in person at the special meeting, it will be more difficult for us to obtain the necessary quorum to hold the special meeting.

If you do not submit a proxy or voting instructions or do not vote in person at the meeting, your shares will not be counted in determining the outcome of each of the proposals at the special meeting.

Q: If my shares are held in street name by my broker, bank, or other nominee, will my broker, bank, or other nominee vote my shares for me if I do not submit voting instructions?

A: No. We do not expect that your broker, bank, or other nominee will have discretion to vote your shares on any of the matters listed in the notice of special meeting, except in accordance with your specific instructions. Therefore, if you hold your shares in street name through a brokerage account and do not submit voting instructions to your broker, bank, or other nominee, your broker, bank, or other nominee will not be able to vote your shares of common stock on any of the proposals at the special meeting.

Q: May I change my vote after I have submitted my proxy or voting instructions?

A: Yes. As a stockholder of record, once you have submitted your proxy by mail, telephone or via the Internet, you may revoke it at any time before it is voted at the special meeting. You may revoke your proxy in any one of three ways:

- you may grant another proxy marked with a later date (which automatically revokes the earlier proxy) using any of the methods described above (and until the applicable deadline for each method);

- you may notify our Secretary in writing that you wish to revoke your proxy before it is voted at the special meeting at the following address: Corporate Secretary, Lifetime Brands, Inc., 1000 Stewart Avenue, Garden City, New York 11530; or

- you may vote in person at the special meeting.

Attendance at the special meeting in and of itself, without voting in person at the meeting, will not cause your previously granted proxy to be revoked.

Table of Contents

Please note that if you hold your shares in street name through a broker, bank, or other nominee and you have instructed your broker, bank, or other nominee to vote your shares, the above-described options for changing your vote do not apply, and instead, you must follow the instructions received from your broker, bank, or other nominee to change your vote.

Q: What happens if I transfer my shares of common stock after the record date?

A: Transferors of shares of our common stock after the record date but prior to the special meeting will retain their right to vote at the special meeting.

Q: What do I need to do now?

A: We urge you to read this proxy statement carefully, including its annexes and the documents we refer to in this proxy statement, and then mail your completed, dated, and signed proxy card or voting instruction form in the enclosed prepaid return envelope as soon as possible, or submit your proxy or voting instruction via the Internet or by phone in accordance with the instructions included with this proxy statement and the enclosed proxy card or voting instruction form, so that your shares can be voted at the special meeting.

Q: Who is paying for this proxy solicitation?

A: We will pay the costs of printing and mailing this proxy statement to stockholders and all other costs incurred in connection with the solicitation of proxies for the special meeting. In addition to the mailed proxy materials, our directors, officers, and other employees may also solicit proxies or votes in person, in writing, by telephone, e-mail, or other means of communication. Directors, officers, and other employees will not be paid any additional compensation for soliciting proxies. We will also reimburse banks, brokers, nominees, and other record holders for their reasonable expenses in forwarding proxy materials to beneficial owners of our common stock.

Q: Who can help answer my questions?

A: If you have any questions or need further assistance in voting your shares of our common stock, or if you need additional copies of this proxy statement or the proxy card, please contact David Cohn, Assistant Vice President-Investor Services, Computershare 201-222-5648 email: david.cohen@computershare.com or Gail James, Client Service Administrator Computershare, 201-680-2504 email: gail.james@computershare.com at Computershare Limited.

Table of Contents

RISK FACTORS

In addition to the other information included or incorporated by reference in this proxy statement, including the matters addressed in the section of the proxy statement entitled Cautionary Statement Concerning Forward-Looking Information, you should carefully consider the following risks before deciding how to vote on the proposals presented at the special meeting. The risk factors related to the Acquisition present the material risks directly related to the Acquisition and the integration of the two companies presently known to us. We have also included the material risks associated with the business of Taylor presently known to us, because these risks will also affect the Company following the consummation of the Acquisition. The risks below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See Cautionary Statement Concerning Forward-Looking Information beginning on page 25.

Risk Factors Related to the Acquisition

The number of Acquisition Shares will not be adjusted in the event of any change in our stock price.

Upon consummation of the Acquisition, Taylor Parent will receive a number of shares of our common stock equal to 27% of our outstanding common stock on a Closing Fully Diluted Basis (rounded up to the nearest share). This percentage will not be adjusted for changes in the market price of our common stock between the date of signing the Merger Agreement and consummation of the Acquisition. Increases in the price of our common stock prior to the consummation of the Acquisition will increase the value of the consideration we pay to Taylor Parent on the consummation of the Acquisition. The number and value of the Acquisition Shares are not limited to a range of maximums and minimums by a collar or any similar mechanism. Accordingly, the value of the Acquisition Shares may exceed the value of Taylor. For example, based on the range of closing prices of our common stock during the period from December 21, 2017, the last trading day before public announcement of the Acquisition, through January 23, 2018, the latest practicable trading date before the date of this proxy statement, the consideration represented a value ranging from a high of $323.0 million to a low of $311.4 million.

These variations in the price of our common stock could result from changes in our business, operations or prospects prior to or following the Acquisition, our stockholders perceptions of the Acquisition and Taylor, regulatory considerations, general market and economic conditions, and other factors both within and beyond our control. The Acquisition may be consummated a considerable period of time after the date of the special meeting of the stockholders. Therefore, at the time of the special stockholders meeting, our stockholders will not know with certainty the value of the consideration being paid to Taylor Parent.

Current stockholders will have reduced ownership and voting interests after the Acquisition.

We will issue 27% of our outstanding shares of common stock on a Closing Fully Diluted Basis (rounded up to the nearest share) to Taylor Parent in the Acquisition.

When the Acquisition occurs, Taylor Parent will become a stockholder of the Company. As a result, the percentage ownership of the Company held by each of our current stockholders will be smaller than such stockholder s percentage ownership of the Company prior to the Acquisition. Our current stockholders will, therefore, have proportionately less ownership and voting interests in the Company following the Acquisition than they have now. In addition, if the value of the Acquisition Shares is less than the value of Taylor, then our existing stockholders will experience dilution in the value of their shares of common stock.

The market price of our common stock may decline as a result of the Acquisition or the issuance of the Acquisition Shares.

We currently anticipate that the Acquisition will be accretive to earnings per share, after factoring in synergies and excluding costs to achieve synergies and other one-time costs related to the Acquisition. This

expectation is based on preliminary estimates that are subject to change. We could also encounter additional transaction and integration-related costs, may fail to realize all of the benefits anticipated in the Acquisition, or be subject to other factors that affect preliminary estimates. Any of these factors could cause a decrease in our adjusted earnings per share or decrease the expected accretive effect of the Acquisition and contribute to a decrease in the price of our common stock.

In addition, we are unable to predict the potential effects of the issuance of the Acquisition Shares on the trading activity and market price of our common stock. We have granted certain registration rights to Taylor Parent for the resale of the shares of our common stock issued in connection with the Acquisition. These registration rights would facilitate the resale of such securities into the public market, and any such resale would increase the number of shares of our common stock available for public trading. Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales might occur, could have a material adverse effect on the price of our common stock.

The Acquisition will result in changes to our Board of Directors that may affect the strategy and operations of the Company as compared to that of the Company and Taylor on a stand-alone basis.

If we consummate the Acquisition, the composition of our Board of Directors will change. Following the consummation of the Acquisition, our Board of Directors will increase from 10 to 13 directors and Robert B. Kay and two new directors designated for appointment to our Board of Directors by Taylor Parent, who shall initially be Bruce Pollack and Michael Schnabel, are expected to become members of our Board of Directors. This new composition of our Board of Directors may affect our business strategy and operating decisions following consummation of the Acquisition. In addition, there can be no assurances that the new Board of Directors will function effectively as a team and that there will not be any adverse effects on our business as a result.

Taylor Parent will have significant influence over us following the consummation of the Acquisition, and its interests may conflict with ours or yours in the future.

Immediately following the consummation of the Acquisition, Taylor Parent will beneficially own approximately 27% of our common stock on a fully diluted basis (rounded up to the nearest share). As a result, Taylor Parent will have significant influence over us. Going forward, Taylor Parent s degree of control will depend on, among other things, its level of ownership of our common stock and its ability to exercise certain rights under the terms of the Stockholders Agreement that we will enter into with Taylor Parent in connection with the Acquisition and Merger Agreement.

Under the Stockholders Agreement, for so long as Taylor Parent continues to beneficially own at least 50% of the Acquisition Shares, neither the Company nor any of its subsidiaries may take any of the following actions without the approval of the directors designated by Taylor Parent, such approval not to be unreasonably withheld: (i) enter into any agreement for a transaction that would result in a change of control of the Company; (ii) consummate any transaction for the sale of all or substantially all of the Company s assets; (iii) file for reorganization pursuant to Chapter 11, or for liquidation pursuant to Chapter 7, of the U.S. Bankruptcy Code; (iv) liquidate or dissolve the business and affairs of the Company; (v) take any Board of Directors action to seek an amendment to the Company Certificate of Incorporation or approve, or recommend that the Company s stockholders approve, an amendment to our Amended and Restated Bylaws, except as required by Delaware Law (as defined in the Merger Agreement) or other applicable law and other than amendments that would not materially and disproportionately affect Taylor Parent; (vi) incur additional debt in excess of $100 million in the aggregate, subject to certain exceptions; (vii) acquire or dispose of assets or a business, in each case with an individual value in excess of $100 million; (viii) terminate the employment of the Chief Executive Officer, other than for cause (in which case the Company shall consult in good faith with Taylor Parent on a replacement Chief Executive Officer); or (ix) adopt a stockholder rights plan that does

not exempt as grandfathered persons the stockholders party to the Stockholders Agreement and their affiliates from being deemed acquiring persons due to their beneficial ownership of the common stock of the Company upon the public announcement of adoption of such stockholder rights plan (it being understood that no such plan shall restrict any stockholder party to the

18

Stockholders Agreement or its affiliates from acquiring, in the aggregate, common stock up to the level of their aggregate percentage beneficial ownership as of the public announcement of the adoption of such stockholder rights plan).

Accordingly, Taylor Parent s influence over us and the consequences of such control could have a material adverse effect on our business and business prospects and negatively impact the trading price of our common stock.

The Acquisition is subject to a number of conditions, including the receipt of consents and clearances from regulatory authorities that may not be obtained, may not be completed on a timely basis or may impose conditions that could have an adverse effect on us.

Consummation of the Acquisition is conditioned upon, among other matters, the receipt of certain governmental authorizations, consents, orders, clearances, or other approvals necessary to permit all parties to perform their obligations under the agreement and consummate the Acquisition. There can be no assurance that regulators will not impose conditions, terms, obligations, or restrictions and that such conditions, terms, obligations, or restrictions will not have the effect of delaying consummation of the Acquisition or imposing additional material costs on, or materially reducing the revenues of, the Company following the Acquisition. In addition, such conditions, terms, obligations, or restrictions may result in the delay or abandonment of the Acquisition.

Any delay in completing the Acquisition may reduce or eliminate the benefits expected to be achieved thereunder.

In addition to the required regulatory approvals and clearances, the Acquisition is subject to a number of other conditions beyond our control that may prevent, delay, or otherwise materially adversely affect its consummation, such as the failure to obtain third party financing and whether Taylor undergoes a material adverse event. We cannot predict whether and when these other conditions will be satisfied. Furthermore, the requirements for obtaining the required clearances and approvals could delay the consummation of the Acquisition for a significant period of time or prevent it from occurring. Any delay in completing the Acquisition could cause us not to realize some or all of the synergies and other benefits that we expect to achieve if the Acquisition is successfully consummated within its expected time frame.

Uncertainties associated with the Acquisition may cause a loss of management personnel and other key employees of Taylor or the Company which could adversely affect our future business and operations following the Acquisition.

We are dependent on the experience and industry knowledge of our officers and other key employees to execute our business plans. Our success after the Acquisition will depend in part upon our ability to retain key management personnel and other key employees of Taylor or the Company. Current and prospective employees of Taylor and the Company may experience uncertainty about their roles within the Company following the Acquisition or other concerns regarding our operations following the Acquisition, any of which may have an adverse effect on our ability to attract or retain key management and other key personnel. Accordingly, no assurance can be given that we will be able to attract or retain key management personnel and other key employees until the Acquisition is consummated or following the Acquisition to the same extent that we have previously been able to attract or retain such employees.

Failure to consummate the Acquisition could negatively impact our business, financial condition, results of operations or stock prices.

Consummation of the Acquisition is conditioned upon the satisfaction of certain closing conditions, including the approval of the issuance of the Acquisition Shares by our stockholders, as set forth in the Merger

19

Table of Contents

Agreement. The required conditions to closing may not be satisfied in a timely manner, if at all, or they may be waived. If the Acquisition is not consummated for these or any other reasons, our ongoing business may be adversely affected and will be subject to a number of risks and consequences, including the following:

- we may be required, under certain circumstances, to pay Taylor Parent a termination fee of $9 million or the reimbursement of certain expenses up to $3 million;
- we must pay the substantial fees and expenses we incurred related to the Acquisition, such as legal, accounting, printing and synergy planning fees and expenses, even if the Acquisition is not consummated and, except in certain circumstances, we may not be able to recover such fees and expenses from Taylor or Taylor Parent;
- under the Merger Agreement, we are subject to certain restrictions on the conduct of our business prior to completing the Acquisition, which restrictions could adversely affect our ability to realize certain of our business strategies, including our ability to enter into additional acquisitions or other strategic transactions;
- matters relating to the Acquisition may require substantial commitments of time and resources by our management, which could otherwise have been devoted to other opportunities that may have been beneficial to us;
- the market price of our common stock may decline to the extent that the current market price reflects a market assumption that the Acquisition will be consummated;
- we may experience negative reactions to the termination of the Acquisition from customers, clients, business partners, lenders and employees; and
- we would not realize any of the anticipated benefits of having consummated the Acquisition.

In addition, any delay in the consummation of the Acquisition, or any uncertainty about the consummation of the Acquisition, may adversely affect our future business, growth, revenue, and results of operations.

We may be unable to consummate the Debt Financing.

As of September 30, 2017, we and Taylor had outstanding indebtedness of $128.5 million and approximately $205.3 million (including redeemable preferred interest of approximately $26.3 million), respectively. In addition, we have obtained a commitment letter for up to $425 million of Debt Financing. We expect to use the net proceeds of the Debt Financing to pay the Cash Consideration. However, the entry into definitive documentation for the Debt Financing is subject to the satisfaction of certain conditions. If we are unable to satisfy such conditions, we may be unable to obtain the Debt Financing and may be unable to find alternative debt or equity capital on acceptable terms or at all. We cannot assure you that we will be able to obtain the Debt Financing or an alternative financing. Our inability to obtain financing may prevent us from fulfilling our obligations under the Merger Agreement to consummate the

Acquisition.

The Debt Financing will cause us to become highly leveraged and reduce the cash available and our flexibility to operate our business.

The Debt Financing will cause us to have substantial debt and we will become more highly leveraged, resulting in increased risk of default on our obligations and an increase in debt service requirements which will adversely affect our financial condition. If we consummate the Debt Financing, we will have aggregate indebtedness, on a consolidated basis, giving effect to the Acquisition of approximately $342.3 million. Although the Board considered the increase in debt due to the Acquisition and our ability to service the debt, we may incur additional indebtedness in the future. The amount of debt we incur may have important, adverse consequences to us and our stockholders, including:

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

limiting our ability to borrow money, dispose of assets or sell equity to fund our working capital, capital expenditures, dividend payments, debt service, strategic initiatives or other obligations or purposes;

limiting our flexibility in planning for, or reacting to, changes in the economy, the markets, regulatory requirements, our operations or our business;

making us more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;

making us more vulnerable to downturns in the economy or our business;

requiring a substantial portion of our cash flow from operations to make interest payments;

making it more difficult for us to satisfy other obligations;

increasing the risk of a future credit ratings downgrade of us, which could increase future debt costs and limit the future availability of debt financing; and

preventing us from borrowing additional funds as needed or taking advantage of business opportunities as they arise, pay cash dividends or repurchase common stock.

To the extent that we incur additional indebtedness, the risks described above could increase. In addition, our actual cash requirements in the future may be greater than expected. Our cash flow from operations may not be sufficient to service our outstanding debt or to repay the outstanding debt as it becomes due, and we may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to service or refinance our debt.

The expected benefits of the Acquisition may not be realized.

To be successful after the Acquisition, we will need to combine and integrate the operations of the Company and Taylor. Integration will require substantial management attention and could detract attention from the day-to-day business of the Company. We could encounter difficulties in the integration process, such as difficulties offering products and services, the need to revisit assumptions about reserves, revenues, capital expenditures and operating costs, including synergies, the loss of key employees or customers or the need to address unanticipated liabilities. If we cannot integrate our business and Taylor s business successfully, we may fail to realize the expected benefits of the Acquisition. In addition, we cannot be assured that all of the goals and anticipated benefits of the Acquisition will be achievable, particularly as the achievement of the benefits are in many important respects subject to factors that we do not control. These factors would include such things as the reactions of third parties with whom we enter into contracts and do business and the reactions of investors and analysts.

Changes in our management team may adversely affect our operations.

Upon the consummation of the Acquisition, it is expected that Robert B. Kay is expected to become our new Chief Executive Officer. Our current Chief Executive Officer, Jeffrey Siegel, will remain with the Company in a new role as the Executive Chairman of the Board. We expect that other members of Taylor s senior management will become officers of the Company, as well. We may encounter challenges with the integration of new members of our management team. Although many of the new members of our management team have substantial experience managing companies in our industry, they lack experience managing public companies or companies of our size and scope. We cannot assure you that they will not require significant time to learn our business and become familiar with various aspects of our operations. The devotion of a significant portion of their time to the integration of our businesses and their lack of experience may adversely affect our operations.

Table of Contents

The obligations and liabilities of Taylor, some of which may be unanticipated or unknown, may be greater than we have anticipated, which may diminish the value of Taylor to us.

Taylor s obligations and liabilities, some of which may not have been disclosed to us or may not be reflected or reserved for in Taylor s historical financial statements, may be greater than we have anticipated. The obligations and liabilities of Taylor could have a material adverse effect on Taylor s business or Taylor s value to us or on our business, financial condition, or results of operations. We do not have indemnification recourse against Taylor Parent under the Merger Agreement with respect to obligations or liabilities of Taylor, whether known or unknown (other than in the case of fraud). Instead, we have bound a representation and warranty insurance policy which will be our sole recourse for recovery with respect to obligations or liabilities of Taylor under the Merger Agreement if we have an insurable claim. In the event that we are responsible for liabilities substantially in excess of any amounts recovered through such representation and warranty insurance policy, or any other applicable insurance, we could suffer severe consequences that would substantially reduce our earnings and cash flows or otherwise materially and adversely affect our business, financial condition, or results of operations.

Our future results following the Acquisition may differ materially from the unaudited pro forma financial information included in this document.

The unaudited pro forma combined financial information contained in this document is presented for purposes of presenting our historical consolidated financial statements with Taylor s historical consolidated financial statements as adjusted to give effect to the contemplated Acquisition and is not necessarily indicative of the financial condition or results of operations of the Company following the Acquisition. The unaudited pro forma combined financial information reflects adjustments, which are based upon preliminary estimates, to allocate the purchase price to Taylor s acquired assets and liabilities. The purchase price allocation reflected in this document is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of Taylor as of the date of the consummation of the Acquisition. In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect our financial condition and results of operations following the Acquisition. Any change in our financial condition or results of operations may cause significant variations in the price of our common stock. See the section entitled *Unaudited Pro Forma Condensed Combined Financial Information* beginning on page 141 for more information.

We expect to incur substantial expenses related to the Acquisition and our integration of Taylor.

We expect to incur significant transaction costs and significant synergy planning and integration costs in connection with the Acquisition. We may have substantial expenses related to the Debt Financing and the Acquisition. While we have assumed that this level of expense will be incurred, there are many factors beyond our control that could affect the total amount or the timing of the Acquisition expenses, integration expenses and the Debt Financing expenses. Moreover, many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. To the extent these Acquisition expenses, integration expenses and Debt Financing expenses are higher than anticipated, our future operating results and financial condition may be materially adversely affected and our ability to meet the covenants mandated by our credit obligations may be impaired.

We may be unable to integrate Taylor s business with our own successfully.

The Acquisition involves the combination of two companies that operate as independent companies. Following the Acquisition, we will be required to devote significant management attention and resources to integrating Taylor s business practices and operations with our own. Potential difficulties we may encounter as part of the integration process include the following:

the potential inability to successfully combine Taylor s business with our own in a manner that permits us to achieve the cost synergies expected to be achieved as a result of the consummation of the Acquisition and other benefits anticipated to result from the Acquisition;

- the potential inability to integrate Taylor s products and services;
- challenges leveraging the customer information and technology of the two companies;
- challenges effectuating the diversification strategy, including challenges achieving revenue growth from sales of each company s products and services to the clients and customers of the other company;
- complexities associated with managing the combined businesses, including difficulty addressing possible differences in corporate cultures and management philosophies and the challenge of integrating complex systems, technology, networks, and other assets of each of the companies in a seamless manner that minimizes any adverse impact on customers, clients, employees, lenders, and other constituencies; and
- potential unknown liabilities and unforeseen increased expenses or delays associated with the Acquisition.

In addition, the Company and Taylor have operated and, until the consummation of the Acquisition, will continue to operate independently. It is possible that the integration process could result in diversion of the attention of each company s management which could adversely affect each company s ability to maintain relationships with customers, clients, employees, and other constituencies or our ability to achieve the anticipated benefits of the Acquisition, or could reduce each company s operating results or otherwise adversely affect our business and financial results following the Acquisition.

Our future results and reputation will suffer if we do not effectively manage our expanded operations following the Acquisition.

Following the Acquisition, the size of our business will increase substantially. Our future success depends, in part, upon our ability to manage this expanded business, which will pose substantial challenges for our management, including challenges related to the management and monitoring of new operations, significantly increased foreign operations, and associated increased costs and complexity. There can be no assurances that we will be successful following the Acquisition.

The Acquisition may result in a loss of customers, clients and strategic alliances.

As a result of the Acquisition, some of the customers, clients, potential customers or clients or strategic partners of the Company or Taylor may terminate their business relationship with the Company following the Acquisition. Potential clients or strategic partners may delay entering into, or decide not to enter into, a business relationship with us because of the Acquisition. If customer or client relationships or strategic alliances are adversely affected by the Acquisition, our business and financial performance following the Acquisition would suffer.

The market price of our common stock may be affected by factors different from those affecting the shares of our common stock prior to consummation of the Acquisition.

Our historical business differs from that of Taylor. Accordingly, the results of operations of the combined company and the market price of our common stock may be affected by factors that differ from those that previously affected the independent results of operations of each of the Company and Taylor.

If we are unable to effectively manage Taylor s and our Internet business, our reputation and operating results may be harmed.

The success of Taylor s and our Internet business depends, in part, on factors over which we may have limited control. We must successfully respond to changing consumer preferences and buying trends relating to Internet usage. We are also vulnerable to certain additional risks and uncertainties associated with the Internet,

including: changes in required technology interfaces; website downtime and other technical failures; costs and technical issues as we upgrade our website software; computer viruses; changes in applicable federal and state regulations; security breaches; and consumer privacy concerns. In addition, we must keep up to date with competitive technology trends, including the use of improved technology, creative user interfaces and other Internet marketing tools such as paid search, which may increase our costs and which may not succeed in increasing sales or attracting customers. Our failure to successfully respond to these risks and uncertainties might adversely affect the sales in our Internet business, as well as damage our reputation and brands.

We will be subject to additional laws and regulations governing the Internet and e-commerce due to Taylor s strong online presence and may be subject to future laws and regulations governing the Internet and e-commerce, which could have a material adverse effect on our operations.

We will be subject to additional laws and regulations governing the Internet and e-commerce due to Taylor s substantial online presence. These 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 face a number of additional risks related to the operations of our business.

You should carefully consider each of the risk factors set forth in our filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 in evaluating our business and prospects. The risks and uncertainties described in this proxy statement are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of the risks actually occur, our business and financial results could be harmed. In that case the trading price of our common stock could decline.

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement and the documents to which we refer you in this proxy statement contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995 that involve risks, uncertainties, and assumptions that are difficult to predict. These forward-looking statements include information concerning the Company s plans, objectives, goals, strategies, future events, future revenues, performance, capital expenditures, financing needs and other information that is not historical information. When used in this proxy statement and the documents to which we refer you in this proxy statement, the words estimates, expects, anticipates, projects, plans intends, believes, may, should, seeks, and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, the Company s examination of historical operating trends, are based upon the Company s current expectations and various assumptions. The Company believes there is a reasonable basis for its expectations and assumptions, but there can be no assurance that the Company will realize its expectations or that the Company s assumptions will prove correct.

In addition to other factors and matters contained or incorporated in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- the occurrence of any event, change, or other circumstances that could give rise to the termination of the Merger Agreement and the possibility that we could be required to pay a fee (and reimburse certain expenses, as applicable) to Taylor Parent in connection with therewith;
- risks that the regulatory approvals required to consummate the Acquisition will not be obtained in a timely manner, if at all;
- the inability to consummate the Acquisition due to the failure to obtain stockholder approval of the issuance of the Acquisition Shares or failure to satisfy any other conditions to the consummation of the Acquisition;
- business uncertainty and contractual restrictions during the pendency of the Acquisition;
- adverse outcomes of pending or threatened litigation or governmental investigations;
- the failure of the Acquisition to be consummated for any other reason;
- the amount of the costs, fees, expenses and charges related to the Acquisition;
- diversion of management s attention from ongoing business concerns;

- the effect of the announcement of the Acquisition on our and Taylor s business and customer relationships, operating results, and business generally, including the ability to retain key employees;

- risks that the Acquisition disrupts current plans and operations;

- the possible adverse effect on our business and the price of our common stock if the Acquisition is not consummated in a timely fashion or at all;

- risks that we may be unable to successfully integrate Taylor s business and personnel with our own;

- risks that the expected benefits of the Acquisition may not be realized; and

- other risks and uncertainties applicable to our business set forth in our filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. See Where You Can Find Additional Information beginning on page 158.

Many of the factors that will determine our future results are beyond our ability to control or predict. We cannot guarantee any future results, levels of activity, performance, or achievements. In light of the significant uncertainties inherent in the forward-looking statements, readers should not place undue reliance on forward-

Table of Contents

looking statements, which speak only as of the date on which the statements were made and it should not be assumed that the statements remain accurate as of any future date.

You should carefully consider the cautionary statements contained or referred to in this section in connection with any subsequent forward-looking statements that may be issued by us or persons acting on our behalf.

SELECTED HISTORICAL FINANCIAL INFORMATION OF TAYLOR

(in thousands) Statement of Operations Data	Six Months Ended September 30, 2017	2016	Year Ended March 31, 2017	2016	2015 [(1)]	2014 [(2)]	2013
	Unaudited	*Unaudited*				*Unaudited*	*Unaudited*
Net sales	$ 74,812	$ 75,012	$ 173,706	$ 179,689	$ 135,010	$ 97,547	$ 76,264
Cost of goods sold	43,609	41,913	98,987	106,324	76,819	57,002	46,824
Gross profit	31,203	33,099	74,719	73,365	58,191	40,545	29,440
Selling, general and administrative expenses	25,216	25,804	55,897	53,047	39,975	27,647	19,328
Acquisition-related expenses					2,444	2,755	5,329
Impairment charges			2,100	4,300	10,854	1,240	
Change in fair value of contingent consideration	42		646	1,123	(4,390)		
Gain on sale of China factory					(715)		
Total operating expenses	25,258	25,804	58,643	58,470	48,168	31,642	24,657
Income from operations	5,945	7,295	16,076	14,895	10,023	8,903	4,783
Interest expense	(7,691)	(7,914)	(15,487)	(16,475)	(14,134)	(10,152)	(6,405)
Redeemable preferred interest	(1,932)	(1,668)	(3,338)	(2,880)	(2,486)	(2,146)	(1,524)
Other, net	(51)	(59)	11	(588)	(514)	(516)	(762)
Total other expense	(9,674)	(9,641)	(18,814)	(19,943)	(17,134)	(12,814)	(8,691)
Loss before income tax benefit	(3,729)	(2,346)	(2,738)	(5,048)	(7,111)	(3,911)	(3,908)
Income tax benefit	1,169	162	622	1,652	3,039	690	914
Net loss	(2,560)	(2,184)	(2,116)	(3,396)	(4,072)	(3,221)	(2,994)
Foreign currency translation adjustments						23	(4)
Comprehensive loss	$ (2,560)	$ (2,184)	$ (2,116)	$ (3,396)	$ (4,072)	$ (3,198)	$ (2,998)

(in thousands) Balance Sheet Data	As of September 30, 2017	As of March 31, 2017	2016	2015 [(1)]	2014 [(2)]	2013
	Unaudited				*Unaudited*	*Unaudited*
Current assets	$ 75,637	$ 71,139	$ 59,306	$ 59,299	$ 38,653	$ 24,122
Current liabilities	61,512	31,736	20,155	22,095	13,238	7,477
Working capital	14,125	39,403	39,151	37,204	25,415	16,645
Total assets	288,932	289,721	291,384	310,050	244,259	154,630
Contingent consideration payable	8,351	8,309	7,663	7,290	5,890	
Current portion of long-term debt	1,911	3,586	614	2,066	4,678	
Long-term debt	176,988	180,106	186,006	198,060	163,310	84,380
Mandatorily redeemable preferred units	26,306	24,374	21,036	18,156	15,670	13,524
Member s capital	$ 43,151	$ 45,710	$ 47,826	$ 52,142	$ 46,151	$ 49,249

(1) Reflects the results of Chef n Corporation, which was acquired in December 2014
(2) Reflects the results of Health Tools LLC and Metrokane Inc., which were acquired in November 2013

Table of Contents

SOLICITATION AND VOTING

Voting Rights and Outstanding Shares

We will begin mailing this proxy statement and the accompanying proxy card on or about January 24, 2018 to all stockholders of record that are entitled to vote. Each share of our common stock that you own entitles you to one vote on all matters to be voted upon at the special meeting. Only stockholders that owned our common stock at the close of business on January 22, 2018, the record date, are entitled to vote at the special meeting. On the record date, 14,897,152 shares of our common stock were outstanding.

The proxy card indicates the number of shares of our common stock that you own. We will have a quorum to conduct the business of the special meeting if holders of a majority of the shares of our common stock are present, in person or by proxy. Abstentions and broker non votes (i.e., shares of common stock held by a broker, bank, or other nominee that are represented at the special meeting, but that the broker, bank, or other nominee is not empowered to vote on a particular proposal) will be counted in determining whether a quorum is present at the special meeting. Brokers, banks, and other nominees typically do not have discretionary authority to vote on non-routine matters. Under the rules of the New York Stock Exchange (the NYSE), as amended (the NYSE Rules), which apply to all NYSE-licensed brokers, brokers have discretionary authority to vote on routine matters when they have not received timely voting instructions from the beneficial owner.

The proposal to approve the issuance of the Acquisition Shares (Proposal 1), the proposal to approve, on a nonbinding advisory basis, the golden parachute compensation (Proposal 2) and the proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the issuance of the Acquisition Shares (Proposal 3), are not routine matters and therefore a broker may not be entitled to vote shares held in street name on these proposals absent instructions from the beneficial holder of such shares. Consequently, if your shares are held in street name and you do not submit any voting instructions to your bank, broker or other nominee, your shares will not be voted on these proposals and will be considered a broker non vote. In order to minimize the number of broker nonvotes, we encourage you to provide voting instructions to the organization that holds your shares by carefully following the instructions provided in the Notice of Special Meeting of Stockholders.

Voting Shares Registered in Your Name

If you are a stockholder of record, you may vote in one of four ways:

- attend the special meeting and vote in person;
- complete, sign, date, and return the enclosed proxy card;
- vote by telephone following the instructions included with your proxy card and outlined below; or
- vote via the Internet following the instructions included with your proxy card and outlined below.

If you are a stockholder of record, then you may go to www.envisionreports.com/lcut to vote your shares via the Internet. The votes represented by this proxy will be generated on the computer screen and you will be prompted to submit or revise your vote as desired. If you are using a touch-tone telephone and are calling from the United States or Canada, then you may vote your shares by calling toll free 1-500-652-VOTE (8683) within the USA, US territories and Canada on a touch tone telephone and following the recorded instructions.

Votes submitted by telephone or via the Internet must be received by 11:59 p.m. (Eastern Time) on, February 27, 2018. Submitting your proxy by telephone or via the Internet will not affect your right to vote in person should you decide to attend the special meeting.

Voting Shares Registered in the Name of a Broker, Bank or Other Nominee

Most beneficial owners whose stock is held in street name will receive instructions for voting their shares from their broker, bank, or other nominee, rather than our proxy card.

Table of Contents

A number of brokers and banks participate in a program provided through Broadridge that allows stockholders to grant their proxy to vote shares by means of the telephone or via the Internet. If your shares are held in an account with a broker or bank participating in the Broadridge program, then you may vote your shares telephonically by calling the telephone number shown on the instruction form received from your broker or bank, or via the Internet at Broadridge s web site at http://www.proxyvote.com.

If you wish to vote in person at the special meeting, then you must obtain a legal proxy issued in your name from the broker, bank, or other nominee that holds your shares of record.

Tabulation of Votes

A representative from our transfer agent, Computershare, N.A., will tabulate the votes. The shares of our common stock represented by proxy will be voted in accordance with the instructions given on the proxy so long as the proxy is properly executed and received by us prior to the close of voting at the special meeting or any adjournment or postponement of the special meeting. If no instructions are indicated on a properly executed proxy, the shares will be voted as the Board of Directors recommends on the proposals. The persons named as proxies will vote on any other matters properly presented at the Special Meeting in accordance with their best judgment.

Revocability of Proxies

As a stockholder of record, once you have submitted your proxy by mail, telephone, or via the Internet, you may revoke it at any time before it is voted at the special meeting. You may revoke your proxy in any one of three ways:

- you may grant another proxy marked with a later date (which automatically revokes the earlier proxy) using any of the methods described above (and until the applicable deadline for each method);
- you may notify our Secretary in writing that you wish to revoke your proxy before it is voted at the special meeting at the following address: Corporate Secretary, Lifetime Brands, Inc., 1000 Stewart Avenue, Garden City, New York 11530; or
- you may vote in person at the special meeting.

Please note that if you hold your shares in street name through a broker, bank, or other nominee and you have instructed your broker, bank, or other nominee to vote your shares, the above-described options for changing your vote do not apply, and instead, you must follow the instructions received from your broker, bank, or other nominee to change your vote.

Solicitation

This solicitation is made by our Board of Directors and we will bear the entire cost of soliciting proxies, including the preparation, assembly, printing, and mailing of this proxy statement, the proxy card, and any additional information furnished to stockholders. We will provide copies of solicitation materials to banks, brokerage houses, fiduciaries, and custodians holding in their names shares of our common stock that are beneficially owned by others for forwarding to the beneficial owners. We may reimburse persons representing beneficial owners of common stock for their costs of forwarding solicitation materials to the beneficial owners. Solicitations will be made primarily through the mail, but

may be supplemented by telephone, facsimile, Internet, or personal solicitation by our directors, executive officers, employees, or other agents. No additional compensation will be paid to these individuals for these services.

We have engaged Georgeson to assist in the solicitation of proxies and provide related advice and informational support for a services fee and the reimbursement of customary disbursements that are not expected to exceed $8,500 in the aggregate.

Table of Contents

Stockholder Proposals for 2018

Stockholder Proposals Submitted Pursuant to Rule 14a-8 of the Exchange Act

To be considered for inclusion in the proxy statement and form of proxy pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the Exchange Act), and acted upon at the Company s 2018 Annual Meeting of Stockholders (the 2018 Annual Meeting), stockholder proposals must be submitted in writing to the attention of our Secretary at our principal office, no later than January 8, 2018. In order to avoid controversy, stockholders should submit proposals by means (including electronic) that permit them to prove the date of delivery. Such proposals also need to comply with Rule 14a-8 of the Exchange Act and the interpretations thereof, and may be omitted from the Company s proxy materials for the 2018 Annual Meeting if such proposals are not in compliance with applicable requirements of the Exchange Act.

Director Nominations and Stockholder Proposals Not Submitted Pursuant to Rule 14a-8 of the Exchange Act

Our Amended and Restated Bylaws also establish advance notice procedures with regard to stockholder proposals or director nominations that are not submitted for inclusion in the proxy statement for the 2018 Annual Meeting. With respect to such stockholder proposals or director nominations, a stockholder s advance notice must be made in writing, must meet the requirements set forth in our Amended and Restated Bylaws and must be delivered to, or mailed by first class United States mail, postage prepaid, and received by, our Corporate Secretary at our principal office no earlier than February 22, 2018 and no later than the close of business on March 24, 2018. However, in the event the 2018 Annual Meeting is scheduled to be held on a date before May 23, 2018, or after August 21, 2018, then such advance notice must be received by us not later than the close of business on the later of (1) the ninetieth (90th) calendar day prior to the 2018 Annual Meeting and (2) the 10th calendar day following the day on which we first make public disclosure of the date of the 2018 Annual Meeting (or if that day is not a business day for the Company, on the next succeeding business day).

General Requirements

Each proposal submitted must be a proper subject for stockholder action at the 2018 Annual Meeting, and all proposals and nominations must be submitted to: Corporate Secretary, Lifetime Brands, Inc., 1000 Stewart Avenue, Garden City, New York 11530. The stockholder proponent must appear in person to present the proposal or nomination at the meeting or send a qualified representative to present such proposal or nomination. If a stockholder gives notice after the applicable deadlines or otherwise does not satisfy the relevant requirements of Rule 14a-8 of the Exchange Act or our Amended and Restated Bylaws, the stockholder will not be permitted to present the proposal or nomination for a vote at the 2018 Annual Meeting.

Discretionary Authority Pursuant to Rule 14a-4(c) of the Exchange Act

If a stockholder who wishes to present a proposal before the 2018 Annual Meeting outside of Rule 14a-8 of the Exchange Act fails to notify us by the required dates indicated above for the receipt of advance notices of stockholder proposals and proposed director nominations, the proxies that our Board of Directors solicits for the 2018 Annual Meeting will confer discretionary authority on the person named in the proxy to vote on the stockholder s proposal if it is properly brought before that meeting subject to compliance with Rule 14a-4(c) of the Exchange Act. If a stockholder makes timely notification, the proxies may still confer discretionary authority to the person named in the proxy under circumstances consistent with the SEC s proxy rules, including Rule 14a-4(c) of the Exchange Act.

30

Table of Contents

Separate Copy of Proxy Materials

If you share an address with another stockholder, each stockholder may not receive a separate copy of our proxy materials. Stockholders who do not receive a separate copy of our proxy materials and who want to receive a separate copy may request to receive a separate copy of our proxy materials by writing to the Corporate Secretary at Lifetime Brands, Inc., 1000 Stewart Avenue, Garden City, New York 11530, or by calling 516-683-6000. We undertake to deliver promptly a copy of the proxy materials upon the receipt of such request. Stockholders who share an address and receive multiple copies of our proxy materials may also request to receive a single copy by following the instructions above.

DESCRIPTION OF OUR CAPITAL STOCK

This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of our Second Restated Certificate of Incorporation, as amended, and Amended and Restated Bylaws and all applicable provisions of Delaware law. You are urged to read our Second Restated Certificate of Incorporation, as amended, and Amended and Restated Bylaws in their entirety for the actual terms of our capital stock.

The Company is a corporation organized under the laws of the State of Delaware.

General

Our Second Amended and Restated Certificate of Incorporation, as amended, authorizes 25,000,000 shares of common stock, $.01 par value, 100 shares of Series A preferred stock and 2,000,000 shares of Series B preferred stock.

Common Stock

As of January 22, 2018 we had 14,897,152 shares of common stock issued and outstanding.

The holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. The holders of common stock are entitled to receive ratably any dividends that may be declared from time to time by the Board of Directors out of funds legally available for that purpose. In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock then outstanding. The common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable, and the shares of common stock to be issued upon the consummation of this offering will be fully paid and nonassessable.

Preferred Stock

As of January 22, 2018 we had no shares of preferred stock issued and outstanding.

Dividend Rights. The holders of Series A preferred stock will be entitled to receive, when, as and if declared by the Board of Directors and out of our assets which are legally available for the payment of dividends, cumulative preferential cash dividends in the amount of $700 per annum for each share of Series A preferred stock held, payable quarterly. Whenever dividends upon the issued and outstanding Series A preferred stock have been paid in full, the Board of Directors may declare cash dividends on the shares of Series B preferred stock at a rate to be established by the Board of Directors. Whenever dividends upon the issued and outstanding Series B preferred stock have been paid in full, the Board of Directors may declare cash dividends on the issued and outstanding shares of common stock.

The Company s Second Amended and Restated Credit Agreement, dated as of January 13, 2014, by and among the Company, 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 Existing Credit Agreement), limits the Company s ability to declare or make, or to agree to pay or make, Restricted Payments, which include dividends. Except for certain provisions thereof which survive termination, the Existing Credit Agreement will be terminated upon closing of the Acquisition and financing in connection therewith and will be replaced by the agreements described in Proposal 1 To Approve the Issuance of the Acquisition Shares Debt Financing . The new credit agreements are expected to limit the Company s ability to declare or make restricted payments, including dividends,

provided that, the new credit agreements will include a basket of $5,000,000 per fiscal year of the Company (increased from the $2,000,000 basket under the Existing Credit Agreement) for the

Table of Contents

Company s payment of regularly scheduled cash dividends in accordance with the Company s historical dividend policy (so long as no default or event of default shall have occurred and be continuing or would arise after giving effect (including pro forma effect) thereto).

Restricted Payment means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in the Company or any subsidiary of the Company, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in the Company or any subsidiary of the Company or any option, warrant or other right to acquire any such Equity Interests in the Company or any subsidiary of the Company.

Equity Interests means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any of the foregoing.

Redemption Rights. We may, at any time and from time to time, redeem all or part of any issued and outstanding shares of Series A preferred stock for a redemption price of $10,000 per share plus any accrued and unpaid dividends thereon and/or redeem all or any part of the issued and outstanding shares of Series B preferred stock for a redemption price equal to the par value of such shares plus any accrued and unpaid dividends thereon. We will be under an obligation to redeem all shares of Series A preferred stock on the eighth anniversary of the date of the original issuance of such shares. The new credit agreements are expected to contain customary limitations on the Company s ability to redeem preferred stock or other securities.

Liquidation and Dissolution Rights. In the event of any liquidation, dissolution or winding up of our affairs, each issued and outstanding share of Series A preferred stock shall entitle its holder to payment at the rate of $10,000 per share plus all accrued and unpaid dividends. After payment in full of the Series A preferential amount, each issued and outstanding share of Series B preferred stock shall entitle its holder to payment at the rate of the par value per share plus all accrued and unpaid dividends. Thereafter, the remaining assets, if any, shall be distributed to the holders of common stock, ratably. The new credit agreements are expected to contain customary limitations on the Company s activities in connection with liquidation or dissolution.

Voting Rights. Except as any provision of law may otherwise require, no Series A or Series B preferred share shall entitle the holder thereof to any voting power.

Anti-Takeover Provisions

Provisions of Delaware law could make the acquisition of the Company through a tender offer, a proxy contest or other means more difficult and could make the removal of incumbent officers and directors more difficult. We expect these provisions to discourage coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of the Company to first negotiate with our Board of Directors. We believe that the benefits provided by our ability to negotiate with the proponent of an unfriendly or unsolicited proposal outweigh the disadvantages of discouraging these proposals. We believe the negotiation of an unfriendly or unsolicited proposal could result in an improvement of its terms.

Effects of Some Provisions of Delaware Law. We are subject to Section 203 of the Delaware General Corporation Law (the DGCL), an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder, unless:

prior to the date of the transaction, the Board of Directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

Table of Contents

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

on or subsequent to the date of the transaction, the business combination is approved by the Board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66% of the outstanding voting stock which is not owned by the interested stockholder.

Generally, a business combination for these purposes includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. An interested stockholder for these purposes is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of a corporation s outstanding voting securities. We expect the existence of this provision to have an anti-takeover effect with respect to transactions our Board of Directors does not approve in advance. We also anticipate that Section 203 may discourage attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

While Section 203 is the default provision under the DGCL, the DGCL allows companies to opt out of Section 203 through approval by their board of directors of either the business combination or the transaction that results in the person becoming an interested shareholder. The Board of Directors has taken all steps necessary to exclude the Acquisition from the restrictions of Section 203.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN

BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information regarding the beneficial ownership of our common stock as of January 22, 2018 (except where otherwise noted) based on a review of information filed with the SEC and our records with respect to (i) each person known to be the beneficial owner of more than 5% of the outstanding shares of our common stock, (ii) each of our directors, (iii) each of our named executive officers, and (iv) all our directors and executive officers as a group.

Name of beneficial owner	*Number of shares beneficially owned*	*Percent of shares beneficially owned**
DIRECTORS AND NAMED EXECUTIVE OFFICERS (1)		
Jeffrey Siegel	1,459,417(2)	9.51%
Craig Phillips	664,954(3)	4.46
Daniel Siegel	406,024(4)	2.71
Ronald Shiftan	382,556(5)	2.54
Laurence Winoker	109,295(6)	
Michael J. Jeary	72,236(7)	
Cherrie Nanninga	51,736(8)	
William U. Westerfield	41,918(9)	
John Koegel	33,721	
Michael J. Regan	20,770	
Dennis E. Reaves	15,194	
Sara Genster Robling	8,655	
All directors and executive officers as a group (12 persons)	3,266,476	20.78

Name of beneficial owner	*Number of shares beneficially owned*	*Percent of shares beneficially owned*
Wellington Management Group LLP 280 Congress Street Boston, Massachusetts 02210	1,892,023(10)	12.70
Mill Road Capital II, L.P. 382 Greenwich Avenue, Suite One	1,628,203(11)	10.93

Greenwich, Connecticut 06830		
Wellington Trust Company, NA c/o Wellington Management Company LLP 280 Congress Street Boston, Massachusetts 02210	1,255,779(12)	8.43
Dimensional Fund Advisors LP 6300 Bee Cave Road Austin, Texas 78746	1,212,232(13)	8.13

Notes:

* Calculated on the basis of 14,897,152 shares of common stock outstanding on January 22, 2018. Pursuant to the regulations of the SEC, shares are deemed to be beneficially owned by a person if such person directly or indirectly has or shares the power to vote or dispose of such shares. Each person is deemed to be the beneficial owner of securities which may be acquired within sixty days through the exercise of options, warrants, and other rights, if any, and such securities are deemed to be outstanding for the purpose of computing the percentage of the class beneficially owned by such person.

Less than 1%.

(1) The address of such individuals is c/o the Company, 1000 Stewart Avenue, Garden City, New York 11530.
(2) Consists of: (i) 1,002,407 shares owned directly by Mr. Jeffrey Siegel, (ii) 1,010 shares owned by Mr. Siegel s wife, and (iii) 456,000 shares issuable upon the exercise of options which are exercisable within 60 days.
(3) Consists of: (i) 636,676 shares owned directly by Mr. Phillips and (ii) 28,278 shares held in an irrevocable trust for the benefit of Mr. Phillips.
(4) Consists of: (i) 332,524 shares owned directly by Mr. Daniel Siegel, (ii) 1,500 shares owned by Mr. Siegel s wife, (iii) 3,000 shares held as Uniform Transfer to Minors Act Custodian for his children, (iv) 6,000 shares held in an irrevocable trust for the benefit of Katherine and Juliana Wells, and (v) 63,000 shares issuable upon the exercise of options which are exercisable within 60 days.
(5) Consists of: (i) 216,222 shares owned directly by Mr. Shiftan and (ii) 166,334 shares issuable upon the exercise of options which are exercisable within 60 days.
(6) Consists of: (i) 25,295 shares owned directly by Mr. Winoker and (ii) 84,000 shares issuable upon the exercise of options which are exercisable within 60 days.
(7) Consists of: (i) 47,236 shares owned directly by Mr. Jeary and (ii) 25,000 shares issuable upon the exercise of options that are exercisable within 60 days.
(8) Consists of: (i) 26,736 shares owned directly by Ms. Nanninga and (ii) 25,000 shares issuable upon the exercise of options that are exercisable within 60 days.
(9) Consists of: (i) 3,794 shares owned directly by Mr. Westerfield and (ii) 38,124 shares held in a revocable trust for the benefit of Mr. Westerfield s wife.
(10) Based solely on Amendment No. 2 to the Schedule 13G filed with the SEC on February 9, 2017. Represents shares owned of record by clients of one or more investment advisers directly or indirectly owned by Wellington Management Group LLP (Wellington Management). Accordingly, Wellington Management may be deemed to have shared voting power with respect to 1,438,605 shares and shared dispositive power with respect to 1,892,023 shares.
(11) Based solely on Amendment No. 6 to the Schedule 13D filed with the SEC on March 14, 2017. Represents shares owned by Mill Road Capital II, L.P. (MR Capital Fund). MR Capital Fund directly holds, and thus has sole voting and dispositive power over, 1,628,203 shares. Mill Road Capital II GP LLC (MR Capital GP), as sole general partner of MR Capital Fund, also has sole authority to vote (or direct the vote of), and to dispose (or direct the disposal) of, the shares held on behalf of MR Capital Fund, and each of Thomas E. Lynch and Scott P. Scharfman has shared authority to vote (or direct the vote of), and to dispose (or direct the disposal) of, these shares on behalf of MR Capital GP. Accordingly, each of MR Capital GP, MR Capital Fund, Mr. Lynch and Mr. Scharfman (collectively, the MR Reporting Persons) beneficially owns 1,628,203 shares of common stock, and the MR Reporting Persons beneficially own, in the aggregate, 1,628,203 shares of common stock.
(12) Based solely on Amendment No. 2 to the Schedule 13G filed with the SEC on February 9, 2017, Wellington Trust Company, NA (Wellington Trust), in its capacity as an investment adviser, may be deemed to beneficially own 1,255,779 shares which are held of record by clients of Wellington Trust.
(13) Based solely on Amendment No. 7 to the Schedule 13G filed with the SEC on February 9, 2017. Represents shares of our common stock owned of record by clients of Dimensional Fund Advisors LP. Dimensional Fund Advisors LP, in its capacity as an investment adviser, has shared voting power with respect to 1,175,852 shares and shared dispositive power with respect to 1,212,232 shares. As stated in Amendment No. 7 to the Schedule 13G filed with the SEC on February 9, 2017, Dimensional Fund Advisors LP, an investment adviser registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the Funds). In certain cases, subsidiaries of Dimensional Fund Advisors LP may act as an adviser or sub-adviser to certain Funds. In its role as investment advisor, sub-adviser and/or manager, Dimensional Fund Advisors LP or its subsidiaries (collectively, Dimensional) possess voting and/or investment power over the securities of the Company that are owned by the Funds, and may be deemed to be the beneficial

owner of the shares of the Company held by the Funds.

Table of Contents

PROPOSAL 1

TO APPROVE THE ISSUANCE OF THE ACQUISITION SHARES

The Board of Directors recommends a vote FOR the approval of Proposal 1, as set forth below.

Overview

On December 22, 2017, we entered into the Merger Agreement by and among us and certain wholly-owned merger subsidiaries, on the one hand, and Taylor, Taylor Parent and, solely for purposes of certain sections therein, CP Taylor GP, LLC, on the other hand, pursuant to which we will acquire all of the outstanding capital stock of Taylor through a two-step subsidiary merger, and Taylor will become a wholly-owned subsidiary of the Company (the Acquisition) if the conditions to consummation of the Acquisition are satisfied or waived in accordance with the terms of the Merger Agreement.

Our Board of Directors unanimously approved our acquisition of Taylor on December 19, 2017. No stockholder vote was required for the entry into the Merger Agreement, and no stockholder vote is required for the consummation of the Acquisition pursuant to the Merger Agreement. We are therefore not seeking any approval or ratification of the Acquisition at the special meeting. Under Delaware law, our stockholders do not have any dissenters rights or rights to an appraisal of the value of their shares in connection with the Acquisition or this Proposal.

Pursuant to the terms of the Merger Agreement, the Company will acquire all of the outstanding capital stock of Taylor pursuant to a transaction that is intended to be treated as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986 (the Internal Revenue Code) where the Company remains a publicly traded company and, in the form of a forward merger, that is structured as two step . A subsidiary of and newly formed by the Company shall be merged with and into Taylor, whereupon the separate existence of the subsidiary will cease and Taylor will continue as the surviving entity, known as the Initial Surviving Company. The Initial Surviving Company will then be merged with and into another subsidiary of and newly formed by of the Company, whereupon the Initial Surviving Company will cease to exist and the subsidiary will continue as the surviving entity, known as the Ultimate Surviving Subsidiary. At the closing, the equity holder of Taylor will receive (a) $27.5 million of cash consideration subject to the escrow and adjustment provisions as described in the Merger Agreement and (b) the Acquisition Shares, which shall be that number of shares of newly issued common stock of the Company representing 27% of the outstanding shares of the common stock of the Company, on a Closing Fully Diluted Basis as of immediately following the consummation of the Acquisition after taking into effect the issuance thereof (rounded up to the nearest share). A portion of the cash consideration received by Taylor s equity holders pursuant to the Acquisition shall be used to redeem all of Taylor s outstanding preferred interests held by an unaffiliated third party.

Following the consummation and as a result of the Acquisition, if consummated, the Acquisition Shares will constitute approximately 27% of the Company s outstanding common stock on a Closing Fully Diluted Basis (rounded up to the nearest share).

The approval by our stockholders of the issuance of the Acquisition Shares is a condition to the consummation of the Acquisition in order to comply with NASDAQ listing rules, as further described below. In the event that the issuance of the Acquisition Shares is not approved at the special meeting, we will not be able to consummate the Acquisition, and the Merger Agreement may be terminated in accordance with its terms. The Merger Agreement is summarized later in this section, and a copy of the Merger Agreement is attached to this proxy statement as **Annex A**.

The equity interests of Taylor s capital stock are privately held and not traded in a public market. The Acquisition Shares that will be issued if Proposal 1 is approved will be issued to Taylor Parent in a private placement exempt from the registration requirements of the U.S. federal securities laws.

Stockholder Approval Requirement for Proposal 1

Our common stock is listed on the NASDAQ Capital Market, and we are subject to the NASDAQ listing standards set forth in its listing rules (the Listing Rules). Although we are not required to obtain stockholder approval in connection with our acquisition of Taylor, we are required under Listing Rule 5635(a)(1), Listing Rule 5635(b) and Listing Rule 5635(d) to seek stockholder approval of our proposed issuance of the Acquisition Shares at the consummation of the Acquisition.

Listing Rule 5635(a)(1) requires stockholder approval prior to the issuance of securities in connection with the acquisition of the stock or assets of another company, where due to the present or potential issuance of common stock (or securities convertible into or exercisable for common stock), other than a public offering for cash, the common stock to be issued (a) constitutes voting power in excess of 20% of the outstanding voting power prior to the issuance or (b) is or will be in excess of 20% of the outstanding common stock prior to the issuance. In addition, Listing Rule 5635(b) requires stockholder approval prior to the issuance of securities when such issuance or potential issuance will result in a change of control of a company. NASDAQ may deem a change of control to occur when, as a result of an issuance, an investor or a group would own, or have the right to acquire, 20% or more of the outstanding shares of common stock or voting power and such ownership or voting power would be the largest ownership position of the issuer.

The total shares proposed to be issued to Taylor Parent will constitute 27% of the total voting power of the Company s voting securities on a Closing Fully Diluted Basis following the consummation of the Acquisition (rounded up to the nearest share).

In addition, under NASDAQ Listing Rule 5635(d), prior stockholder approval is required for the issuance, other than in a public offering, of securities convertible into common stock at a price less than the greater of book or market value of the common stock if the securities are convertible into 20% or more of a company s common stock. Because the Acquisition Shares will be issued in exchange for all of the capital stock of Taylor, the deemed issuance price of the Acquisition Shares may be less than the greater of the book or market value of our common stock immediately before the closing of the Acquisition. If the proposal is approved, the issuance of the Acquisition Shares will exceed 20% of our common stock currently outstanding. Because the issuance price may be below the greater of the book or market value of our Common Stock immediately prior to the consummation of the Acquisition, the NASDAQ Listing Rules may require that we obtain stockholder approval of the issuance of the Acquisition Shares at the consummation of the Acquisition. Therefore, we are requesting stockholder approval for the issuance of the Acquisition Shares under the NASDAQ Listing Rules.

Voting Agreement

In connection with the Merger Agreement, at the specific request of Taylor and Taylor Parent and as an inducement to their willingness to enter into the Merger Agreement, certain of our stockholders, including our Chief Executive Officer, Jeffrey Siegel, our Chief Operating Officer, Ronald Shiftan, our President, Daniel Siegel and our Executive Vice-President Global Supply Chain, Clifford Siegel entered into a Voting Agreement with Taylor Parent, whereby each of the Agreed Voting Persons agreed, among other things, to vote all of the shares of our common stock beneficially owned (other than with respect to unexercised options held by such persons) by such Agreed Voting Persons in favor of the approval of the issuance of the Acquisition Shares. Further, the Agreed Voting Persons agreed during the term such person s respective voting restrictions under the Voting Agreement are in effect, not to, directly or indirectly Transfer, or enter into any contract, option, or other arrangement or understanding providing for the Transfer of any of the shares of our common stock beneficially owned by such Agreed Voting Person, except for certain permitted Transfers as described in the Voting Agreement. As of the record date, the Agreed Voting Persons

beneficially owned (excluding shares underlying unexercised options) approximately 12% of the total outstanding shares of our common stock. A copy of the form of Voting Agreement is included as **Annex C** to this proxy statement.

Table of Contents

Background of the Taylor Acquisition

As part of its ongoing activities, the Company s Board of Directors and senior management regularly evaluate the Company s business operations, growth as an independent company, and long-term strategic opportunities, including prospects for mergers and acquisitions, each with a view towards maximizing stockholder value. These evaluations consider all aspects of the Company s business and its financial performance and condition, including relations with the Company s principal customers, its prospects for new business with existing customers and business with new customers, and the potential deployment of the Company s available borrowing capacity and its access to the capital markets for potential acquisitions and cash and borrowing capacity for working capital requirements for organic growth.

During the spring and summer months of 2017, the Company s management evaluated a number of potential acquisition opportunities. One of the opportunities considered was the acquisition of Fitz & Floyd, which the Company completed in September 2017.

In summer 2017, Mr. Robert B. Kay, the Chief Executive Officer of Taylor, called Mr. Jeffrey Siegel, the chairman and Chief Executive Officer of the Company, requesting that they schedule a meeting. Mr. Kay did not disclose the reason for the meeting. Mr. Kay and Mr. Jeffrey Siegel agreed to meet at the Company s showroom in New York City on July 31, 2017. At that meeting, Mr. Kay proposed that the Company acquire Taylor in a transaction whereby the Company would issue new shares of its common stock in exchange for all of the equity of Taylor. Mr. Jeffrey Siegel responded that the proposal was interesting, but that more time was needed to consider whether this approach made sense to the Company in light of its strategic view of maximizing stockholder value.

On August 3, 2017, at a meeting of the Strategic Planning Committee of the Company s Board of Directors, which was attended by all of the members of the Company s Board of Directors, Mr. Ronald Shiftan, the Company s Vice Chairman and Chief Operating Officer, updated the committee about the discussions between Mr. Siegel and Mr. Kay regarding a potential acquisition of Taylor by the Company. After some discussion, the committee agreed that the Company should continue discussions with Taylor regarding a potential transaction.

On August 18, 2017, Mr. Jeffrey Siegel and Mr. Kay met again to further discuss a potential transaction in which the Company would acquire Taylor. At the meeting, Mr. Jeffrey Siegel and Mr. Kay discussed the structure of the potential transaction, with the Company as the acquirer and Mr. Kay becoming the Chief Executive Officer of the Company following the consummation of such transaction. Also, at this meeting Mr. Kay provided Mr. Jeffrey Siegel additional information regarding Taylor s financial and business operations and performance and its capitalization, proposing that Taylor equity holders should own approximately 33.5% of the Company, pro-forma following the consummation of the transaction.

On August 21, 2017, the parties executed a mutual non-disclosure agreement to facilitate the sharing of confidential information relating to the transaction.

Throughout the remainder of August 2017, Mr. Jeffrey Siegel and Mr. Kay continued to discuss the potential transaction and how to progress the evaluation of the transaction within their respective organizations, including by visits at the offices of each of the Company and Taylor.

On August 28, 2017, Mr. Shiftan notified the Company s Board of Directors by email that the Company s senior management team was continuing to engage in discussions with Taylor regarding the Company s possible acquisition of Taylor.

Throughout early September 2017, senior management of the Company and Taylor conducted several telephone conversations regarding scheduling follow-up meetings and visits to each party s respective offices and a proposed agenda for such meetings and visits.

On September 11, 2017, Mr. Jeffrey Siegel, Mr. Daniel Siegel, the President of the Company, Mr. Shiftan and Mr. Laurence Winoker, the Chief Financial Officer of the Company, met with Mr. Kay at Taylor s offices in Seattle. Also present at the meeting were Taylor executives Terry Reilly, Taylor s Executive Vice President of Sales, Tim Simmone, Taylor s Chief Operating Officer, Kevin Clisham, Taylor s Chief Marketing Officer, Anthony Dickson, Taylor s Senior Vice President of Product Development and David Camp, Taylor s Chief Financial Officer, as well as Bruce Pollack and Michael Schnabel, senior executives from Centre Partners Management, LLC (Centre), a private equity firm managing funds that beneficially own the majority of the equity interests of Taylor. Mr. Kay gave a presentation on Taylor to the representatives of the Company in which he described Taylor s history, current and historic financial and operational performance and growth potential.

On September 19, 2017, representatives of Taylor met with representatives of the Company at the Company s offices in Garden City. Representatives of the Company included Mr. Jeffrey Siegel, Mr. Daniel Siegel, Mr. Shiftan, Mr. Winoker and Mr. Clifford Siegel, the Executive Vice President of Global Supply Chain of the Company. At the meeting, Mr. Jeffrey Siegel, Mr. Daniel Siegel and Mr. Shiftan presented an overview of the Company, including an overview of the Company s various businesses and its competitors. Additionally, the Company s division presidents each gave a presentation on their respective Company divisions.

On October 4, 2017, Mr. Jeffrey Siegel, Mr. Shiftan and Mr. Winoker met with JPMorgan, the Company s current lenders, at the Company s offices to discuss a proposed transaction structure for financing the potential acquisition of Taylor.

On October 5, 2017, Mr. Jeffrey Siegel and Mr. Daniel Siegel met with Mr. Kay at the Company s showroom in New York City to discuss post-closing roles with the Company for individuals employed by Taylor.

On October 6, 2017, the Company engaged its outside legal counsel, Morgan, Lewis & Bockius LLP (Morgan Lewis) to assist in evaluating the potential transaction.

On October 11, 2017, representatives of Morgan Lewis met with Mr. Shiftan. Mr. Jeffrey Siegel, Mr. Winoker and Ms. Sara Shindel, General Counsel and Secretary of the Company, at the Company s offices in Garden City to discuss the proposed transaction, including deal structure, diligence, financing and timing.

On October 13, 2017, pursuant to Mr. Kay s suggestion that the Company and Taylor meet to pursue further discussions, Mr. Shiftan, Mr. Jeffrey Siegel, Mr. Daniel Siegel and Mr. Winoker met with Mr. Kay and Mr. Pollack and Mr. Schnabel at Centre s offices in New York City to discuss the valuation of Taylor and structure of the proposed transaction. At this meeting, Mr. Kay and the representatives of Centre proposed a transaction whereby the Company would acquire Taylor in exchange for shares of the Company s common stock equal to 30% of the Company s common stock, on a fully diluted, pro forma, basis and the Company would assume Taylor s outstanding indebtedness. The representatives of the Company disagreed with Mr. Kay s and Centre s proposal and each side agreed to review the proposed transaction and reconvene on October 16, 2017.

On October 16, 2017, Mr. Shiftan, Mr. Jeffrey Siegel and Mr. Daniel Siegel met again with Mr. Kay, Mr. Pollack and Mr. Schnabel at Centre s office. The representatives of the Company proposed to reduce the percentage of shares of the Company s common stock to be issued to Taylor s equity holders from 30% to 27%. After further discussion, the parties agreed, subject to confirmatory due diligence and negotiation of other material terms, that the Company would acquire Taylor for $27.5 million, plus 27% of the Company s common stock, on a fully diluted, pro forma, basis.

On October 17, 2017, the Company and Taylor reached a preliminary agreement on certain material terms of the potential transaction and agreed that Morgan Lewis would prepare a term sheet reflecting such terms. The term sheet

would include that in connection with the proposed transaction, as consideration for acquiring Taylor, the Company would pay $27.5 million in cash to Taylor s equity holders, adjusted for certain customary matters, and issue to equity holders of Taylor new shares of common stock of the Company representing 27% of the

Company s common stock, on a fully diluted, pro forma, basis. The term sheet would also include that the Company would assume certain amounts of Taylor s debt and pay certain of its expenses incurred in connection with the proposed transaction. Additionally, Taylor, Centre and the Company agreed that following the consummation of the transaction, the Company s Board of Directors would be expanded from 10 to 13 directors, one of whom would be Mr. Kay and two of whom would be Centre designees. Additionally, Mr. Jeffrey Siegel would become executive chairman of the Company and Mr. Kay would become the Company s Chief Executive Officer. At this meeting, Centre also proposed that the Company grant Centre certain post-closing consent rights in connection with the transaction and agreed to propose specific rights. The Company s senior management agreed to review those proposed rights upon receipt from Centre.

On October 18, 2017, Centre provided the Company with a list of proposed post-closing consent rights.

On October 23, 2017, the Company sent a draft of the term sheet and a draft of the standstill agreement to Taylor and Centre.

Also on October 23, 2017, the Company s Board of Directors held a telephonic special meeting. During the meeting, the Company s management discussed with the Board of Directors the details surrounding the potential Taylor acquisition, including what businesses Taylor owns and the potential synergies between the Company and Taylor. Mr. Shiftan described to the Board of Directors how the transaction was being structured and informed the Company s Board of Directors that the Company and Morgan Lewis were in the process of preparing and negotiating a non-binding term sheet, which was previously provided to the Company s Board of Directors. Mr. Shiftan answered questions from the Company s Board of Directors about the potential transaction and the Company s Board of Directors requested that the Company provide further insight into the due diligence process and timing of the potential transaction at the next regularly scheduled Board of Directors meeting on November 7, 2017.

On October 27, 2017, representatives of the Company, Morgan Lewis, Taylor, Centre and Paul, Weiss, Rifkind, Wharton & Garrison LLP (Paul Weiss) met at Centre s offices in New York City to discuss certain key points of the proposed acquisition, including the method for calculating the number of outstanding shares of the Company s common stock on a fully diluted basis, the effect of a termination of a signed transaction agreement prior to closing the transaction and the Company s obligations with respect to such termination. The parties also generally discussed a timeline for the transaction and the nature of the diligence to be conducted by each party.

Throughout the remainder of October 2017 through November 14, 2017, the parties continued to negotiate the term sheet and standstill agreement. Included among the key issues negotiated were the structure of the transaction, the method for calculating the number of outstanding shares of the Company s common stock on a fully diluted basis, Centre s post-closing registration rights and restrictions on Centre s actions post-closing, the Company s post-closing recourse for breaches of representations and warranties and for other matters, Taylor s rights with respect to termination of the agreement and the Company s obligations with respect to Taylor s expenses.

On November 3, 2017, the Company distributed a draft of the term sheet to the Board of Directors.

On November 7, 2017, a regularly scheduled meeting of the Company s Board of Directors was held. At that meeting, Mr. Shiftan reported on the Company s potential acquisition of Taylor. Mr. Shiftan told the directors that Taylor s top customer is Starbucks Corporation. Mr. Shiftan also informed the Company s Board of Directors that the draft term sheet previously distributed to the Company s Board of Directors on November 3, 2017 was still being negotiated. Mr. Shiftan discussed the termination fee proposals that were being negotiated and the status of the discussions with Taylor and Centre.

On November 14, 2017, the parties finalized and executed the term sheet and standstill agreement.

On November 14, 2017, Morgan Lewis delivered to Paul Weiss a list of due diligence requests regarding operations of Taylor.

On November 20, 2017, the Company retained Ernst & Young LLP (EY) to assist in the financial and accounting due diligence.

On November 24, 2017, Taylor provided the Company and its advisors with access to an electronic data room containing certain due diligence materials regarding Taylor. Upon receipt of such access, the Company and its advisors commenced a due diligence review of materials delivered by Taylor.

On November 27, 2017, Mr. Shiftan spoke by telephone with Houlihan Lokey to discuss potentially retaining Houlihan Lokey to deliver an opinion with respect to the fairness of the consideration to be paid by the Company in connection with a potential acquisition of Taylor.

On November 29, 2017, Morgan Lewis delivered an initial draft of the Merger Agreement to Paul Weiss. Also on that date the Company provided Taylor and its advisors with access to an electronic data room containing certain due diligence materials regarding the Company.

On December 1, 2017, the Company retained Houlihan Lokey to deliver an opinion with respect to the fairness of the consideration to be paid by the Company in connection with the potential acquisition of Taylor and contacted Sawaya Partners, LLC (Sawaya) to perform certain financial advisory services with respect to the potential acquisition of Taylor. The Company considered certain potential conflicts of interest when determining whether to engage Sawaya, including Sawaya s potential receipt of a $1,500,000 success fee if the Acquisition is consummated, as compared to a $500,000 termination fee if the Merger Agreement is terminated, as well as services previously provided by Sawaya to Taylor and persons or entities with relationships with Taylor, including Sawaya s representation of the former owners of Taylor in connection with the sale of Taylor to its current owners, Sawaya s performance of services to Taylor in connection with a potential sale process in mid-2016 and Sawaya s performance of services to another company, of which Mr. Kay was then the Chief Executive Officer, in connection with a sale process. After careful consideration, the Company concluded that such potential conflicts of interest would not impair Sawaya s ability to objectively and professionally provide services and render advice to the Company and that the engagement of Sawaya was in the best interests of the Company and its stockholders.

On December 4, 2017, representatives of the Company, Centre, Taylor and Sawaya met at the Company s offices in Garden City to further discuss potential synergies that could arise in connection with the Company s acquisition of Taylor and the process for obtaining the financial information and diligence needed in order to prepare a draft lender presentation and an investor presentation for the potential acquisition of Taylor.

On December 4, 2017, Morgan Lewis delivered an initial draft of the Stockholders Agreement to Paul Weiss.

On December 6, 2017, Paul Weiss delivered comments to the Merger Agreement to Morgan Lewis. Among other things, these comments included that the cash to be paid to Taylor Parent at the consummation of the Acquisition would be reduced by the amount needed to redeem the preferred equity in Taylor from its holders and additional restrictions on the Company s ability to address alternative transactions during the interim period and on the Company s Board of Directors s ability to change its recommendation to the Company s stockholders. These comments also included an expansion of the Company s obligations to reimburse Taylor Parent s expenses upon termination of the Merger Agreement.

On December 8, 2017, Mr. Jeffrey Siegel held a telephonic discussion with the chairperson of the compensation committee of the Company s Board of Directors to discuss the terms of Mr. Kay s compensation as Chief Executive Officer of the Company. Following such meeting, the Company s management team instructed Morgan Lewis to prepare an employment agreement for Mr. Kay.

On December 8, 2017, members of the Company s management team met telephonically with Morgan Lewis to discuss the comments to the Merger Agreement received from Paul Weiss on December 6, 2017. The

Company instructed Morgan Lewis to prepare a response that, among other things, addressed treatment of the holders of Taylor s preferred equity.

On December 8, 2017, the Company signed an engagement letter with Sawaya, who the Company had been working with since the beginning of December 2017, to perform certain financial advisory services for the Company.

On December 10, 2017, Paul Weiss delivered an initial draft of the Voting Agreement and comments to the Stockholders Agreement to Morgan Lewis. Among other things, the comments to the Stockholders Agreement proposed certain additional rights of Taylor Parent with respect to registration of the shares of the Company s common stock and removed the obligation of Taylor Parent to vote its shares of the Company s common stock in the manner recommended by the Company s Board of Directors.

On December 11, 2017, following a telephonic discussion between the Company s management team and Morgan Lewis regarding the Merger Agreement, Morgan Lewis delivered a revised draft of the Merger Agreement to Paul Weiss. Such revised draft included that the holders of Taylor s preferred equity would be parties to the Merger Agreement and removed many of the restrictions on the Company s ability to address alternative transactions during the interim period and on the Company s Board of Directors s ability to change its recommendation to the Company s stockholders that had been included in the comments received from Taylor s and Centre s counsel on December 6, 2017.

On December 12, 2017, the Company s counsel and Taylor s and Centre s counsel met telephonically to address the remaining open issues in the Merger Agreement.

On December 12, 2017, members of the Company s management met separately with potential lenders, including JPMorgan and Golub Capital. At each of these meetings, the lenders provided the Company with a time schedule for the commitment letter process and a summary of indicative terms for senior secured credit facilities, including pricing, commitment fees, commitment period, conditions precedent and other terms.

On December 13, 2017, Paul Weiss distributed a list of issues relating to the Merger Agreement for the parties to discuss. Among the items included on such list were treatment of Taylor s preferred equity, whether certain items would be deemed indebtedness of Taylor, the restrictions on the Company s ability to address alternative transactions during the interim period and on the Company s Board of Directors s ability to change its recommendation to the Company s stockholders and whether Centre would be subject to any restrictive covenants post-consummation of the Acquisition.

On December 13, 2017, members of the Compensation Committee of the Company s Board of Directors met and discussed the terms of Mr. Kay s employment agreement.

On December 14, 2017, the members of the Nominating and Governance Committee of the Company s Board of Directors met telephonically to further discuss the terms of Mr. Kay s employment agreement and other terms of the transaction.

On December 14, 2017, Morgan Lewis circulated revised drafts of the Stockholders Agreement and Voting Agreement to Paul Weiss.

On December 14, 2017 representatives of the Company, Taylor and Centre, together with their respective counsel, met telephonically to discuss the issues list previously distributed by Paul Weiss. On such call, the parties negotiated each of the items included on the issues list, including, that Taylor Parent would indemnify the Company for losses

arising from post-closing claims against Taylor made by current holders of Taylor s preferred equity and that post-closing payments relating to Taylor s Chef n acquisition would be considered indebtedness of Taylor for purposes of determining the consideration to be paid by the Company at the consummation of the Acquisition.

On December 15, 2017, Morgan Lewis and Paul Weiss met telephonically to continue to address open issues in the Merger Agreement.

Throughout December 15, 2017 to December 19, 2017, the parties continued negotiations and the parties legal advisors worked to finalize the Merger Agreement and the related agreements.

On December 18, 2017, at a meeting of the Compensation Committee of the Company s Board of Directors, the Compensation Committee approved the terms of Mr. Kay s employment agreement and recommended that the Company s Board of Directors also approve such terms.

On December 19, 2017, the Company s independent members of the Company s Board of Directors and Mr. Craig Phillips, a non-independent member of the Company s Board of Directors, met with and interviewed Mr. Kay. Following that meeting, a special meeting of the Company s Board of Directors was held.

At that meeting, the Company s Board of Directors met with the Company s management and advisors to discuss the proposed transaction. At that Board of Directors meeting, EY provided the Company s Board of Directors with a description of its due diligence findings and answered questions raised by, and discussed its findings with, the directors.

Also, at that meeting Houlihan Lokey reviewed and discussed its financial analyses and thereafter, at the request of the Company s Board of Directors, rendered its oral opinion, (which was subsequently confirmed in writing by delivery of Houlihan Lokey s written opinion addressed to the Company s Board of Directors dated December 19, 2017) with respect to the fairness, from a financial point of view, of the Total Consideration to be paid by the Company in the Acquisition pursuant to the Merger Agreement. (see Opinion of the Financial Advisor to the Board of Directors below).

Following the presentations by EY and Houlihan Lokey, Morgan Lewis reviewed for the Company s Board of Directors the key terms relating to the Merger Agreement and the related agreements and Morgan Lewis s due diligence review. Following the presentation, the directors addressed questions to, and discussed the proposed transaction with, members of the Company s management and Company s legal advisors. After extensive discussions, the members of the Nominating and Governance Committee of the Company s Board of Directors and Mr. Phillips met and held further discussions.

Thereafter, all members of the Company s Board of Directors reconvened and Mr. Winoker presented to the Company s Board of Directors the key terms of the debt that the Company would use to finance the transaction. Following this presentation, Mr. Winoker answered questions raised by, and discussed the terms of the financing with, the directors.

Following the discussion with Mr. Winoker regarding the proposed financing, the Company s Board of Directors continued meeting and determined that the transactions contemplated by the Merger Agreement and the related transactions and agreements were in the best interests of the Company and its stockholders, and the Company s Board of Directors unanimously voted to approve the Merger Agreement and the related transactions and agreements, with any such changes as approved by the Company s senior management, and to recommend to the Company s stockholders that they approve the issuance of shares of common stock of the Company pursuant to the Merger Agreement.

After the meeting of the Company s Board of Directors adjourned on December 19, 2017, the Company and Taylor continued to negotiate the definitive transaction documents and on December 22, 2017, the Merger Agreement and the related agreements were executed.

The Company filed a press release on December 22, 2017 announcing the Acquisition.

Early termination of the waiting period under the HSR Act was granted on January 8, 2018.

Table of Contents

Summary of the Acquisition

The Parties Involved in the Acquisition

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 widely-recognized brand names and trademarks, which are either owned or licensed by the Company, or through retailers private labels and their licensed brands. The Company s products, which are targeted primarily towards consumer purchases of moderately priced kitchenware, tableware and housewares, are sold through virtually every major level of trade. The Company generally markets several lines within each of its product categories under more than one brand. The Company sells its products directly to retailers (including through their Internet websites) and, to a lesser extent, to distributors. The Company s wholesale customers include mass merchants, specialty stores, national chains, department stores, warehouse clubs, supermarkets, off-price retailers, home and garden centers, pharmacies and Internet retailers. The Company also sells a limited selection of its products directly to consumers through its own Internet websites. At the heart of the Company is a culture of innovation. The Company has a presence in international markets through subsidiaries and affiliate companies that are based outside of the United States. The Company continually evaluates opportunities to expand the reach of its brands and to invest in other companies that operate principally outside the United States and that own or license complementary brands.

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

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

Brand	Licensed/Owned	Product Category
Farberware ®	Licensed (1)	Kitchenware
Mikasa ®	Owned	Tableware and Home Solutions
KitchenAid ®	Licensed	Kitchenware
Pfaltzgraff ®	Owned	Kitchenware, Tableware and Home Solutions
KitchenCraft ®	Owned	Kitchenware
Sabatier ®	Licensed	Kitchenware
Mossy Oak ®	Licensed	Kitchenware, Tableware and Home Solutions
Kamenstein ®	Owned	Kitchenware
MasterClass ®	Owned	Kitchenware
Towle ®	Owned	Tableware
Fred ®	Owned	Kitchenware
Copco ®	Owned	Kitchenware and Home Solutions
Chicago Metallic	Licensed (2)	Kitchenware
Wilton Armetale ®	Owned	Tableware
Swing-A-Way ®	Owned	Kitchenware
Fitz&Floyd ®	Owned	Tableware and Home Solutions

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

(2) The Company has an exclusive perpetual, royalty free, license to use the Chicago TM Metallic trademark.

The Company s products are sold globally to a diverse customer base including mass merchants (such as Walmart and Target), specialty stores (such as Bed Bath & Beyond and Dunelm), national chains (such as Kohl s and JCPenney), department stores (such as Macy s and Belk), warehouse clubs (such as Costco, Sam s Club and

BJs), supermarkets (such as Stop & Shop, Meijer, Winn-Dixie, Kroger, Tesco and Sainsbury s), off-price retailers (such as TJX Companies, Ross Stores and Big Lots), home and garden centers (such as TrueValue, ACE Hardware Stores and Wyevale), pharmacies (such as Walgreens) and Internet retailers (such as Amazon). The Company generally collaborates with its largest wholesale customers and in many instances produces specific versions of the Company s product lines with exclusive designs and/or packaging for their stores.

The Company is a Delaware corporation, incorporated on December 22, 1983. The Company s headquarters is located at 1000 Stewart Avenue, Garden City, New York 11530.

For a description of our history and development, business and organizational structure, see our Annual Report on Form 10-K for our fiscal year ended December 31, 2016. See Where You Can Find Additional Information for a description of how to obtain a copy of our Annual Report and other SEC filings.

Taylor Holdco, LLC

Taylor and its subsidiaries (dba Filament Brands) primarily design, market and distribute consumer and food service precision measurement products, including kitchen scales, thermometers and timers, bath scales, wine accessories, kitchen tools, hydration products and select outdoor products to major retailers in the United States, Canada and select distributors throughout Europe and Asia. Taylor distributes products under the Taylor, Salter, Springfield, HoMedics, Rabbit, Houdini, Metrokane, Mako, EatSmart, TravelWise, Chef n, Vibe, d.stil, RBT and private label brand names. Taylor is a Delaware limited liability company, incorporated on May 11, 2012.

Taylor

Taylor is a leader and recognized expert in precision measurement products, including kitchen scales and thermometers, bath scales and weather and outdoor household products. Over time, Taylor has broadened its brand portfolio to include owned brands such as Taylor and Springfield, premium brands under long-term licenses such as HoMedics and Salter, selected lifestyle brands under license such as The Biggest Loser and Bowflex, as well as private label products for select customers.

Chef n

Taylor acquired the Chef n brand on December 23, 2014. Chef n is a leading global housewares products business that provides inventive, fun and highly functional products sold through retailers and distributors who are leaders in their categories. Product offerings include kitchen gadgets, kitchen tools, measuring and baking equipment, grinders, cleaning utensils, strainers and steamers, salad preparation tools, beverageware and other accessories sold under the Chef n, Vibe and d.stil brands as well as through private label brands for select customers.

Metrokane

Metrokane was acquired by Taylor in 2013 and is a leading North American marketer of wine accessories and barware including corkscrews, decanters, aerators, wine preservers, cocktail shakers, citrus juicers and bar tools. Metrokane products have wide distribution. They are sold, primarily under the nationally advertised Rabbit and Houdini brand names, by department stores, big box retailers, discount chains, wine & liquor stores and online merchants. Retailers and consumers look to Metrokane for innovative products, starting with the Original Rabbit corkscrew and more recently with Rabbit Automatic Electric Corkscrew and the Rabbit Freezable Whiskey Glasses.

46

Table of Contents

Taylor s top brands and their respective product categories are:

Brand	Licensed/Owned	Product Category
Taylor	Owned	Kitchen, Bath, Weather
Rabbit	Owned	Wine/Bar
Chef n	Owned	Kitchen Gadgets
Eatsmart	Owned	Kitchen, Bath
Houdini	Owned	Wine/Bar
HoMedics	Licensed	Bath, Kitchen
Vibe	Owned	Kitchen Gadget
Salter	Licensed	Kitchen, Bath
Springfield	Licensed	Weather, Kitchen
The Biggest Loser	Licensed	Kitchen, Bath
RBT	Owned	Wine/Bar
d.stil	Owned	Hydration
Bowflex	Licensed	Bath
TravelWise	Owned	Luggage
PlanetBox	Owned	Kitchen
Mako	Owned	Wine/Bar

Customers

Taylor s wholesale customers include mass merchants, specialty stores, national chains, department stores, warehouse clubs, supermarkets, off-price retailers, food service distributors and Internet retailers.

Taylor s products are sold globally to a diverse customer base including mass merchants (such as Target and Wal-Mart), specialty stores (such as World Kitchen and Old Time Pottery), national chains (such as Williams Sonoma, Sur La Table and Kohl s), department stores (such as Macy s), warehouse clubs (such as Costco, Sam s Club and BJ s), supermarkets (such as Publix, Kroger and HEB), off-price retailers (such as TJX Companies), food service distributors (such as US Foods, Clark Food Service and Jetro), Internet retailers (such as Amazon) and food and beverage outlets (such as Starbucks). Taylor also does business with independent retailers, including through business-to-business Internet sites aimed at independent retailers.

Taylor s brands also operate their own consumer Internet sites that provide information about products and offer consumers the opportunity to purchase products directly.

During the year ended March 31, 2017, Taylor s largest customer, Starbucks, accounted for 24% of net sales. As of March 31, 2017, Starbucks accounted for 38% accounts receivable.

Distribution

Taylor sells its products directly to retailers and, to a lesser extent, to distributors. Taylor also sells a limited quantity of products to individual consumers and smaller retailers through its own Internet sites and through Amazon.com. Taylor distributes most of their products through a third-party logistics provider in Memphis, TN. For some international sales, Taylor distributes through a third-party logistics provider in Shenzhen, China. Taylor distributes some industrial and all direct-to-consumer sales out of a leased facility in Las Cruces, NM. The Las Cruces facility is 33,040 square feet in total, of which 23,491 square feet is allocated to distribution.

Sales and Marketing

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

Design and Innovation

At the heart of Taylor s brands is a culture of innovation, design and detail. Taylor s global in-house design and development teams currently consist of 17 professional designers, artists and engineers. Utilizing the latest available design tools, technology and materials, these teams create new products, redesign existing products and create packaging and merchandising concepts.

Sources of Supply

Taylor sources its products from hundreds of suppliers. Most of Taylor s suppliers are located in China. Products are ordered substantially in advance of the anticipated time of their sale by Taylor. Taylor does not have any formal long-term arrangements with any of its suppliers and its arrangements with most manufacturers allow for flexibility in modifying the quantity, composition and delivery dates of orders.

Manufacturing

Taylor sources all of its products and does not have any manufacturing resources.

Competition

The markets for food services, kitchenware and other products used in the home are highly competitive and include numerous domestic and foreign competitors, some of which are larger than Taylor. The primary competitive factors in selling such products to retailers are innovative products, brand, quality, aesthetic appeal to consumers, packaging, breadth of product line, distribution capability and selling price.

Intellectual Property

Taylor owns approximately 371 issued design and utility patents and has approximately 43 pending. Taylor believes that the expiration of any of its patents would not have a material adverse effect on its business.

Backlog

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

Employees

As of September 30, 2017, Taylor had a total of 154 full-time employees. None of Taylor s employees are represented by a labor union or subject to collective bargaining agreements.

Regulatory Matters

Taylor is subject to significant regulation by various governmental, regulatory and other administrative authorities.

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

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

Table of Contents

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

Geographic Information

Most of Taylor sales are within the United States. For the twelve months ended March 31, 2017 international sales represented 5.3% of Taylor net sales.

Taylor Parent, LLC

Taylor Parent owns all of the common equity interests of Taylor and is controlled by affiliates of Centre.

Taylor s Management s Discussion and Analysis of Financial Conditions and Results of Operations

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

About Taylor

On June 8, 2012, Taylor Acquisition, Inc. was formed and subsequently acquired the net assets of Taylor North American Scales from FKA Distributing Co. d/b/a HoMedics, Inc. Taylor North American Scales was a combination of Taylor Precision Products, the HoMedics USA bath scale business segment, the HoMedics Group Canada measurement products business segment and Springfield Acquisition Co. LLC intellectual property. Upon consummation of such acquisition, Taylor Acquisition, Inc. changed its name to Taylor Precision Products, Inc.

Taylor acquired the assets of Health Tools LLC on November 8, 2013 and Metrokane Inc. on November 12, 2013. Health Tools LLC sources and sells precision kitchen and bathroom scales and travel packing accessories to customers based in the United States and Canada under the EatSmart and TravelWise brand names. Metrokane Inc. designs, sources, markets, and distributes high quality wine corkscrews, barware, and wine accessories under the Rabbit, RBT, Houdini, and, Metrokane brand names.

Taylor acquired the stock of Chef n Corporation on December 23, 2014 in a cash and stock transaction. Chef n designs, sources, markets, and distributes worldwide innovative kitchen tools and hydration products under the Chef n, Vibe, d.stil and private label brand names.

Seasonality

Taylor s business and working capital needs are moderately seasonal, with more sales occurring in Taylor s third quarter (October to December) than any other quarter of the year. For the year ended March 31, 2017 net sales in the

third quarter accounted for 31% of total annual net sales.

Table of Contents

Impact of Inflation

Inflation rates in the United States and in major foreign countries where Taylor operates have not had a significant impact on its results of operations or financial position during 2017, 2016 or 2015. Taylor will continue its practice of monitoring costs and adjusting prices, accordingly.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued new authoritative accounting guidance on revenue from contracts with customers. The new standard provides new criteria for recognizing revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which Taylor expects to be entitled in exchange for those goods or services. It also requires expanded disclosures to provide greater insight into both revenue that has been recognized and revenue that is expected to be recognized in the future from existing contracts. Quantitative and qualitative information will be provided about the significant judgments and changes in those judgments that management made to determine the revenue that is recorded. In August 2015, the FASB changed the effective date of the new revenue recognition accounting guidance for private companies to be for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted for annual periods beginning after the original effective date of December 15, 2016. Taylor is in the process of evaluating the impact of the new standard on the consolidated financial statements and the timing of the adoption.

In November 2015, the FASB issued new authoritative accounting guidance on simplifying the presentation of deferred income taxes, which requires that deferred income tax liabilities and assets be presented as a net non-current deferred tax asset or liability by jurisdiction on the balance sheet. The current requirement that deferred tax assets and liabilities of a tax-paying component of an entity be offset and presented as a single amount is unchanged. This guidance is effective for periods beginning after December 15, 2017; however, earlier adoption is permitted for all entities for any interim or annual statements that have not been issued. Taylor is in the process of evaluating the impact of the new standard on the consolidated financial statements and the timing of the adoption.

In February 2016, the FASB issued new authoritative accounting guidance on leases which increases transparency and comparability for lease transactions. The new standard brings substantially all leases on the balance sheets for operating lease arrangements with lease terms greater than 12 months for lessees. This update will require a modified retrospective application, which includes a number of optional practical expedients related to the identification and classification of leases commenced before the effective date. The new standard is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. Taylor is in the process of assessing the impact of the new standard on the consolidated financial statements and the timing of the adoption.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*. ASU 2017-04 simplifies how entities assess goodwill for impairment by eliminating Step 2 from the goodwill impairment test. As amended, the goodwill impairment test will consist of one step comparing the fair value of a reporting unit with its carrying amount. An entity should recognize a goodwill impairment charge for the amount by which the carrying amount exceeds the reporting unit s fair value. The ASU is effective for the Company s fiscal year ended March 31, 2023. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is in the process of assessing the impact of the new standard on the consolidated financial statements upon adoption.

Table of Contents

Results of Operations

The following is summarized consolidated results of operations for Taylor for the six months ended September 30, 2017 and 2016.

	Six Months Ended September 30,	
	2017	**2016**
	unaudited	
	(in thousands)	
Net sales	$ 74,812	$ 75,012
Cost of goods sold	43,609	41,913
Gross profit	31,203	33,099
Selling, general, and administrative expenses	25,216	25,804
Change in fair value of purchase consideration	42	
Income from operations	5,945	7,295
Interest expense	(7,691)	(7,914)
Redeemable Preferred Interest	(1,932)	(1,668)
Other expense, net	(51)	(59)
Loss before income tax benefit	(3,729)	(2,346)
Income tax benefit	1,169	162
Net loss	$ (2,560)	$ (2,184)

The following is summarized consolidated results of operations for Taylor for the years ended March 31, 2017, 2016 and 2015.

	Year Ended March 31,		
	2017	**2016**	**2015**
	(in thousands)		
Net sales	$ 173,706	$ 179,689	$ 135,010
Cost of goods sold	98,987	106,324	76,819
Gross profit	74,719	73,365	58,191
Selling, general, and administrative expenses	55,897	53,047	39,975
Acquisition-related expenses			2,444
Impairment charges	2,100	4,300	10,854
Change in fair value of purchase consideration	646	1,123	(4,390)
Gain on sale of China factory			(715)
Income from operations	16,076	14,895	10,023
Interest expense	(15,487)	(16,475)	(14,134)
Redeemable Preferred Interest	(3,338)	(2,880)	(2,486)
Other expense, net	11	(588)	(514)
Loss before income tax benefit	(2,738)	(5,048)	(7,111)
Income tax benefit	622	1,652	3,039
Net loss	$ (2,116)	$ (3,396)	$ (4,072)

Six months ended September 30, 2017 compared to six months ended September 30, 2016

Net sales

Net sales for the six months ended September 30, 2017 were $74.8 million, a decrease of $0.2 million, or 0.3%, compared to net sales of $75.0 million in 2016. The decrease is primarily due to an increase in customer allowances.

Gross profit

Gross profit for the six months ended September 30, 2017 was $31.2 million, a decrease of $1.9 million or 5.7%, compared to gross profit of $33.1 million in 2016. Gross margin for the six months ended September 30, 2017

was 41.7% compared to 44.1% in 2016. The decrease in gross profit and gross margin is attributable to more competitive pricing, particularly in the e-commerce business and a change in product mix.

Operating expenses

Operating expenses for the six months ended September 30, 2017 were $25.3 million, a decrease of $0.5 million, or 1.9%, as compared to $25.8 million for 2016. In 2017, substantially all operating expenses were attributable to selling, general and administrative expenses (SG&A) and in 2016 all of the operating expenses were attributable to SG&A. The decrease in SG&A expenses is primarily due a reduction in amortization expense as certain intangible assets are fully amortized.

Interest expense

Interest expense for the six months ended September 30, 2017 was $7.7 million compared to $7.9 million for 2016. The decrease was attributable to lower outstanding debt balances based on scheduled and prepaid principal payments.

Redeemable preferred interest

Redeemable preferred interest for the six months ended September 30, 2017 was $1.9 million compared to $1.7 million for 2016. The increase was due to interest accretion on redeemable preferred units.

Income tax benefit

Income tax benefit was $1.2 million for the six months ended September 30, 2017 and $0.2 million in 2016. The effective tax rate for 2017 was 31.3%, compared to 6.9% for 2016. The higher effective tax rate in 2017 primarily reflects state rate changes and redeemable preferred interest expense.

Year ended March 31, 2017 compared to year ended March 31, 2016

Net sales

Net sales for the year ended March 31, 2017 were $173.7 million, a decrease of $6.0 million, or 3.3%, compared to net sales of $179.7 million in 2016. The decrease is primarily attributable to a reduction in volume in the Chef n, EatSmart, and Rabbit product lines, due to 2016 sales of slow moving and excess inventory.

Gross profit

Gross profit for the year ended March 31, 2017 was $74.7 million, an increase of $1.3 million or 1.8%, compared to gross profit of $73.4 million in 2016. Gross margin for 2017 was 43% compared to 40.8% in 2016. The 2016 gross margin reflects the sales of slow moving and excess inventory which were at lower margins and not repeated in the 2017 period. The 2017 gross margin improvement also reflects the full year impact of certain low margin Chef n product lines being de-emphasized.

Operating expenses

Operating expenses for the year ended March 31, 2017 were $58.6 million, an increase of $0.1 million, as compared to $58.5 million for 2016.

In 2017, SG&A expenses increased by $2.9 million primarily due to non-recurring expenses related to Metrokane litigation and one-time costs to relocate the accounting function to the Seattle office.

Table of Contents

Impairment charges for the year ended March 31, 2017 were $2.1 million, as compared to $4.3 million in 2016 related to the valuation of certain indefinite-lived trade names. In 2017 the fair value of the Rabbit, Houdini, and Metrokane trade names were determined to be lower than the carrying values and, therefore, Taylor recognized impairment charges of $0.8 million, $1.2 million, and $0.1 million related to these trade names, respectively. In 2016 the fair value of the Houdini and Metrokane trade names were determined to be lower than the carrying values and, therefore, Taylor recognized impairment charges of $0.7 million and $3.6 million related to these trade names, respectively.

Change in fair value of purchase consideration for the year ended March 31, 2017 was $0.6 million and $1.1 million in 2016. The changes were based on new information available at the respective balance sheet dates related to the Chef n acquisition. The contingent consideration payable is due February 2018.

Interest expense

Interest expense for the year ended March 31, 2017 was $15.5 million compared to $16.5 million for 2016. The decrease is attributable to lower outstanding debt balances related to scheduled and prepaid principal payments.

Redeemable preferred interest

Redeemable preferred interest for the year ended March 31, 2017 was $3.3 million compared to $2.9 million for 2016. The increase is due to interest accretion for redeemable preferred units.

Other expense

Other expense for the year ended March 31,2017 was less than $0.1 million compared to $0.6 million in 2016. In 2017, other expense included unused line fees associated with the revolving line of credit.

Income tax benefit

Income tax benefit was $0.6 million in the year ended March 31, 2017 and $1.7 million in 2016. The effective tax rate for 2017 was 22.7% compared to 32.7% for 2016. The lower effective tax rate in 2017 is due state tax rate changes, redeemable preferred interest expense and transaction expenses.

Year ended March 31, 2016 compared to year ended March 31, 2015

Net sales

Net sales for the year ended March 31, 2016 were $179.7, an increase of $44.7 million, or 33.1%, compared to net sales of $135.0 million in 2015. The increase in net sales in 2016 was primarily due to the full year impact of the acquisition of Chef n in December 2014.

Gross profit

Gross profit for the year ended March 31, 2016 was $73.4 million, an increase of $15.2 million, or 26.1%, compared to gross profit of $58.2 million in 2015. The increase was primarily due to the full year impact of the acquisition of Chef n. Gross margin for 2016 was 40.8% compared to 43.1% in 2015. The decrease in gross margin is attributable to lower margins on the acquired Chef n business and lower margin on sales of slow moving and excess inventory from acquired businesses, partially offset by margin accretion on existing business.

Operating expenses

Operating expenses for the year ended March 31, 2016 were $58.5 million, an increase of $10.3 million, or 21.4%, as compared to $48.2 million for 2015.

In 2016, SG&A expenses increased $13.0 million, as compared to 2015, primarily due to the full year impact of the acquisition of Chef n.

Acquisition-related expenses in 2015 were $2.4 million related to legal and accounting fees, agent fees, and closing fees paid to the parties involved in the acquisition of Chef n.

Impairment charges for the year ended March 31, 2016 were $4.3 million, as compared to $10.9 million in 2015. In 2016 the fair value of the Houdini and Metrokane trade names were determined to be lower than the carrying values and, therefore, Taylor recognized impairment charges of $0.7 million and $3.6 million related to these trade names, respectively. In 2015 the fair value of the Rabbit, Houdini, and Metrokane trade names were determined to be lower than the carrying values and, therefore, Taylor recognized impairment charges of $5.6 million, $3.5 million, and $0.1 million related to these trade names, respectively. As a result of the impairment of these trade names, Taylor evaluated the Metrokane technology finite-lived intangible asset for impairment. The fair value of the Metrokane technology finite-lived intangible asset was lower than the carrying value and, therefore, Taylor recognized an impairment charge of $1.7 million.

The fair value of purchase consideration increased $1.1 million for the year ended March 31, 2016, as compared to a decrease in fair value of $4.4 million in 2015. The 2016 change was primarily attributable to the revaluation of contingent consideration payable related to the Chef n acquisition. The contingent consideration payable is due February 2018. The 2015 period credit is related to the change in fair value of contingent consideration for the EatSmart acquisition.

Interest expense

Interest expense for the year ended March 31, 2016 was $16.5 million compared to $14.1 million for 2015. The increase was attributable to higher outstanding balances due to borrowings for the Chef n acquisition.

Redeemable preferred interest

Redeemable preferred interest for the year ended March 31, 2016 was $2.9 million compared to $2.5 million for 2015. The increase was attributable to interest accretion for redeemable preferred units.

Other expense

Other expense in the year ended March 31, 2016 was $0.6 million compared to $0.5 million in 2015.

Income tax benefit

The income tax benefit was $1.7 million in the year ended March 31, 2016 and $3.0 million in 2015. The effective tax rate for 2016 was 32.7%, compared to 42.7% for 2015. The lower effective tax rate in 2016 is due to changes in state tax rates, redeemable preferred interest expense and transaction expenses.

Liquidity and Capital Resources

Taylor s principal sources of cash to fund liquidity needs are: (i) cash provided by operating activities and (ii) borrowings available under its revolving line of credit (the Revolver) under its Senior Credit Agreement dated June 8, 2012 (as amended, the Credit Agreement). Taylor s primary use of funds consist of working capital requirements, capital expenditures, acquisitions and investments and payments of principal and interest on its debt.

54

At September 30, 2017, Taylor had cash of $11.5 million compared to $13.9 million at September 30, 2016, and working capital of $14.1 million at September 30, 2017 compared to $41.8 million at September 30, 2016. There were no borrowings outstanding under the revolver as of September 30, 2017 and 2016. Availability under its Revolver was $20.0 million at September 30, 2017 and September 30, 2016.

At March 31, 2017, Taylor had cash of $16.9 million compared to $7.3 million at March 31, 2016 and $1.7 million at March 31, 2015, working capital of $39.8 million at March 31, 2017 compared to $39.2 million at March 31, 2016 and $37.2 million at March 31, 2015 and the current ratio (current assets to current liabilities) was 2.27 to 1 at March 31, 2017 compared to 2.94 to 1 at March 31, 2016 and 2.68 at March 31, 2015. There were no borrowings outstanding under the revolver as of March 31, 2017 and 2016. Availability under its Revolver was $20.0 million at March 31, 2017.

Taylor believes that availability under its Revolver and cash flows from operations are sufficient to fund its operations for the next twelve months. However, if circumstances were to adversely change, Taylor may seek alternative sources of liquidity including debt and/or equity financing. However, there can be no assurance that any such alternative sources would be available or sufficient. Taylor closely monitors the creditworthiness of its customers. Based upon its evaluation of changes in customers creditworthiness, Taylor may modify credit limits and/or terms of sale. However, notwithstanding Taylor s efforts to monitor its customers financial condition, Taylor could be materially adversely affected by changes in the future

Credit facilities

Taylor s Credit Agreement, which matures on November 6, 2018, provides for a $20.0 million Revolver and term loans. The Revolver and term loans had an outstanding balance of $0.0 million and $180.2 million, respectively, as of September 30, 2017. Taylor is required to make quarterly principal payments, adjusted for any prepayments, on the term loans in the amount of 0.625% of outstanding principal balance for quarters in fiscal year 2016, and 1.25% of outstanding principal balance for quarters thereafter, with the remainder due on the maturity date. Taylor may make prepayments as allowed under the Credit Agreement, which are applied against future principal installments. At Taylor s option, borrowings under the Revolver and terms loans are based on London InterBank Offered Rate (LIBOR) plus 4.5% or the base rate, as defined by the terms of the Credit Agreement, with a floor of 5.5%. At March 31, 2017 and 2016, the interest rate for the term loans was based on LIBOR and stated at 5.5%. At March 31, 2017 and 2016, interest payable of $1.3 million was outstanding.

In December 2014, Taylor amended its Subordinated Credit Agreement (Subordinated Debt) dated June 8, 2012, which was previously amended in November 2013. The original agreement dated June 8, 2012 provided for $25.6 million in term debt which was outstanding at the time of amendment. The first amendment provided for an increase in the Subordinated Debt of $19.2 million, for a total of $44.8 million, with the ability to draw additional notes under the amended agreement of up to $22.1 million. The second amendment provided for an increase in the Subordinated Debt of $6.9 million, for a total of $51.7 million. The Subordinated Debt matures on May 6, 2019. No principal payments are required until maturity. The Subordinated Debt carries cash interest of 13% including, at the option of Taylor, payment-in-kind interest of 2% payable quarterly. At March 31, 2017 and 2016, interest payable of $0.0 million and $1.7 million, respectively, was accrued.

The Credit Agreement and Subordinated Debt agreement contain restrictive covenants, including, but not limited to, limitations on capital expenditures and require maintenance of minimum leverage and fixed charge coverage ratios. The outstanding debt is collateralized by substantially all of Taylor s assets. Taylor was in compliance with all covenants as of March 31, 2017.

Inventory

Inventory, a large component of Taylor s working capital, is expected to fluctuate from period to period, with inventory levels higher primarily in the August through December time period. Taylor also expects inventory

turnover to fluctuate from period to period based on product and customer mix. Certain product categories have lower inventory turnover rates as a result of minimum order quantities from Taylor s vendors and customer replenishment needs. Certain other product categories experience higher inventory turns due to lower minimum order quantities or trending sale demands. For the six months ended September 30, 2017, inventory turnover was 3.4 times, or 107 days, as compared to 3.4 times, or 106 days, for the six months ended September 30, 2016. The decrease in turnover is driven by a decrease in sales of inventoried items versus an increase in sales of direct import items in the first six months of the fiscal year.

Operating activities

Net cash provided by operating activities was $1.0 million for the six months ended September 30, 2017 compared to $7.1 million in 2016. The decrease from 2016 to 2017 was primarily attributable to timing of sales activity and related collections from customers and an increase in inventory in 2017.

Net cash provided by operating activities was $15.3 million for the year ended March 31,2017, as compared to $22.5 million in 2016 and $12.1 million in 2015. The decrease from 2016 to 2017 was primarily attributable to timing of sales activity and related collections from customers. The increase from 2015 to 2016 was primarily attributable to the full operating cash impact of the Chef n.

Investing activities

Net cash used in investing activities was $0.8 million for the six months ended September 30, 2017, as compared to $0.5 million in 2016. The 2017 and 2016 investing activity primarily represents capital expenditures for product tooling and information technology systems.

Net cash used in investing activities was $1.8 million for the year ended March 31, 2017, as compared to $1.5 million in 2016 and $45.7 million in 2015. The 2017 and 2016 investing activity represents capital expenditures for product tooling and information technology systems. The 2015 investing activity included the acquisition of Chef n and capital expenditures, partially offset by the sale of the China factory.

Financing activities

Net cash used in financing activities was $5.3 million in the six months ended September 30, 2017 related to scheduled and early principal payments on debt.

Net cash used in financing activities was $4.0 million and $15.5 million for the year ended March 31, 2017 and 2016, respectively, related to scheduled and early principal payments on debt. Net cash provided by financing activities was $34.2 million in 2015 due to borrowings related to the acquisition of Chef n, partially offset by scheduled principal payment on debt.

Contractual Obligations

As of March 31, 2017, Taylor s contractual obligations were as follows (in thousands):

	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years

Long-Term Debt Obligation	$ 185,472	$ 3,586	$ 181,886	$	$
Mandatorily Redeemable Preferred Units	24,374		24,374		
Operating Lease Obligation	2,937	1,040	1,781	116	
Chef n Purchase Earnout	8,309	8,309			
Total	$ 221,092	$ 12,935	$ 208,041	$ 116	

56

Table of Contents

Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes. Actual results could differ from those estimates.

Trade Receivables

Collateral or other security is generally not required on trade receivables. Taylor monitors the credit quality of its customers, and an allowance for doubtful accounts is maintained at a level management believes is sufficient to cover potential credit losses based on historical bad debt write-off experience and specific risks identified for uncollected accounts. Trade receivables are charged off against the allowance when it is determined that the receivable will not be collected. Trade receivables are presented net of reserves for estimated customer returns and allowances, at net realizable value.

Inventories

Inventories consist primarily of finished goods and are valued at the lower of cost or market. Cost is determined using the first-in, first-out method. Certain slow-moving items have been reduced to net realizable value based on recent sales activity and management s best estimate of future transactions.

Long-Lived Assets

Long-lived assets and identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Recoverability of long-lived assets or groups of assets is assessed based on a comparison of the carrying amount to the estimated, future net cash flows. If estimated future undiscounted net cash flows are less than the carrying amount, the asset is considered impaired and expense is recorded at an amount required to reduce the carrying amount to fair value.

Intangible assets with finite lives are generally amortized using the straight-line method over their estimated economic useful lives ranging from 5 to 15 years.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations accounted for under the acquisition method of accounting. Goodwill is not amortized. Taylor tests goodwill annually as of March 31 at the reporting unit level. Taylor has determined that it has one reporting unit. At each impairment testing date, Taylor performs a quantitative assessment of goodwill and compares the fair value of the reporting unit to its carrying amount. To the extent the carrying amount exceeds its fair value, a second step would be performed to compute the amount of impairment as the difference between the implied fair value of goodwill and the carrying value.

The second impairment assessment, if required, involves allocating the reporting unit s fair value to all of its recognized and unrecognized assets and liabilities in order to determine the implied fair value of the reporting unit s goodwill as of the assessment date. The implied fair value of the reporting unit s goodwill is then compared to the carrying amount of goodwill to quantify an impairment charge as of the assessment date. For the years ended

March 31, 2017, 2016 and 2015, based on the results of our quantitative analyses, Taylor determined there was no impairment of goodwill.

Indefinite-lived intangible assets are reviewed for impairment annually as of March 31 and whenever events or circumstances indicate that the carrying value may not be recoverable. Taylor recognized impairment of certain indefinite-lived intangible assets during the fiscal years ended March 31, 2017, 2016, and 2015.

Income Taxes

Taylor s subsidiary, Taylor Precision Products, Inc., is a corporation formed under Subchapter C of the Internal Revenue Code and is subject to corporate taxes. 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 will be in effect when the differences are expected to reverse. Deferred income tax expense is measured by the change in the deferred tax assets or liabilities during the year.

Taylor recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Management believes Taylor has no unrecognized tax benefits. Taylor s policy for recording interest and penalties associated with examinations by tax authorities is to record such items as a component of income tax expense.

Taylor and its subsidiaries tax years ending in 2012 through 2016 remain open to examination by federal and state tax authorities. Taylor files state income tax returns in multiple jurisdictions, each with unique laws regarding statutes of limitations.

On December 22, 2017, the Tax Cuts and Jobs Act tax reform was signed into law. The provisions of the new law, including the U.S. Corporate rate reductions, are generally effective in 2018. The value of the deferred tax assets on Taylor s balance sheet as of September 30, 2017 of $11.3 million, could significantly change as a result of the reduced U.S. corporate income tax rate. While the effects have not been determined, the results of operations for the fourth quarter of fiscal 2018 could be adversely affected by a non-cash charge to reflect the reduction in value of these assets.

Fair Value Measurements

Taylor follows FASB Accounting Standards Codification (ASC) Topic 820-10, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the most advantageous market for the asset or liability in an orderly transaction. Fair value measurement is based on a hierarchy of observable or unobservable inputs. The standard describes three levels of inputs that may be used to measure fair value.

Level 1 Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 Inputs to the valuation methodology other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and the fair value can be determined through the use of models or other valuation methodologies; and

Level 3 Inputs to valuation methodology are unobservable inputs in situations where there is little or no market activity of the asset and liability and the reporting entity makes estimates or assumptions relating to the pricing of the asset or liability including assumptions regarding risk.

Taylor followed purchase accounting conventions as prescribed by ASC 805, *Business Combinations*, to establish the opening balance sheet of the acquired entities for all its acquisitions. The fair value measurement methods used to estimate the fair value of the assets acquired and liabilities assumed at the acquisition date utilized a number of

significant unobservable inputs of Level 3 assumptions. These assumptions included, among other things, projections of future operating results, the implied fair value of assets using an income approach by preparing a discounted cash flow analysis, and other subjective assumptions.

Table of Contents

The carrying values of financial instruments such as cash, accounts receivable, accounts payable, and accrued expenses are reasonable estimates of their fair value because of the short maturity of these items. Taylor believes that the current carrying amount of its long-term debt approximates fair value because the interest rates on these instruments are subject to change with, or approximate, market interest rates.

Revenue Recognition

Taylor recognizes revenues when the following criteria are met: persuasive evidence of an agreement exists, upon the later of shipment of product to the customer or when title to the product transfers to the customer per the terms of the sales contract, Taylor s price to the buyer is fixed and determinable, and collectability is reasonably assured. Revenues are recorded net of estimated sales returns and allowances.

Customer Rebates and Consumer Advertising

Taylor participates in cooperative advertising and other rebate programs with its customers, including volume rebates. These amounts are reflected as a reduction to net sales. Taylor expenses all consumer advertising costs as incurred.

The reserves for cooperative advertising and other rebates are included in net receivables. Reserves are estimated using historical experience and terms of existing arrangements with customers.

Merchandise Returns

Sales returns under merchandise return programs are reflected in net sales. Reserves for estimated merchandise returns included in net receivables are estimated using historical experience.

Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact the consolidated financial position, results of operations or cash flows of Taylor. Taylor is exposed to market risk associated with changes in interest rates. Taylor believes it has moderate exposure to this risk. Taylor assesses market risk based on changes in interest rates utilizing a sensitivity analysis that measures the potential loss in earnings and cash flows based on a hypothetical 10% or 100 basis point change in these rates.

Taylor s Revolving Credit Facility and Term Loan, provided for under the Credit Agreement bear interest at variable rates. The Credit Agreement provides for interest rates linked to one of the Adjusted LIBOR or the Prime Rate; and, therefore, Taylor is subject to increases and decreases in interest expense resulting from fluctuations in interest rates. As of March 31, 2017, approximately $133.8 million of Taylor s debt carries a variable rate of interest, as compared to $137.7 million at March 31, 2016. A hypothetical and instantaneous 100 basis point increase in Taylor s variable interest rates would increase interest expense by approximately $1.4 million over a twelve-month period. The sensitivity analysis above assumes interest rate changes are instantaneous and parallel shifts in the yield curve.

With the proposed transaction Taylor s debt would be extinguished and the risk discussed above would cease to exist.

The Merger Agreement

The following description summarizes the material terms of the Merger Agreement. However, it may not contain all of the information that may be important to your consideration of the proposed issuance of the Acquisition Shares. We encourage you to read the Merger Agreement in full, a copy of which is attached as **Annex A**.

Table of Contents

The description of the Merger Agreement in this proxy statement has been included to provide you with information regarding its terms, and we recommend that you read carefully the Merger Agreement in its entirety. Except for its status as the contractual document that establishes and governs the legal relations among the parties with respect to the Acquisition, we do not intend for its text to be a source of factual, business, or operational information about the Company or Taylor. That kind of information can be found elsewhere in this proxy statement. The Merger Agreement contains representations and warranties of the parties as of specific dates and may have been used for the purposes of allocating risk between the parties other than establishing matters as facts. Those representations and warranties are qualified in several important respects, which you should consider as you read them in the Merger Agreement, including contractual standards of materiality that may be different from what may be viewed as material to stockholders. Only the parties themselves may enforce and rely on the terms of the Merger Agreement. As stockholders, you are not third party beneficiaries of the Merger Agreement and therefore may not directly enforce or rely upon its terms and conditions and you should not rely on its representations, warranties, or covenants as characterizations of the actual state of facts or condition of the Company, Taylor, Taylor Parent or any of their respective affiliates. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Merger Agreement and subsequently developed or new information qualifying a representation or warranty may have been included in this proxy statement.

The Acquisition

If the conditions to consummation of the Acquisition are satisfied or waived in accordance with the terms of the Merger Agreement, the Company will acquire the entire capital stock of Taylor, and Taylor will become a wholly-owned subsidiary of the Company.

Consideration

If the Acquisition is consummated, Taylor will become a wholly-owned subsidiary of the Company and the equity holder of Taylor will be entitled to receive:

(a)(i) $27.5 million payable in cash, minus (ii) the Funded Debt Deficit (as defined in the Merger Agreement), if any, plus (iii) the Funded Debt Surplus (as defined in the Merger Agreement), if any, minus (iv) the Tax Deficit (as defined in the Merger Agreement), if any, plus (v) the Working Capital Surplus (as defined in the Merger Agreement), if any, minus, (vi) the Working Capital Deficit, if any, minus (vii) the Transaction Expense Deficit, if any; plus

(b) a number of shares of newly issued common stock of the Company representing 27% of the outstanding shares of common stock of the Company, on a Closing Fully Diluted Basis as of immediately following the consummation of the Acquisition after taking into effect the issuance thereof (rounded up to the nearest share).

For purposes of the Merger Agreement, Closing Fully Diluted Basis means, as of the time of determination, the sum of (a) the number of registered and unregistered shares of common stock of the Company issued and outstanding (excluding any unvested restricted shares of common stock of the Company), plus (b) the number of shares of common stock of the Company issuable upon the exercise of all vested and unvested in-the-money stock options of the Company (calculated using the treasury stock method, based on the average of the closing stock price of shares of common stock of the Company on the last 20 trading days prior to the day that is two business days prior to the

closing date of the Acquisition), plus (c) the number of shares of unvested restricted common stock of the Company that will vest by June 22, 2018 pursuant to the terms of the agreements in which such shares were granted.

A portion of the cash consideration received by Taylor Parent pursuant to the Acquisition shall be used to redeem all of Taylor s outstanding preferred interests held by an unaffiliated third party.

Table of Contents

Limitation on Solicitation and Considering Transaction Proposals

The Merger Agreement restricts our ability to solicit or engage in discussions or negotiations with third parties regarding alternative transaction proposals of our Company. However, subject to specified conditions, we may furnish information to, or enter into discussions or negotiations with, a third party in response to an unsolicited transaction proposal from such third party if our Board of Directors determines in good faith (after consultation with its outside legal counsel) that failure to approve and cause the Company to take such action would be reasonably likely to be inconsistent with the exercise of its fiduciary duties to stockholders of the Company. If the Board of Directors takes such actions and terminates the Merger Agreement and we enter into an alternative transaction within nine months thereafter, we would become obligated to pay a termination fee to Taylor Parent equal to $9 million.

Termination of the Merger Agreement

The Merger Agreement may be terminated and the Acquisition may be abandoned at any time at or prior to the consummation of the Acquisition:

in writing, by mutual consent of the Company and Taylor Parent;

by the Company (so long as it is not in material breach of its obligations in a manner as would cause the conditions to closing relating to its own compliance with its representations, warranties and agreements not to be satisfied), if either (i) there has been a breach of, or inaccuracy in, any representation or warranty, or (ii) any of Taylor or Taylor Parent has breached or violated any covenant or other agreement contained in the Merger Agreement, in each case, which breach or inaccuracy or violation (A) would result in, or would reasonably be expected to result in, the failure to satisfy a condition as set forth in the Merger Agreement and (B) cannot be or has not been cured by the earlier of the date which is twenty days after the Company notifies Taylor of such breach, inaccuracy or violation or the Outside Date (as defined below);

by Taylor Parent (so long as it is not in material breach of its obligations in a manner as would cause the conditions to closing relating to its own compliance with its representations, warranties and agreements not to be satisfied), if either (i) there has been a breach of, or inaccuracy in, any representation or warranty of the Company, or (ii) the Company has breached or violated any covenant contained in the Merger Agreement, in each case which breach, inaccuracy or violation (A) would result in, or would reasonably be expected to result in, the failure to satisfy a condition as set forth in the Merger Agreement and (B) cannot be or has not been cured by the earlier of the date which is 20 days after Taylor Parent notifies the Company of such breach, accuracy or violation or the Outside Date;

by either Taylor Parent or the Company if the Merger has not been consummated on or before June 20, 2018 (the Outside Date); provided that such right to terminate the Merger Agreement shall not be available to any party whose breach of any provision of the Merger Agreement results in the failure of the Acquisition to be consummated by such time;

by the Company or Taylor Parent, if

i. the Company stockholder meeting (including any adjournments thereof) shall have been held and completed; and

ii. Company s stockholders have not approved the issuance of the Acquisition Shares;

by the Company or Taylor Parent, (a) if the Company makes a change in recommendation or (b) the Company s Board of Directors, (i) after receipt by the Company of an unsolicited offer to effect an alternative transaction in connection with such alternative transaction or (ii) as a result of an intervening event, determines in good faith, following consultation with outside legal counsel that, failing to terminate the Merger Agreement would be reasonably likely to be inconsistent with the Company s Board of Directors s exercise of its fiduciary obligations to the Company stockholders, in each case, following a five business day notice and renegotiation period;

upon written notice from Taylor Parent to the Company (provided that Taylor Parent or Taylor is not then in material breach of any of its respective representations, warranties, covenants or other obligations under the Merger Agreement in a manner as would cause the conditions to closing relating to its own compliance with its representations, warranties and agreements not to be satisfied), if the Company has willfully and intentionally breached the exclusivity, proxy or stockholder meeting sections of the Merger Agreement and such breach shall not have been cured prior to the tenth day after written notice from Taylor Parent of such breach is received by the Company (such notice to describe such breach in reasonable detail); or

by either Taylor Parent or the Company if consummation of the Acquisition would violate any nonappealable final order of any governmental authority having competent jurisdiction.

We have agreed to pay Taylor Parent a termination fee of $9 million if one of the following occurs:

We or Taylor Parent terminates the Merger Agreement because:

the Board of Directors changes its recommendation that our stockholders vote FOR Proposal 1; or

the Board of Directors (i) after receipt by the Company of an unsolicited offer to effect an alternative transaction or (ii) as a result of an intervening event, determines in good faith, following consultation with outside legal counsel, that failing to terminate the Merger Agreement would be reasonably likely to be inconsistent with our Board of Directors s exercise of its fiduciary obligations to the Company stockholders, subject to certain exceptions set forth in the Merger Agreement.

Taylor Parent terminates the Merger Agreement because:

we willfully and intentionally breached the exclusivity, proxy or stockholder meeting sections of the Merger Agreement.

If the Merger Agreement is terminated because of our failure to obtain the required stockholder approval, our breach of the Merger Agreement or the merger was not consummated on or before June 20, 2018 and (i) at the time of such termination we received an alternative transaction proposal and (ii) we consummate an alternative transaction within nine months of the termination of the Merger Agreement, we have agreed to pay Taylor Parent a termination fee of $9 million (less any transaction expense fee previously paid).

If the Merger Agreement is terminated due to our failure to obtain the required stockholder approval (unless, at such time, Taylor Parent or Taylor is in breach of the Merger Agreement such that we would have been entitled to terminate the Merger Agreement), then we have agreed to pay Taylor Parent up to $3 million of reasonable and documented out-of-pocket expenses, which amount of expense reimbursement will be deducted from any termination fee payable.

Regulatory Matters

Under the United States Hart-Scott-Rodino (HSR Act), parties to certain large mergers and acquisitions must file premerger notification and wait for government review. Early termination of the waiting period under the HSR Act was granted on January 8, 2018. The parties to the Merger Agreement do not believe that the transactions are subject to any waiting period or similar requirement under the antitrust laws of any other jurisdiction.

Representations and Warranties

The Merger Agreement contains representations and warranties for the Company, Taylor and Taylor Parent related to, but not limited to:

- organization of the Company, Taylor and Taylor Parent;
- valid authorization of the Company, Taylor and Taylor Parent to execute and deliver the Merger Agreement;

no consents and approvals required for the Acquisition and no violations of applicable law;

no litigation pending or threatened against the Company;

financial capability of the Company to consummate the Acquisition;

the subsidiaries formed for the two-step merger are formed solely for the Acquisition;

certain fees are not required to be paid or born by the Company or Taylor Parent;

issuance of newly issued common stock of the Company shall be duly authorized;

SEC filings required to be filed shall be timely filed by the Company, accuracy of Company common stock and representative Company financials;

completeness of Proxy Statement;

disclosure of the Company s compliance with law;

capitalization of Taylor;

complete list of Taylor s subsidiaries;

Taylor s company records shall contain true, correct and complete copies of all m