

LIFETIME BRANDS, INC  
Form DEF 14A  
April 29, 2011

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

SCHEDULE 14A  
(Rule14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant  R

Filed by a Party other than the Registrant  £

Check the appropriate box:

- £ Preliminary Proxy Statement.
- £ Confidential, for the use of the Commission Only (as permitted by Rule 14a-6(e)(2)).
- R Definitive Proxy Statement.
- £ Definitive Additional Materials.
- £ Soliciting Material Pursuant to Section 240.14a-12.

LIFETIME BRANDS, INC.  
(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- R No fee required.
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- (1) Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

LIFETIME BRANDS, INC.  
1000 Stewart Avenue  
Garden City, New York 11530

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JUNE 16, 2011

Notice is hereby given that the Annual Meeting of Stockholders of Lifetime Brands, Inc., a Delaware corporation (the "Company"), will be held at the office of the Company, 1000 Stewart Avenue, Garden City, New York 11530 on Thursday June 16, 2011, at 10:30 a.m., local time, for the following purposes:

- (1) To elect a board of eight directors to serve until the next Annual Meeting of Stockholders or until their successors are duly elected and qualified;
- (2) To ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company;
- (3) To approve, on a non-binding advisory basis, the compensation of the Company's named executive officers;
- (4) To approve, on a non-binding advisory basis, the frequency with which stockholders are provided an advisory vote on executive compensation;
- (5) To transact such other business as may properly come before the meeting, or any adjournment(s) or postponement(s) thereof.

Stockholders of record at the close of business on May 2, 2011 are entitled to notice of and to vote at the Annual Meeting and any adjournment(s) or postponement(s) thereof. A complete list of the stockholders entitled to vote at the Annual Meeting will be available for examination by any stockholder at the Company's office, 1000 Stewart Avenue, Garden City, New York 11530, for any purpose germane to the Annual Meeting, during ordinary business hours, for a period of at least 10 days prior to the Annual Meeting.

By Order of the Board of Directors,

/s/ Sara Shindel

Sara Shindel

Secretary

Garden City, New York

April 29, 2011

THE BOARD OF DIRECTORS EXTENDS A CORDIAL INVITATION TO ALL STOCKHOLDERS TO ATTEND THE MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN AS PROMPTLY AS POSSIBLE THE ENCLOSED PROXY IN THE ACCOMPANYING REPLY ENVELOPE. STOCKHOLDERS WHO ATTEND THE MEETING MAY REVOKE THEIR PROXIES AND VOTE IN PERSON.

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LIFETIME BRANDS, INC.

1000 Stewart Avenue  
Garden City, New York 11530

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

To be held on June 16, 2011

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the “Board”) of Lifetime Brands, Inc., a Delaware corporation (the “Company”), for use at the Annual Meeting of Stockholders of the Company (the “Meeting”) to be held on the date, at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. Stockholders of record at the close of business on May 2, 2011 are entitled to notice of and to vote at the Meeting. This Proxy Statement and the accompanying Proxy shall be mailed to stockholders on or about May 13, 2011.

THE MEETING

On April 29, 2011, there were 12,066,543 shares of the Company’s common stock, \$.01 par value, issued and outstanding. Each share of the Company’s common stock entitles the holder thereof to one vote on each matter submitted to a vote of stockholders at the Meeting.

All shares of common stock represented by properly executed proxies will be voted at the Meeting in accordance with the directions marked on the proxies, unless such proxies have previously been revoked. If no directions are indicated on such proxies, they will be voted for Proposal 1 - the election of each nominee named under Election of Directors, for Proposal 2 - the ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company, for Proposal 3 - the compensation of the Company’s named executive officers, and for Proposal 4 - an advisory vote on executive compensation once every three years. If any other matters are properly presented at the Meeting for action, the proxy holders will vote the proxies (which confer discretionary authority upon such holders to vote on such matters) in accordance with their best judgment. Each proxy executed and returned by a stockholder may be revoked at any time before it is voted by timely submission of a written notice of revocation or by submission of a duly executed proxy bearing a later date (in either case directed to the Secretary of the Company), or, if a stockholder is present at the Meeting, he or she may elect to revoke his or her proxy and vote his or her shares personally.

VOTE REQUIRED FOR APPROVAL

A majority of the Company’s outstanding shares of common stock represented at the Meeting, in person or by proxy, shall constitute a quorum. Abstentions will be counted for purposes of determining the presence or absence of a quorum. Assuming a quorum is present, (1) the affirmative vote of a plurality of the shares so represented is necessary for the election of directors, (2) the affirmative vote of a majority of the shares so represented is necessary to ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company, (3) the affirmative vote of a majority of the shares so represented is necessary to approve, on a non-binding advisory basis, the compensation of the Company’s named executive officers and (4) the affirmative vote of a plurality of the shares so represented is necessary to approve, on a non-binding advisory basis, the frequency with which

stockholders are provided an advisory vote on executive compensation.

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With respect to Proposal 1, you may vote for all nominees, withhold your vote as to all nominees, or for all nominees except those specific nominees from whom you withhold your vote. The eight nominees receiving the most “FOR” votes will be elected. Properly executed proxies marked “WITHHOLD” with respect to the election of one or more directors will not be voted with respect to the director or directors indicated. Proxies may not be voted for more than eight directors and stockholders may not cumulate votes on the election of directors.

With respect to Proposals 2 and 3, you may vote for, against or abstain from voting on either of these proposals.

With respect to Proposal 4, you may vote for a voting frequency of every year, for every two years, for every three years, or abstain from voting.

If a stockholder, present in person or by proxy, abstains on a matter, such stockholder’s shares of common stock, although included in the quorum, will not be voted on such matter. Thus, an abstention from voting on either Proposal 2 or 3 has the same legal effect as a vote “against” the matter. If you abstain from voting on Proposals 1 or 4, the abstention will not have an effect on the outcome of the vote.

Brokers or other nominees who hold shares of the Company’s common stock for a beneficial owner have the discretion to vote on routine proposals when they have not received voting instructions from the beneficial owner at least ten days prior to the Meeting. A broker non-vote occurs when a broker or other nominee does not receive voting instructions from the beneficial owner and does not have the discretion to direct the voting of the shares. Broker non-votes will be counted for purposes of calculating whether a quorum is present at the Meeting, but will not be counted for purposes of determining the number of votes present in person or represented by and entitled to vote with respect to a particular proposal. Thus, a broker non-vote will not impact the Company’s ability to obtain a quorum and will not otherwise affect the outcome of the vote on a proposal that requires a plurality of votes cast (Proposals 1 and 4) or the approval of a majority of the votes present in person or represented by proxy and entitled to vote (Proposals 2 and 3).

#### PROXY SOLICITATION

The Company will bear the cost of preparing, printing, assembling and mailing the proxy, this Proxy Statement and other material which may be sent to stockholders in connection with this solicitation. The Company has retained BNY Mellon Shareowner Services LLC, a proxy solicitation firm, at an estimated cost of \$6,500 plus reimbursement of expenses, to assist in soliciting proxies from brokers, banks, nominees, and institutional holders. BNY Mellon Shareowner Services LLC may solicit votes personally or by telephone, mail or electronic means.

It is contemplated that brokerage houses will forward the proxy materials to beneficial holders at the request of the Company. In addition to the solicitation of proxies by the use of mail, officers and other employees of the Company may solicit proxies personally, by telephone or by electronic means without being paid any additional compensation. The Company will reimburse such persons for their reasonable out-of-pocket expenses in accordance with the regulations of the Securities and Exchange Commission (“SEC”).

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS  
AND MANAGEMENT

The following table sets forth information regarding beneficial ownership of the Company's common stock as of April 29, 2011 (except where otherwise noted) based on a review of information filed with the SEC and the Company's stock records with respect to (i) each person known to be the beneficial owner of more than 5% of the outstanding shares of common stock, (ii) each Director or nominee for a directorship of the Company, (iii) each executive officer of the Company, and (iv) all Directors, nominees and executive officers as a group.

| Name and Address   | Number of Shares<br>Beneficially Owned* | % of Shares<br>Beneficially<br>Owned* |
|--|---|---------------------------------------|
| <b>DIRECTORS AND EXECUTIVE OFFICERS (1)</b>  |   |                                       |
| Jeffrey Siegel   | 1,256,574 (2)                           | 10.38 %                               |
| Craig Phillips   | 858,345 (3)                             | 7.08                                  |
| Ronald Shiftan   | 196,845 (4)                             | 1.61                                  |
| Laurence Winoker   | 65,000 (5)                              | †                                     |
| Michael Jeary  | 50,186 (6)                              | †                                     |
| William U. Westerfield   | 45,186 (7)                              | †                                     |
| Cherrie Nanninga   | 40,186 (8)                              | †                                     |
| David E. R. Dangoor  | 38,816 (6)                              | †                                     |
| John Koegel  | 30,671 (6)                              | †                                     |
| All directors and executive officers as a group (9 persons)  | 2,581,809 (9)                           | 21.30                                 |
| <b>GREATER THAN 5% STOCKHOLDERS</b>  |   |                                       |
| Bank of America<br>100 North Tryon Street, Floor 25, Charlotte, NC<br>28255                                  | 671,128 (10)                            | 5.56                                  |
| Grupo Vasconia, S.A.B.<br>Av. 16 Septiembre No. 31, Col. Santo Domingo,<br>C.P. 02160<br>Mexico City, Mexico | 670,643 (11)                            | 5.56                                  |
| Goldman Capital Management, Inc.<br>320 Park Avenue, New York, NY 10022                                      | 660,633 (12)                            | 5.47                                  |



Notes:

- (\*) Calculated on the basis of 12,066,543 shares of common stock outstanding on April 29, 2011. 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 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.
- (1) The address of such individuals is c/o the Company, 1000 Stewart Avenue, Garden City, New York 11530.
- (2) Consists of: (i) 1,215,564 shares owned directly by Mr. Siegel, (ii) 1,010 shares of common stock owned by Mr. Siegel’s wife and (iii) 40,000 shares issuable upon the exercise of options which are exercisable within 60 days.
- (3) Consists of: (i) 776,692 shares owned directly by Mr. Phillips, (ii) 28,278 shares held in an irrevocable trust for the benefit of Mr. Phillips and (iii) 53,375 shares issuable upon the exercise of options which are exercisable within 60 days.
- (4) Includes 171,000 shares issuable upon the exercise of options which are exercisable within 60 days.
- (5) Consists of shares issuable upon the exercise of options which are exercisable within 60 days.
- (6) Includes 25,000 shares issuable upon the exercise of options which are exercisable within 60 days.
- (7) Consists of: (i) 2,004 restricted shares held directly by Mr. Westerfield, (ii) 13,182 shares held in a revocable trust for the benefit of Mr. Westerfield’s wife, Ann D. Westerfield, and (iii) 30,000 shares issuable upon the exercise of options which are exercisable within 60 days.
- (8) Includes 31,000 shares issuable upon the exercise of options which are exercisable within 60 days.
- (9) Includes 465,375 shares issuable upon the exercise of options which are exercisable within 60 days.
- (10) Based on the Schedule 13G/A filed with the SEC reporting beneficial ownership of the Company’s securities as of December 31, 2010 held by Bank of America Corporation, a Delaware corporation.
- (11)

Consists of 670,643 shares held by Grupo Vasconia, S.A.B., a Mexican corporation, as reported on April 16, 2011.

(12) Based on the Schedule 13G filed with the SEC reporting beneficial ownership of the Company's securities as of January 29, 2009 held by Goldman Capital Management, Inc., a New York corporation.

(†) Less than 1% of outstanding shares.

## PROPOSAL NO. 1

## ELECTION OF DIRECTORS

A board of eight directors is to be elected at the Meeting to hold office until the next Annual Meeting of Stockholders or until their successors are duly elected and qualified. The following nominees have been recommended by the Board. Each of the nominees is a current Director of the Company. It is the intention of the persons named as proxies in the enclosed proxy to vote the shares covered thereby for the election of the eight persons named below, unless the proxy contains contrary instructions:

| Name                   | Age | Position  | Director<br>of the<br>Company<br>Since |
|------------------------|-----|---|--|
| Jeffrey Siegel         | 68  | Chairman of the Board of Directors, Chief Executive Officer and President | 1967                                   |
| Ronald Shiftan         | 66  | Vice Chairman of the Board of Directors and Chief Operating Officer       | 1984                                   |
| Craig Phillips         | 60  | Senior Vice-President — Distribution and Director                         | 1973                                   |
| David E. R. Dangoor    | 61  | Director  | 2007                                   |
| Michael Jeary          | 64  | Director  | 2005                                   |
| John Koegel            | 59  | Director  | 2008                                   |
| Cherrie Nanninga       | 62  | Director  | 2003                                   |
| William U. Westerfield | 79  | Director  | 2004                                   |

## BACKGROUND OF DIRECTORS

Jeffrey Siegel is Chairman of the Board of Directors, Chief Executive Officer and President. Mr. Siegel has held the position of Chairman of the Board since June 2001, the position of Chief Executive Officer since December 2000, and the position of President since December 1999. Mr. Siegel is also a director of Grupo Vasconia, S.A.B. (“Vasconia”), a manufacturer and distributor of aluminum disks, cookware and related items, in which the Company has a 30.2% equity ownership. In addition, Mr. Siegel is a former member and Chairman of the Board of Directors of the International Housewares Association. Mr. Siegel has served the Company in various capacities and has been a director of the Company since 1967.

Ronald Shiftan is Vice Chairman of the Board of Directors and Chief Operating Officer. He was elected Vice Chairman in November 2004 and Chief Operating Officer in June 2005. Mr. Shiftan has been a director of the Company since 1984, and is a director of Vasconia.

Craig Phillips has been Senior Vice-President — Distribution since July 2003. Mr. Phillips held the position of Vice-President — Manufacturing from 1973 to 2003. Mr. Phillips has been a director of the Company since 1973.

David E. R. Dangoor has been President of Innoventive Partners LLC, a firm that provides consulting services in the fields of strategic planning, marketing and public relations, since 2002. Prior thereto, over a period of 27 years, Mr. Dangoor held various senior executive positions in several countries at Philip Morris International S.A. and Philip Morris International Inc. Mr. Dangoor is also the Chairman of the Board of Directors of BioGaia AB, a public Swedish bio-tech company that develops and markets pro-biotic solutions through food concepts and supplements; a member of the Board of Directors of Lorillard, Inc., a New York Stock Exchange-listed cigarette manufacturer; and a member of the Advisory Board of the Denihan Hospitality Group, a hotel management and development company which manages independent and luxury hotels including the Affinia lifestyle hotels, The Benjamin and The James hotels. Mr. Dangoor also serves as Honorary Consul General of Sweden in New York.

Michael Jeary is President of Laughlin Constable, an advertising agency with offices in Milwaukee, Chicago and New York. From 2006 to July 2009, Mr. Jeary was President and CEO of Partners + Jeary, a New York-based advertising agency. From 1998 to 2006, Mr. Jeary was a partner, President, and Chief Operating Officer of Della Femina Rothschild Jeary and Partners.

John Koegel has been a principal of Jo-Tan, LLC, a retail consulting company, for the past six years. Since February 2010, Mr. Koegel has been a member of the Board of Directors and Lead Director of Game Trading Technologies, Inc., a publicly-held video game trading services provider.

Cherrie Nanninga has been the Chief Operating Officer of the New York Tri-State Region of CB Richard Ellis, Inc., a commercial real estate firm, since 2002. For 23 years prior thereto, Ms. Nanninga was employed by The Port Authority of New York and New Jersey where she most recently served as Deputy Chief Financial Officer and Director of Real Estate.

William U. Westerfield, a certified public accountant, is retired. From 1965 to 1992, Mr. Westerfield was an audit partner at Price Waterhouse LLP, an independent public accounting firm. Mr. Westerfield previously served as a director and member of the audit, compensation, nominating and corporate governance committees of Gymboree Corporation, an international children’s apparel retailer. Mr. Westerfield also previously served as a director and a member of the audit committee of West Marine, Inc., a boating supply retailer from May 2000 until May 2010.



## QUALIFICATIONS OF DIRECTORS

| Director               | Key Qualifications  |
|------------------------|---|
| Jeffrey Siegel         | Service as the Chairman, President and Chief Executive Officer of the Company; extensive knowledge of the Company's strategy, operations and financial position and of the housewares and retail industries.  |
| Ronald Shiftan         | Service as Vice Chairman and Chief Operating Officer of the Company; knowledge of the Company and the housewares industry; distinguished career with public company board experience, leadership experience at a large public sector organization, financial markets expertise acquired as a general partner in a major international investment banking firm; financial, business and strategic acumen.  |
| Craig Phillips         | Service as Senior Vice President – Distribution of the Company; knowledge of the Company's strategy, operations and financial position; knowledge of the housewares industry.   |
| David E. R. Dangoor    | Distinguished career with public company board experience; experience gained in marketing and general management positions with a large global consumer products company; knowledge of the Company and the housewares industry through board service.   |
| Michael Jeary          | Distinguished career as a marketing executive. Consumer products and e-commerce experience gained in leadership positions in the advertising industry; knowledge of the Company and the housewares industry through board service.  |
| John Koegel            | Distinguished career in retailing; strong background in merchandising and general management; consultant for private investment funds and their retail and consumer related portfolio companies; recognized expertise in business improvement, management oversight and due diligence; experience in providing strategic advice on merger and acquisition transactions; knowledge of the Company and the housewares industry through board service. |
| Cherrie Nanninga       | Distinguished career as a financial and operations executive; experience as Deputy Chief Financial Officer of a large public sector organization and Chief Operating Officer of a large division of a multinational company; knowledge of the Company and the housewares industry through board service.  |
| William U. Westerfield |   |

Distinguished career with extensive public company board experience; experience as an audit partner in a large international accounting firm; financial, business and strategic acumen; knowledge of the Company and the housewares industry through board service.

The Company has no reason to believe that any of the nominees will not be a candidate or will be unable to serve. However, should any of the foregoing nominees become unavailable for any reason, the persons named in the enclosed proxy intend to vote for such other person or persons as the Board may nominate.

The Board recommends that stockholders vote FOR the election of the nominated directors. Signed proxies which are returned will be so voted unless otherwise instructed on the proxy card.

### EXECUTIVE OFFICERS

The following table sets forth the names and ages of each of the Company's executive officers as of April 29, 2011:

| Name             | Age | Position  |
|------------------|-----|---|
| Jeffrey Siegel   | 68  | Chairman of the Board of Directors, Chief Executive Officer and President |
| Ronald Shiftan   | 66  | Vice Chairman of the Board of Directors and Chief Operating Officer       |
| Craig Phillips   | 60  | Senior Vice-President — Distribution and Director                         |
| Laurence Winoker | 55  | Senior Vice-President — Finance, Treasurer and Chief Financial Officer    |

### BACKGROUND OF EXECUTIVE OFFICER

Laurence Winoker has been the Company's Senior Vice-President – Finance, Treasurer and Chief Financial Officer since July 2007. Prior thereto, Mr. Winoker was Senior Vice-President, Controller and Treasurer of MacAndrews & Forbes Holdings Inc., a holding company with controlling interests in a diversified portfolio of public and private companies including Revlon, Inc. Mr. Winoker was Senior Vice-President, Treasurer and Controller of Revlon, Inc. from 1999 to 2003.

All of the Company's officers are elected annually by the Board and hold office at the pleasure of the Board and serve until their successors are elected and qualified.

See Election of Directors for biographies, names and ages of Directors.



## CORPORATE GOVERNANCE

### BOARD INDEPENDENCE

The Board has determined that David E. R. Dangoor, Michael Jeary, John Koegel, Cherrie Nanninga and William U. Westerfield are independent directors under the listing standards of The NASDAQ Stock Market, LLC. Jeffrey Siegel, Ronald Shiftan and Craig Phillips are employees of the Company and are not considered to be independent directors.

### BOARD LEADERSHIP STRUCTURE

Jeffrey Siegel serves as Chairman of the Board of Directors, President and Chief Executive Officer of the Company. Mr. Siegel has served the Company in various capacities and has been a director of the Company since 1967 and is the largest individual stockholder of the Company. Mr. Siegel provides effective leadership and guidance as the Chairman in the development of the Company's risk profile, pursuit of its strategic goals and recognition of business opportunities that present themselves. The Company believes combining the role of Chairman and CEO enhances Mr. Siegel's ability to provide insight and direction on important strategic initiatives to both management and the independent directors and ensures that both groups act with a common purpose.

The Board of Directors is composed of eight directors, five of whom are independent of the Company. The Company's independent directors, and its governance practices, provide effective and independent oversight of management. The independent directors meet in periodic executive sessions, the results of which are discussed with the CEO. Each independent director has an equal stake in the Board's actions and equal accountability to the Company and its stockholders.

The Company has evaluated whether the Board would be more effective with a different structure but determined that a change would offer no net benefit to the stockholders. The Company believes its current structure provides for unified leadership and direction to the Board and management and encourages active involvement, independent thinking and an environment of equal influence among all directors. For the foregoing reasons, the Company has determined that its leadership structure is appropriate given the Company's specific circumstances.

### STOCK OWNERSHIP GUIDELINES

Effective March 2, 2010, the Board of Directors adopted new stock ownership guidelines applicable to directors. Under the new guidelines, a director must, on or prior to the compliance deadline, own shares of the Company's stock in an amount equal to or in excess of \$50,000, with such value determined at the time of receipt of stock based on payment or contribution. The compliance deadline is the later of: i) 5 years after the director's election to the Board and ii) January 1, 2011. For purpose of the foregoing, unexercised stock options are not considered in calculating stock ownership but restricted shares are included at the time the restriction lapses. All directors of the Company are in compliance with the stock ownership guidelines.

### BOARD OVERSIGHT OF RISK

The Company's Board of Directors bears the responsibility for maintaining oversight over the Company's exposure to risk. The Board of Directors, itself and through its committees, meets with various members of management regularly and discusses the Company's material risk exposures, the potential impact on the Company and the efforts of management it deems appropriate to deal with the risks that are identified. The Audit Committee considers the Company's risk assessment and risk management practices including those relating to regulatory risks, financial

liquidity and accounting risk exposure, reserves and the Company's internal controls. The Nominating and Governance Committee considers the risks associated with corporate governance with the guidance of corporate and outside counsel. The Compensation Committee, in connection with the performance of its duties, considers risks associated with the Company's compensation programs.

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## CODE OF CONDUCT AND BUSINESS ETHICS

The Company has adopted a Code of Conduct that applies to all of its directors, officers (including its chief executive officer, chief financial officer and controller) and employees. On an annual basis, written acknowledgement of understanding and compliance with the Code of Conduct is required of all of the Company's directors, officers and employees. A copy of the Company's Code of Conduct will be furnished to any stockholder, without charge, upon written request to the Senior Vice-President, Finance of the Company.

## BOARD MEETINGS

The Board held eight meetings during the fiscal year ended December 31, 2010.

## BOARD AND COMMITTEE ATTENDANCE

Seven of the eight directors attended the Company's 2010 Annual Meeting of Stockholders. Directors are expected, but not required, to attend the 2011 Annual Meeting of Stockholders. The Board holds meetings on at least a quarterly basis, and more often if necessary to fulfill its responsibilities. Each director attended a minimum of 75% of the board meetings and each committee member attended all of the committee meetings scheduled during 2010.

## STOCKHOLDER COMMUNICATION WITH DIRECTORS

Stockholders who wish to communicate with members of the Board, including the independent directors, individually or as a group, may send correspondence to them in care of the Secretary at the Company's principal office, 1000 Stewart Avenue, Garden City, New York 11530. Alternatively, the directors may be contacted via e-mail at [BoardofDirectors@lifetimebrands.com](mailto:BoardofDirectors@lifetimebrands.com).

## BOARD NOMINATION PROCESS

The directors of the Company are elected annually by the stockholders of the Company. They serve until the next annual meeting of the stockholders of the Company or until their successors have been duly elected and qualified or until their earlier resignation or removal.

## NOMINATING AND GOVERNANCE COMMITTEE

In 2009, the Board of Directors combined the Governance Committee and the Nominating Committee. The Nominating and Governance Committee is composed of all of the Company's independent directors; John Koegel (Chair), David E. R. Dangoor, Michael Jeary, Cherrie Nanninga and William U. Westerfield. The Nominating and Governance Committee held five meetings in 2010.

The Nominating and Governance Committee has the following responsibilities:

- To evaluate the qualifications of candidates for Board membership and, following consultation with the Chief Executive Officer, recommend to the Board nominees for open or newly created director positions;
- To consider nominees recommended by stockholders as long as such recommendations are received at least 120 days before the stockholders meet to elect directors;
-

To periodically review the composition of the Board to determine whether it may be appropriate to add individuals with different backgrounds or skill sets from those already on the Board, and submit to the Board on an annual basis a report summarizing its conclusions regarding these matters;

- To consider requests by members of the Board of Directors to serve on other public company boards;
  - To provide an orientation and education program for Directors;

- To develop and make recommendations to the Board regarding governance principles applicable to the Company;
- To assess the structure of the committees of the Board, develop and recommend corporate governance guidelines and develop and recommend procedures for the evaluation and self-evaluation of the Board; and
  - To perform such other duties as the Board may assign to the Committee.

The complete text of the Nominating and Governance Committee charter was set forth as Appendix A to the 2009 Proxy Statement. The Nominating and Governance Committee charter is available on the Company's website at [www.lifetimebrands.com](http://www.lifetimebrands.com).

#### BOARD DIVERSITY

The Company's policy provides that while diversity and the variety of experiences and viewpoints represented on the Board of Directors should always be considered, a director nominee should not be chosen nor excluded solely or largely because of race, color, gender, national origin or sexual orientation or identity. In selecting a director nominee, the Nominating and Governance Committee focuses on skills, expertise and background that would compliment those of the existing members of the Board of Directors, recognizing the nature of the Company's business.

#### AUDIT COMMITTEE

The Audit Committee is composed of three directors, each of whom is independent, as required by the Audit Committee charter and the listing requirements for The NASDAQ Stock Market, LLC and the SEC rules. The current members are William U. Westerfield (Chair), David E. R. Dangoor and Cherrie Nanninga. The Board has determined that William U. Westerfield is an "Audit Committee Financial Expert," as defined by the SEC rules. The Audit Committee held four meetings during 2010.

The Audit Committee, among other things, regularly:

- Considers the qualifications of and appoints and reviews the activities of the Company's independent registered public accounting firm;
- Reviews and approves audit fees and fees for non-audit services rendered or to be rendered by the independent accountants, and reviews the audit plan and the services rendered or to be rendered by the independent accountants for each year and the results of their audit of the financial statements for the previous year;
- Evaluates the Company's organization and its internal controls, policies, procedures and practices to determine whether they are reasonably designed to:
  - Provide for the safekeeping of the Company's assets; and
  - Assure the accuracy and adequacy of the Company's records and financial statements;
- Reviews the activities of the Company's internal audit function and approves the internal audit plan and budget;
  - Reviews the Company's financial statements and reports;
-

Discusses the Company's processes with respect to risk assessment and risk management and reviews the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures;

- Monitors compliance with the Company's internal controls, policies, procedures and practices;
  - Reviews and approves related-party transactions; and
- Undertakes such other activities as the Board from time to time may delegate to it.

The complete text of the Audit Committee charter is set forth as Appendix A to this Proxy Statement. The Audit Committee charter is also available on the Company's website at [www.lifetimebrands.com](http://www.lifetimebrands.com).

#### STRATEGIC PLANNING COMMITTEE

The Strategic Planning Committee is composed of four directors. The current members are Michael Jeary (Chair), John Koegel, David E. R. Dangoor and Jeffrey Siegel. The Strategic Planning Committee held three meetings in 2010.

The Strategic Planning Committee, among other things, provides assistance to the Board in fulfilling its responsibilities to the stockholders of the Company with respect to the following:

- Monitoring and informing the Board of developments, trends and new discoveries that may facilitate the Company to achieve its goals by improving operations, profitability and stockholder value;
- Reviewing and recommending to the Board, for its approval, long-term business objectives and plans developed by management; and
  - Overseeing the development and monitoring the implementation of a strategic plan.

The Strategic Planning Committee regularly receives updates from the Chairman of the Board of Directors and Chief Executive Officer, and from time to time meets with the Company's Division Presidents.

#### COMPENSATION COMMITTEE

The Compensation Committee is composed of three directors, each of whom is independent. The current members are Cherrie Nanninga (Chair), John Koegel, and Michael Jeary. The Compensation Committee held thirteen meetings during 2010.

The purpose of the Compensation Committee is to assist the Board in fulfilling its responsibilities relating to executive as well as non-executive compensation. The principal duties and responsibilities of the Compensation Committee include: (i) reviewing and approving compensation principles that apply generally to the Company's employees, (ii) establishing and reviewing corporate goals and objectives relevant to the compensation of the Chief Executive Officer and Chief Operating Officer, and (iii) reviewing, based primarily on the evaluations and recommendations of the Chief Executive Officer and Chief Operating Officer, the performance of the other executive officers of the Company. The Compensation Committee considers the following factors in making or approving compensation decisions or recommendations from executive management: Company performance, division performance, individual performance, executive potential and retention.

The Compensation Committee is also responsible for the administration of the Company's 2000 Incentive Bonus Compensation Plan and the Company's 2000 Long-Term Incentive Plan.

The complete text of the Compensation Committee charter was set forth as Appendix A to the 2010 Proxy Statement. The Compensation Committee charter is also available on the Company's website at [www.lifetimebrands.com](http://www.lifetimebrands.com).

#### EXECUTIVE SESSIONS

The independent directors meet at regularly scheduled executive sessions without members of management present.

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## AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors of the Company reviewed and discussed the consolidated financial statements of the Company and its subsidiaries that are set forth in the Company's 2010 Annual Report to Stockholders and in Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2010 with management of the Company and Ernst & Young LLP, the independent registered public accounting firm of the Company.

The Audit Committee discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, which includes, among other items, matters relating to the conduct of an audit of the Company's financial statements and the adequacy of internal controls.

The Audit Committee received the written disclosures and the letter from Ernst & Young LLP required by Rule 3256 of the Public Company Accounting Oversight Board, Communications Concerning Independence, and discussed with Ernst & Young LLP that firm's independence from the Company. The Committee concluded that the provision by Ernst & Young LLP of non-audit services, including tax preparation services, to the Company is compatible with its independence.

Based on the review and discussions with management of the Company and Ernst & Young LLP referred to above, the Audit Committee recommended to the Board of Directors that the Company publish the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2010 in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 and in the Company's 2010 Annual Report to Stockholders.

April 29, 2011

The Audit Committee  
William U. Westerfield - Chair  
Cherrie Nanninga  
David E. R. Dangoor

## COMPENSATION DISCUSSION AND ANALYSIS

### EXECUTIVE SUMMARY

The Company exceeded many of its financial and operational goals during 2010. The Company's successful financial results for 2010 were derived from strong sales growth, stability in margins and a continuing focus on cost containment. The Company also strengthened its balance sheet at the end of the year, as a result of cash generated during 2010, and by refinancing its bank credit agreement, arranging new financing to provide for the repayment of its convertible notes and repurchasing approximately \$51 million of the convertible notes. These results were achieved through execution of the Company's business strategy during an uncertain and challenging period in the global economy.

The financial highlights for 2010 included the following:

- An increase in net sales to \$443.2 million in 2010, an increase of 6.8%, as compared to net sales of \$415.0 million in 2009.
- An increase in income before income taxes, equity in earnings and extraordinary item to \$19.7 million in 2010 as compared to \$2.4 million in 2009.
- An increase in net income to \$20.3 million, or \$1.64 per diluted share, in 2010, as compared to \$2.7 million, or \$0.22 per diluted share, in 2009.
- An increase in EBITDA to \$42.9 million, as compared to \$32.0 million for 2009. The Company defines EBITDA as net income, adjusted to exclude undistributed earnings of Grupo Vasconia, extraordinary items, interest, income taxes, depreciation and amortization, restructuring expenses, stock compensation expense and loss on early retirement of debt.

The Company's compensation program, which is based on the Company's philosophy and objectives, provided for an evaluation of the 2010 financial results and the achievements of the executives, in the determination of 2010 executive compensation, yielding a high level of correlation between pay and performance.

### COMPENSATION PHILOSOPHY AND OBJECTIVES

The Company's compensation program historically has been designed to attract, reward, and retain capable executives and to provide incentives for the attainment of short-term performance objectives and strategic long-term performance goals. A number of key principles guide management and the Compensation Committee in determining compensation for hiring, motivating, rewarding and retaining executive officers who create both short and long-term stockholder value for the Company. The Company believes that a significant amount of compensation must be linked to measurable success in business performance. A strong link between compensation and performance provides incentives for achieving short and long-term financial and business objectives and for aligning management's interests with those of the stockholders. Management and the Compensation Committee also believe that it must set compensation at levels that will be competitive with the compensation offered by those companies against whom the Company competes for executive talent so that the Company is able to attract and retain talented and experienced executives.

In an effort to balance the need to retain executive talent yet motivate executives to achieve superior performance, the Company has adopted a compensation philosophy that contains both fixed and variable elements of compensation. The Company's compensation philosophy is to reward executives with compensation aligned to the

Company's short-term and long-term financial goals and the establishment of performance targets that do not promote excessive risk. The elements of the Company's executives' total compensation are base salary, cash bonus and stock incentives. The compensation program was designed to create a substantial percentage of variable compensation for executives, subject to increases or decreases based on the attainment of specified achievements and targets. Consistent with the Company's goal of linking pay and performance, the performance-based compensation of the Company's CEO and COO amounted to 64% and 62% of their total compensation, respectively, for 2010.

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The named executive officers (“NEOs”) of the Company are:

|                  |   |
|------------------|---|
| Jeffrey Siegel   | Chairman of the Board of Directors, Chief Executive Officer and President |
| Ronald Shiftan   | Vice Chairman of the Board of Directors and Chief Operating Officer       |
| Craig Phillips   | Senior Vice-President — Distribution and Director                         |
| Laurence Winoker | Senior Vice-President — Finance, Treasurer and Chief Financial Officer    |

#### ROLE OF THE COMPENSATION COMMITTEE

The purpose of the Compensation Committee is to assist the Board of Directors of the Company in fulfilling its responsibilities relating to executive as well as non-executive compensation. The principal duties and responsibilities of the Compensation Committee include:

- (i) Reviewing and approving compensation principles that apply generally to the Company’s employees;
- (ii) Establishing and reviewing corporate goals and objectives relevant to the compensation of the Chief Executive Officer and Chief Operating Officer, evaluating their performances in light of the established goals and objectives, and approving their annual compensation; and
- (iii) Reviewing corporate goals and objectives (as established by the Chief Executive Officer and Chief Operating Officer) relevant to the compensation of the other NEOs, evaluating their performances in light of the established goals (considering evaluations and recommendations provided by the Chief Executive Officer and Chief Operating Officer), and approving their annual compensation. The Compensation Committee considers the following factors in making or approving compensation decisions or recommendations from executive management: Company performance, division performance, individual performance, executive potential and retention.

The Compensation Committee also reviews the evaluation process and compensation structure for the other members of senior management of the Company. The Compensation Committee is also responsible for the administration of the Company’s 2000 Incentive Bonus Compensation Plan and the Company’s 2000 Long-Term Incentive Plan.

Since 2008, the Compensation Committee has engaged Pearl Meyer & Partners as the Compensation Committee’s independent outside compensation consultant to provide services related to executive and non-employee director compensation. Pearl Meyer & Partners does not provide other services to the Company unless approved by the Compensation Committee.

Pearl Meyer & Partners assists the Compensation Committee in its evaluation of the Company’s compensation philosophy and with the development of relevant metrics used by the Compensation Committee to assure internal equity and market parity. Pearl Meyer & Partners developed a peer group of companies with characteristics generally

comparable to the Company's revenue and market capitalization for review and approval of the Compensation Committee. The peer group companies used in the peer group analysis were Blyth Inc., Kenneth Cole Productions Inc., CSS Industries Inc., Perry Ellis Intl Inc., G-III Apparel Group, Helen of Troy, JAKKS Pacific Inc., Libbey Inc., and Kid Brands, Inc. The companies included in the peer group were the most comparable public companies; however most of the Company's direct competitors are either smaller, international or privately-held. The Compensation Committee considers the competitive data compiled by Pearl Meyer & Partners as reference points, but does not "benchmark" to specific pay levels when establishing goals and objectives relevant to the Company's compensation policy. In 2010, Pearl Meyer & Partners provided competitive data and a market analysis which was used by the Compensation Committee in negotiating the terms of the CEO's new employment agreement, which became effective on January 1, 2011.

Fees paid to Pearl Meyer & Partners by the Company for compensation consulting services in 2010 and 2009 were \$92,000 and \$182,000, respectively.

## SPECIFIC ELEMENTS OF NEO COMPENSATION

### SALARY

Salary is intended to compensate the executive for performance of core job responsibilities and duties.

The salaries of Jeffrey Siegel and Ronald Shiftan are fixed by employment agreements that have been negotiated between Messrs. Siegel and Shiftan, respectively, and the Compensation Committee.

In determining Mr. Siegel's compensation, the Compensation Committee took into account Mr. Siegel's long-standing executive role in the Company, his extensive knowledge of and experience in the Housewares industry and his role in directing the growth of the Company. The Compensation Committee views Mr. Siegel as one of the most experienced and successful executives in the Housewares industry. The Compensation Committee also reviewed compensation being paid to other chief executive officers having the depth of experience, knowledge and industry awareness possessed by Mr. Siegel.

In determining Mr. Shiftan's compensation, the Compensation Committee took into account his significant role in developing, structuring and implementing the Company's growth and acquisition strategies. The Compensation Committee also considered Mr. Shiftan's role in assisting Mr. Siegel in various aspects of the Company's business.

The salaries of Craig Phillips and Laurence Winoker are set forth in their employment agreements with the Company. Pursuant to his employment agreement, Mr. Winoker's annual increases are based on changes in the Bureau of Labor Statistics Consumer Price Index for All Urban Consumers for the New York Area.

### CASH BONUSES

Mr. Siegel and Mr. Shiftan receive cash bonuses based on certain targets established pursuant to their respective employment agreements that are based on earnings before interest and taxes adjusted for certain items as more fully described below under the Summary Compensation Table.

Cash bonuses paid to Mr. Siegel and Mr. Shiftan in 2010 represented 59% and 87%, respectively, of the maximum cash bonuses available to them pursuant to their employment agreements.

Mr. Phillips' bonus is discretionary. Mr. Winoker is entitled to receive a bonus, based on a target bonus of 40% of his base salary, determined based on performance objectives set forth in writing at the beginning of each calendar year during the term of his employment agreement.

### STOCK OPTIONS

The Compensation Committee granted certain incentive stock options and non-qualified stock options to Jeffrey Siegel, Ronald Shiftan and Laurence Winoker in connection with their entering into their respective employment agreements. In addition, each NEO generally receives stock options once a year based on individual, division and Company performance, overall dilution, retention and executive potential.

In 2009, Pearl Meyer & Partners provided the Compensation Committee with guidelines for long-term incentives that approximated the Company's targeted competitive position of between the 50th and 75th percentiles with respect to the Company's peer group and long-term incentive survey data, which was measured using a variety of different perspectives in recognition of the Company's share price volatility leading up to the date of the analysis. The Compensation Committee considers illustrative guidelines provided to the Compensation Committee by Pearl Meyer & Partners, together with individual, division and Company performance, overall dilution, retention and executive potential, in granting stock options to the NEOs.

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## OTHER COMPENSATION

The Company maintains a defined contribution 401(k) plan for all employees including the NEOs. The Company suspended its matching contributions effective January 1, 2009.

The Company offers perquisites that it believes are customary and reasonable, such as Company paid automobile expenses, and with respect to Messrs. Siegel and Shiftan, reimbursement or payment of certain insurance and legal expenses.

The following chart shows each of the above elements of compensation as a percentage of total compensation received by the NEOs for 2010, 2009 and 2008:

| Major Elements of Each NEO's Compensation as a Percentage of Total Compensation |      |             |            |                    | Total Compensation Per Summary Compensation Table |             |
|---|------|-------------|------------|--------------------|---|-------------|
|   |      | %<br>Salary | %<br>Bonus | %<br>Stock options | %<br>Other compensation                           | Total \$    |
| Jeffrey Siegel  | 2010 | 32          | 38         | 26                 | 4   | \$3,132,413 |
|   | 2009 | 51          | 43         |                    | 6   | 1,971,252   |
|   | 2008 | 86          |            | 2                  | 12  | 1,109,961   |
| Ronald Shiftan  | 2010 | 33          | 39         | 23                 | 5   | \$1,721,709 |
|   | 2009 | 36          | 31         | 26                 | 7   | 1,489,634   |
|   | 2008 | 88          |            | 3                  | 9   | 592,271     |
| Craig Phillips  | 2010 | 65          | 19         | 12                 | 4   | \$ 504,226  |
|   | 2009 | 81          | 15         |                    | 4   | 382,139     |
|   | 2008 | 92          |            | 2                  | 6   | 326,686     |
| Laurence Winoker  | 2010 | 49          | 30         | 20                 | 1   | \$ 819,871  |
|   | 2009 | 64          | 28         | 6                  | 2   | 504,603     |
|   | 2008 | 94          |            | 2                  | 4   | 327,607     |

## ACCOUNTING AND TAX CONSIDERATIONS

Internal Revenue Code (the "Code") Section 162(m) generally disallows a tax deduction to public companies for compensation in excess of \$1 million paid to any of the companies' chief executive officer and other named executive officers. Qualifying performance-based compensation is not subject to the deduction limitation if certain requirements are met. The Company periodically reviews the potential consequences of Section 162(m) and may structure the performance-based portion of an executive's compensation to comply with certain exemptions in Section 162(m). However, the Company reserves the right to use its judgment to authorize compensation payments that do not comply with the exemptions in Section 162(m), when the Company believes that such payments are appropriate and in the best interests of the stockholders, after taking into consideration changing business conditions and the executive officer's performance.





COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. The Compensation Committee also evaluates the levels of risks arising from the Company's compensation policies and practices and reviews suggested practices to mitigate such risks. The risks considered by the Compensation Committee included the following: i) strategic risk, which involves the alignment of performance metrics of executives with the objective of long-term value creation for shareholders, ii) governance risk, focused on the independence and level of expertise of Compensation Committee members as well as the use of a compensation consultant, and iii) pay-mix risk, which includes the balancing of the fixed and variable performance components of executive compensation. The Company concluded that the risks arising from the Company's compensation policies and practices are not reasonably likely to have a material adverse effect on the Company. Based on this review, discussion and evaluation of risks, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Proxy Statement.

April 29, 2011

The Compensation Committee  
Cherrie Nanninga – Chair  
John Koegel  
Michael Jeary

## SUMMARY COMPENSATION TABLE

The following table sets forth information concerning the compensation of the Company's NEOs:

| Name and Principal Position  | Year | Salary       | Bonus        | Option awards(1) | All other compensation | Total        |
|--|------|--------------|--------------|------------------|------------------------|--------------|
| Jeffrey Siegel (2)<br>Chairman of the Board<br>of Directors, Chief<br>Executive Officer and<br>President | 2010 | \$ 1,004,733 | \$ 1,190,984 | \$ 805,000       | \$ 131,696             | \$ 3,132,413 |
|  | 2009 | 999,678      | 841,344      |                  | 130,230                | 1,971,252    |
|  | 2008 | 959,658      |              | 18,900           | 131,403                | 1,109,961    |
| Ronald Shiftan (3)<br>Vice Chairman of the<br>Board of Directors and<br>Chief Operating Officer          | 2010 | 566,183      | 662,019      | 402,500          | 91,007                 | 1,721,709    |
|  | 2009 | 538,235      | 460,378      | 393,750          | 97,271                 | 1,489,634    |
|  | 2008 | 517,878      |              | 19,050           | 55,343                 | 592,271      |
| Craig Phillips (4)<br>Senior Vice-President<br>—Distribution<br>and Director                             | 2010 | 325,096      | 97,663       | 60,375           | 21,092                 | 504,226      |
|  | 2009 | 311,539      | 56,250       |                  | 14,350                 | 382,139      |
|  | 2008 | 299,712      |              | 6,600            | 20,374                 | 326,686      |
| Laurence Winoker (5)<br>Senior Vice-President<br>—Finance, Treasurer and<br>Chief Financial Officer      | 2010 | 399,760      | 248,480      | 161,000          | 10,631                 | 819,871      |
|  | 2009 | 320,948      | 141,052      | 30,000           | 12,603                 | 504,603      |
|  | 2008 | 308,294      |              | 6,600            | 12,713                 | 327,607      |

Notes:

(1) Represents the aggregate grant date fair value of the stock options as determined under the Financial Accounting Standards Board Accounting Standards Codification Topic No. 718-20, Awards Classified as Equity, which will be recognized by the Company for options granted during 2010, 2009 and 2008. For information regarding the valuation of these options refer to Note G to the Company's Consolidated Financial Statements for the year ended December 31, 2010 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

(2) 2010 – All other compensation consists of reimbursement of insurance expenses of \$100,000 (includes a gross-up payment to cover taxes of \$40,000), Company paid automobile related expenses of \$26,696, and reimbursement of legal fees of \$5,000. Effective January 1, 2011, the Company discontinued the practice of paying the tax gross-ups with respect to insurance and other reimbursements.

2009 – All other compensation consists of reimbursement of insurance expenses of \$100,000 (includes a gross-up payment to cover taxes of \$40,000), Company paid automobile related expenses of \$24,230, and reimbursement of legal fees of \$6,000.

2008 – All other compensation consists of reimbursement of insurance expenses of \$100,000 (includes a gross-up payment to cover taxes of \$40,000), Company paid automobile related expenses of \$26,803 and a 401(k) matching contribution made by the Company of \$4,600.

(3)

2010 – All other compensation consists of reimbursement of insurance expenses of \$60,000, Company paid automobile related expenses of \$20,005, and reimbursement of legal fees of \$11,002.

2009 – All other compensation consists of reimbursement of insurance expenses of \$60,000, Company paid automobile related expenses of \$24,204, and reimbursement of legal fees of \$13,067.

2008 – All other compensation consists of reimbursement of insurance expenses of \$20,000, Company paid automobile related expenses of \$30,743 and a 401(k) matching contribution made by the Company of \$4,600.

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Notes (continued):

(4) 2010 – All other compensation consists of Company paid automobile related expenses of \$21,092.

2009 – All other compensation consists of Company paid automobile related expenses of \$14,350.

2008 – All other compensation consists of Company paid automobile related expenses of \$16,495 and a 401(k) matching contribution made by the Company of \$3,879.

(5) 2010 – All other compensation consists of Company paid automobile related expenses of \$10,631.

2009 – All other compensation consists of Company paid automobile related expenses of \$12,603.

2008 – All other compensation consists of Company paid automobile related expenses of \$11,289 and a 401(k) matching contribution made by the Company of \$1,424.

Jeffrey Siegel

On May 2, 2006, Jeffrey Siegel entered into an employment agreement with the Company (the “Employment Agreement”) whereby the Company employed Mr. Siegel as its President and Chief Executive Officer for a five year term that commenced on January 1, 2006, with automatic renewals for additional consecutive one year periods unless his term of employment was terminated by either the Company or Mr. Siegel. The Employment Agreement provided for an annual salary of \$960,000 with annual increments based on changes in the Bureau of Labor Statistics Consumer Price Index for All Urban Consumers for the New York Area.

The Employment Agreement was amended on August 10, 2009 (the “First Amendment”) to (a) revise the provisions relating to the bonuses which Mr. Siegel is entitled to receive for each year during the term of his employment under the Employment Agreement and (b) modify the provisions relating to Section 409A of the Code. The Employment Agreement was further amended on November 9, 2010 (the “Second Amendment”) to revise the provisions relating to the bonuses which Mr. Siegel is entitled to receive for each year during the term of his employment under the employment agreement, as amended by the First Amendment and the Second Amendment (the “Amended Employment Agreement”). The Amended Employment Agreement specified that Mr. Siegel would receive 50% of the target bonus for a year in which the Adjusted IBIT for such year reached the threshold of 50% and also provided for Mr. Siegel to receive a maximum of 200% of the target bonus for such year if the Adjusted IBIT for such year equaled or exceeded 200% of the target Adjusted IBIT for such year.

Pursuant to the Employment Agreement, as amended by the First Amendment, with respect to the year ended December 31, 2009, Mr. Siegel was entitled to receive certain bonuses provided for in the Employment Agreement prior to the First Amendment; provided, however, in no event more in the aggregate than the “2009 Annual Adjusted IBIT Performance Bonus” as defined in the Employment Agreement. The amount of the 2009 Annual Adjusted IBIT Performance Bonus was less than the bonus provided for in his Employment Agreement prior to the First Amendment and, therefore, Mr. Siegel was paid the lesser amount. The Employment Agreement, as amended by the First Amendment, defines the term “2009 Annual Adjusted IBIT Performance Bonus” as that amount shown opposite the adjusted IBIT achieved by the Company for such year in a table (the “2009 Adjusted IBIT Performance Bonus Table”) delivered to Mr. Siegel by the Compensation Committee concurrently with the execution of the amendment of the First Amendment. The term “Adjusted IBIT,” as it applies to any particular year, means that amount for such year equal to the Company’s income before income taxes as determined by the Company’s independent auditors using generally accepted accounting principles, subject to such adjustments as are set forth in the Adjusted IBIT Performance Bonus

Table for such year.

For the year ended December 31, 2010, the Compensation Committee prepared an Adjusted IBIT Performance Bonus Table for 2010 similar to the 2009 Adjusted IBIT Performance Table, except that (i) the Adjusted IBIT to be achieved by the Company for Mr. Siegel to obtain 100% of the target bonus was based on the annual budget for such year prepared by the management and discussed with the Board of Directors of the Company and (ii) the target bonus payable upon achieving 100% of the target Adjusted IBIT for such year was 100% of the salary payable to Mr. Siegel for such year. Pursuant to the Amended Employment Agreement, the threshold Adjusted IBIT for 2010 was 50% of the target Adjusted IBIT for such year which, if achieved, entitled Mr. Siegel to receive 50% of the target bonus for such year consistent with the Adjusted IBIT Performance Bonus Table for such year. Similarly, the maximum Adjusted IBIT for such year was 200% of the target Adjusted IBIT for such year which, if achieved, entitled Mr. Siegel to receive 200% of the target bonus for such year, consistent with the Adjusted IBIT Performance Table for such year.

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The Amended Employment Agreement also provided that the Adjusted IBIT Performance Bonus for 2010 would be zero if the Adjusted IBIT achieved by the Company for 2010 was less than the threshold Adjusted IBIT for 2010, and in no event would the Adjusted IBIT Performance Bonus for such year be more than the maximum target bonus for 2010 even if the Adjusted IBIT achieved by the Company for such year exceeded the maximum Adjusted IBIT.

The Amended Employment Agreement also provided for other perquisites including Company paid automobile related expenses, the reimbursement of legal fees for financial, investment and/or tax advice, and the drafting of wills and trusts in connection with estate planning up to \$10,000 during any twelve month period, the reimbursement of legal fees related to the drafting of his employment agreement up to \$20,000 and the reimbursement of insurance premiums paid by Mr. Siegel up to \$60,000 per year plus a gross-up payment from the Company in an amount such that the net amount retained by Mr. Siegel, after the calculation and reduction for any Federal, state, and local income taxes and employment taxes on the gross-up payment, shall be equal to the additional life insurance policy income.

The Amended Employment Agreement further provided for payments due to Mr. Siegel upon the termination of his employment as described under Potential Payments Upon Termination or Change in Control.

The complete text of Mr. Siegel's employment agreement, before it was amended by the First Amendment, was filed with the SEC as an exhibit to a Form 8-K dated May 8, 2006. The complete text of the First Amendment to Mr. Siegel's employment agreement was filed with the SEC as an exhibit to a Form 8-K dated August 12, 2009. The complete text of the Second Amendment was filed with the SEC as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Effective as of January 1, 2011, Mr. Siegel entered into a new employment agreement (the "New Employment Agreement") with the Company. The new agreement extends the term of Mr. Siegel's employment through December 31, 2013, with automatic renewals for additional one year periods unless his employment is terminated by either the Company or Mr. Siegel; provides for an annual base salary of \$1,000,000; Company-paid automobile expenses; reimbursement of certain legal, financial and other professional services up to \$10,000 during any twelve month period; and reimbursement of insurance premiums up to \$60,000 per year. The new agreement eliminates all gross-up payments for taxes on such additional payments.

Pursuant to the New Employment Agreement, the Company granted Mr. Siegel an option to purchase 150,000 shares of the Company's common stock at a price equal to the closing stock price on March 4, 2011. Such stock option will vest and become exercisable in three equal installments on December 31, 2011, 2012 and 2013 and expire ten years from the date of grant. The New Employment Agreement also entitles Mr. Siegel to receive (a) an Annual Adjusted IBIT Performance Bonus, and (b) an Annual Individual Goal Bonus. The Annual Adjusted IBIT Performance Bonus is based on an Adjusted IBIT Performance Bonus table prepared by the Compensation Committee of the Board of Directors for each such year which shall be similar to the Adjusted IBIT Performance Table for the year 2010 prepared by the Compensation Committee, except that the Adjusted IBIT to be achieved by the Company for Mr. Siegel to obtain 100% of the target bonus will be based on the annual budget for such year prepared by the management of the Company and approved by the Board of Directors of the Company. The target bonus payable will be calculated and determined in the same manner as the target bonus payable for 2010 pursuant to the Amended Employment Agreement. For each year during the term of his employment under the New Employment Agreement, commencing with the year ending December 31, 2011, Mr. Siegel shall be entitled to receive an Annual Individual Goal Bonus equal to 25% of his salary for such year based on meeting individual measurable objectives set by the Compensation Committee in consultation with Mr. Siegel. If Mr. Siegel satisfies at least 50% of such objectives, he shall be entitled to an Annual Individual Goal Bonus equal to 12.5% of his salary for such year. If Mr. Siegel meets less than 50% of such objectives, he shall not be entitled to receive any Annual Individual Goal Bonus for such year. The New Employment Agreement further provides for payments due to Mr. Siegel upon the termination of his

employment under the New Employment Agreement. The complete text of the New Employment Agreement was filed with the SEC as an exhibit to a Form 8-K dated March 8, 2011.

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Ronald Shiftan

On August 10, 2009, the Company entered into an amended and restated employment agreement with Ronald Shiftan (the “Amended and Restated Employment Agreement”) whereby the Company employed Mr. Shiftan as its Vice Chairman and Chief Operating Officer through December 31, 2012, with automatic renewals for additional one year periods unless terminated by either the Company or Mr. Shiftan. Pursuant to the Amended and Restated Employment Agreement, Mr. Shiftan’s annual salary was \$518,000, effective January 1, 2008, and increased to \$566,000 effective January 1, 2010. On November 9, 2010, the Company entered into an amendment of the Amended and Restated Employment Agreement with Mr. Shiftan (the “Amendment of the Amended and Restated Employment Agreement”), which provided that Mr. Shiftan is to receive 50% of the target bonus for a year in which the Adjusted IBIT for such year reaches the threshold of 50% of the target Adjusted IBIT for such year and also provides for Mr. Shiftan to receive a maximum of 150% of the target bonus for such year if the Adjusted IBIT for such year equals or exceeds 150% of the target Adjusted IBIT for such year.

Pursuant to the Amended and Restated Employment Agreement, with respect to the year ending December 31, 2009, Mr. Shiftan was entitled to receive certain bonuses provided for in his employment agreement prior to its amendment and restatement; provided, however, in no event more in the aggregate than the “2009 Annual Adjusted IBIT Performance Bonus” as defined in the Amended and Restated Employment Agreement. The amount of the 2009 Annual Adjusted IBIT Performance Bonus was less than the bonus provided for in his employment agreement prior to its amendment and restatement and, therefore, Mr. Shiftan was paid the lesser amount. The Amended and Restated Employment Agreement defines the term “2009 Annual Adjusted IBIT Performance Bonus” as that amount shown opposite the adjusted IBIT achieved by the Company for such year in a table (the “2009 Adjusted IBIT Performance Bonus Table”) delivered to Mr. Shiftan by the Compensation Committee concurrently with the execution of the amendment and restatement of his employment agreement.

The term “Adjusted IBIT,” as it applies to any particular year, means that amount for such year equal to the Company’s income before income taxes subject to review by the Company’s independent auditors using generally accepted accounting principles, subject to such adjustments as are set forth in the Adjusted IBIT Performance Bonus Table for such year.

For each year following the year ending December 31, 2009, the Amended and Restated Employment Agreement provides that the Compensation Committee is to prepare an Adjusted IBIT Performance Bonus Table for such year similar to the 2009 Adjusted IBIT Performance Table, except that (i) the Adjusted IBIT to be achieved by the Company for Mr. Shiftan to obtain 100% of the target bonus will be based on the annual budget for such year prepared by the management and discussed with the Board of Directors of the Company and (ii) the target bonus payable upon achieving 100% of the target Adjusted IBIT for such year will be 100% of the salary payable to Mr. Shiftan for such year. Pursuant to the Amendment of the Amended and Restated Employment Agreement, the threshold Adjusted IBIT for such year will be 50% of the target Adjusted IBIT for such year which, if achieved, would entitle Mr. Shiftan to receive 50% of the target bonus for such year consistent with the Adjusted IBIT Performance Bonus Table for such year. Similarly, the maximum Adjusted IBIT for such year will be 150% of the target Adjusted IBIT for such year which, if achieved, would entitle Mr. Shiftan to receive 150% of the target bonus for such year consistent with the Adjusted IBIT Performance Bonus Table for such year.

The Amended and Restated Employment Agreement also provides that the Adjusted IBIT Performance Bonus for any such year will be zero if the Adjusted IBIT achieved by the Company for such year is less than the threshold Adjusted IBIT for such year, and in no event will an Adjusted IBIT Performance Bonus for such year be more than the maximum target bonus for such year even if the Adjusted IBIT achieved by the Company for such year exceeds the

maximum Adjusted IBIT for such year.

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The Amended and Restated Employment Agreement further provides that for each year during Mr. Shiftan's employment under the Amended and Restated Employment Agreement, he shall be entitled to receive an Annual Individual Goal Bonus equal to 10% of his salary for such year based on meeting individual measurable objectives set by the Chief Executive Officer and monitored by the Compensation Committee of the Board of Directors. If Mr. Shiftan meets at least 50% of such objectives, he shall be entitled to an Annual Individual Goal Bonus equal to at least 5% of his salary for such year. If Mr. Shiftan satisfies less than 50% of such objectives, he shall not be entitled to receive any Annual Individual Goal Bonus for such year.

Pursuant to the Amended and Restated Employment Agreement, Mr. Shiftan was granted an option to purchase 125,000 shares of the Company's common stock at a price equal to the closing stock price on August 10, 2009 with an expiration of five years from the date of grant. The option vested 25% on December 31, 2009 and the balance vests in three equal annual installments commencing on December 31, 2010 and, therefore, 50% was vested as of December 31, 2010.

The Amended and Restated Employment Agreement also provides for certain perquisites including Company paid automobile related expenses, the reimbursement of legal fees for financial, investment and/or tax advice, and the drafting of wills and trusts in connection with estate planning up to \$15,000 during any twelve month period, and the reimbursement of insurance premiums paid by Mr. Shiftan up to \$60,000 per year.

The Amended and Restated Employment Agreement further provides for payments due to Mr. Shiftan upon the termination of his employment as described under Potential Payments Upon Termination or Change in Control.

The complete text of the Amended and Restated Employment Agreement was filed with the SEC as an exhibit to a Form 8-K dated August 12, 2009. The complete text of the Amendment of the Amended and Restated employment agreement was filed with the SEC as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

#### Craig Phillips

On March 8, 2010, the Company entered into an amended and restated employment agreement with Craig Phillips whereby the Company employed Mr. Phillips as the Company's Senior Vice-President — Distribution. The agreement provided for an initial base annual salary of \$325,000 and an annual bonus determined by the Compensation Committee of the Board of Directors, upon recommendation of the Company's Chief Executive Officer and Chief Operating Officer, based primarily upon the Chief Executive Officer's and Chief Operating Officer's evaluation of Mr. Phillips' performance during such calendar year. The agreement also provides for certain perquisites including fringe benefits and Company paid automobile related expenses.

Mr. Phillips' employment agreement further provides for payments to Mr. Phillips upon the termination of his employment as described under Potential Payments Upon Termination or Change in Control.

The complete text of Mr. Phillips' amended and restated employment agreement was filed with the SEC as an exhibit to a Form 8-K dated March 10, 2010.

#### Laurence Winoker

On June 28, 2007, the Company entered into an employment agreement with Laurence Winoker, whereby the Company employed Mr. Winoker as the Company's Senior Vice-President — Finance, Treasurer and Chief Financial Officer for a three year term commencing on July 2, 2007 with automatic renewals thereafter for additional one year periods unless terminated by either Mr. Winoker or the Company. On March 8, 2010, the Company entered into an

amendment to Mr. Winoker's employment agreement, pursuant to which Mr. Winoker's base salary increased to \$400,000 with annual increases based on changes in the Bureau of Labor Statistics Consumer Price Index for New York-Northern New Jersey-Long Island, NY-NJ-CT-PA. Mr. Winoker's employment agreement provides for an annual performance bonus, with a target of 40% of his base salary, based on performance objectives set forth in writing at the beginning of each calendar year during the term of the agreement. The agreement also provides for certain perquisites including fringe benefits and Company paid automobile related expenses.

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In connection with the agreement, the Company also granted Mr. Winoker an option to purchase 75,000 shares of the Company's common stock pursuant to the Company's 2000 Long-Term Incentive Plan. The options vest over a 5 year period and expire on July 1, 2017.

Mr. Winoker's employment agreement further provides for payments to Mr. Winoker upon the termination of his employment as described under Potential Payments Upon Termination or Change in Control.

The complete text of Mr. Winoker's employment agreement, before it was amended, was filed with the SEC as an exhibit to a Form 8-K dated July 3, 2007. The complete text of the amendment to Mr. Winoker's employment agreement was filed with the SEC as an exhibit to a Form 8-K dated March 10, 2010.

#### GRANTS OF PLAN BASED AWARDS DURING THE FISCAL YEAR ENDED DECEMBER 31, 2010

The following table sets forth information regarding grants of stock based compensation to the NEOs during 2010:

| Name             | Grant date  | Number of securities underlying options | Exercise or base price of option awards (1) | Grant date fair value of option awards |
|------------------|-------------|---|---|--|
| Jeffrey Siegel   | May 7, 2010 | 100,000 (2)                             | \$ 13.27                                    | \$ 8.05                                |
| Ronald Shiftan   | May 7, 2010 | 50,000 (2)                              | 13.27                                       | 8.05                                   |
| Craig Phillips   | May 7, 2010 | 7,500 (2)                               | 13.27                                       | 8.05                                   |
| Laurence Winoker | May 7, 2010 | 20,000 (2)                              | 13.27                                       | 8.05                                   |

Notes:

(1) Represents the closing price of the Company's common stock on the respective grant dates.

(2) The options vest in equal yearly installments over four years commencing on the first anniversary of the grant date and expire on the tenth anniversary of the grant date.

The above stock options were granted pursuant to the Company's 2000 Long-Term Incentive Plan, as amended in June 2009 (the "Plan"). Under the Plan, up to 3,500,000 shares of the Company's common stock may be subject to outstanding awards granted by the Board of Directors of the Company, or a duly appointed committee thereof, to directors, officers, employees, consultants and service providers to the Company and its affiliates in the form of stock options or other equity-based awards. At December 31, 2010, 733,926 shares of the total 3,500,000 shares that could be issued under the plan were available for awards that could be granted under the Plan.

#### OPTION EXERCISES DURING THE FISCAL YEAR ENDED DECEMBER 31, 2010

There were no options exercised by the NEOs during 2010.

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## OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2010

The following table sets forth the outstanding equity awards held by the NEOs at December 31, 2010:

| Name                | Number of securities<br>underlying<br>unexercised<br>options (#)<br>exercisable | Number of securities<br>underlying unexercised<br>options (#) unexercisable | Option exercise<br>price (\$) | Option<br>expiration<br>date |
|---------------------|---|---|-------------------------------|------------------------------|
| Jeffrey Siegel      | 15,000 (1)  |   | \$ 4.60                       | November 9,<br>2018          |
|                     |   | 100,000 (2)   | 13.27                         | May 6, 2020                  |
| Ronald Shifan       | 75,000 (3)  |   | 5.55                          | December 5,<br>2011          |
|                     | 5,000 (4)   |   | 8.55                          | August 12,<br>2013           |
|                     | 1,000 (5)   |   | 20.09                         | June 8, 2014                 |
|                     | 15,000 (6)  |   | 4.60                          | November 9,<br>2018          |
|                     | 62,500 (7)  | 62,500 (7)  | 5.32                          | August 9,<br>2014            |
|                     |   | 50,000 (2)  | 13.27                         | May 6, 2020                  |
| Craig Phillips      | 25,000 (8)  |   | 7.72                          | June 30, 2013                |
|                     | 12,800 (9)  | 3,200 (9)   | 29.96                         | May 1, 2016                  |
|                     | 6,000 (10)  | 4,000 (10)  | 22.46                         | May 6, 2013                  |
|                     | 2,500 (11)  | 2,500 (11)  | 4.60                          | November 9,<br>2018          |
|                     |   | 7,500 (2)   | 13.27                         | May 6, 2020                  |
| Laurence<br>Winoker | 45,000 (12)   | 30,000 (12)   | 20.81                         | July 1, 2017                 |
|                     | 2,500 (11)  | 2,500 (11)  | 4.60                          | November 9,<br>2018          |
|                     | 6,250 (13)  | 18,750 (13)   | 2.19                          | April 2, 2019                |
|                     |   | 20,000 (2)  | 13.27                         | May 6, 2020                  |

## Notes:

- (1) This option was granted on November 10, 2008 and vested quarterly through December 31, 2010.
- (2) This option was granted on May 7, 2010 and vests 25% a year over four years commencing on the first anniversary of the date of grant.
- (3) This option was granted and vested on December 6, 2001.
- (4) This option was granted and vested on August 13, 2003.
- (5) This option was granted and vested on June 9, 2004.

- (6) This option was granted on November 10, 2008 and vested quarterly through June 30, 2010.
- (7) This option was granted on August 10, 2009 and vested 25% on December 31, 2009 with the balance vesting in three equal annual installments commencing on December 31, 2010.
- (8) This option was granted on July 1, 2003 and vested 25% a year in four equal annual installments commencing on the first anniversary of the date of grant.
- (9) This option was granted on May 2, 2006 and vests 20% a year in five equal annual installments commencing on the first anniversary of the date of grant.
- (10) This option was granted on May 7, 2007 and vests 20% a year in five equal annual installments commencing on the first anniversary of the date of grant.



Notes (continued):

- (11) This option was granted on November 10, 2008 and vests 25% a year in four equal annual installments commencing on the first anniversary of the date of grant.
- (12) This option was granted on July 2, 2007 and vests 20% a year in five equal annual installments commencing on the first anniversary of the date of grant.
- (13) This option was granted on April 3, 2009 and vests 25% a year in four equal annual installments commencing on the first anniversary of the date of grant.

**POTENTIAL PAYMENTS UPON TERMINATION  
OR CHANGE IN CONTROL**

The employment agreements that the Company has entered into with each of the NEOs require the Company to make certain payments to these individuals in the event of a termination of their employment or a change in control of the Company. The Company believes that the arrangements with respect to a change in control are appropriate to allow the NEOs to focus on the Company's interests in a change of control situation without distractions relating to their employment. The following table shows estimated payments that would have been made to each of the Company's NEOs pursuant to their current employment agreements under various scenarios involving a termination of employment or a change in control of the Company, assuming that each individual's employment was terminated or a change in control of the Company had occurred on December 31, 2010 and using the closing market price of the Company's common stock as of December 31, 2010:

| Payment   | Jeffrey Siegel | Ronald Shiftan | Craig Phillips | Laurence Winoker |
|---|----------------|----------------|----------------|------------------|
| <b>Upon termination as a result of disability</b> |                |                |                |                  |
| Cash severance                                    | \$ ¾           | \$ 2,388,567   | \$ 325,000     | \$ 200,000       |
| Awarded but unpaid bonus                          | 1,190,984      | 662,019        | 97,663         | ¾                |
| Stock options (intrinsic value)                   | ¾              | 583,500        | ¾              | ¾                |
| Health benefits                                   | ¾              | 6,918          | ¾              | ¾                |
| Insurance reimbursement                           | ¾              | 120,000        | ¾              | ¾                |
| Accrued vacation                                  | 38,542         | 21,770         | 12,500         | ¾                |
|   | \$ 1,229,526   | \$ 3,782,774   | \$ 435,163     | \$ 200,000       |
| <b>Upon termination as a result of death</b>      |                |                |                |                  |
| Cash severance                                    | \$ ¾           | \$ 2,388,567   | \$ 325,000     | \$ ¾             |
| Awarded but unpaid bonus                          | 1,190,984      | 662,019        | 97,663         | ¾                |
| Stock options (intrinsic value)                   | 77,000         | 583,500        | ¾              | ¾                |
| Health benefits                                   | ¾              | 6,918          | ¾              | ¾                |
| Insurance reimbursement                           | ¾              | 120,000        | ¾              | ¾                |
| Accrued vacation                                  | 38,542         | 21,770         | 12,500         | ¾                |
|   | \$ 1,306,526   | \$ 3,782,774   | \$ 435,163     | \$ ¾             |



| Payment   | Jeffrey Siegel | Ronald Shiftan | Craig Phillips | Laurence Winoker |
|---|----------------|----------------|----------------|------------------|
| Upon termination by the Company for cause or by the executive without good reason |                |                |                |                  |
| Awarded but unpaid bonus  | \$ 3/4         | \$ 3/4         | \$ 3/4         | \$ 248,480       |
| Accrued vacation  | 38,542         | 21,770         |                |                  |