

Edgar Filing: SYRATECH CORP - Form 10-K405

SYRATECH CORP
Form 10-K405
April 02, 2001

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the fiscal year ended December 31, 2000

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from _____ to _____

Commission File Number: 1-12624

Syratech Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

13-3354944
(I.R.S. Employer
Identification No.)

175 McClellan Highway
East Boston, Massachusetts
(Address of principal executive office)

02128-9114
(Zip Code)

Registrant's telephone number, including area code - 617-561-2200

Securities registered pursuant to Section 12(b) of the Act: Name
of each exchange on which registered:
None

Securities registered pursuant to Section 12(g) of the act:
None

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

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

The aggregate market value of voting stock held by non-affiliates is not
applicable as no public market for the voting stock of the registrant exists.
Number of the registrant's Shares of Common Stock, Par Value \$0.01 per share,
outstanding at March 31, 2001 3,784,018.

DOCUMENTS INCORPORATED BY REFERENCE

Edgar Filing: SYRATECH CORP - Form 10-K405

None.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Except for the historical information contained or incorporated by reference in this Annual Report on Form 10-K, the matters discussed or incorporated by reference herein are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, general economic and business conditions; industry capacity; industry trends; overseas expansion; the loss of major customers; changes in demand for the Company's products; the timing of orders received from customers; cost and availability of raw materials; dependence on foreign sources of supply; changes in business strategy or development plans; availability and quality of management; availability, terms and deployment of capital; and the seasonal nature of the business.

PART I

ITEM 1. BUSINESS

Overview

Syratech Corporation (the "Company") designs, manufactures, imports and markets a diverse portfolio of tabletop, giftware and seasonal products for home entertaining and decoration. The Company is one of the leading domestic manufacturers and marketers of sterling silver flatware and sterling silver and silver-plated hollowware. The Company also offers a number of other complementary tabletop and giftware items, including stainless steel flatware, picture frames, photo albums, photo storage, candles, glassware, crystal, and ceramics. Tabletop and giftware products generated approximately 65% of net sales for the year ended December 31, 2000. The Company is also a leading domestic manufacturer and marketer of seasonal products including Christmas ornaments, as well as a distributor of Christmas trim, lighting and tree skirts. Seasonal products generated approximately 35% of net sales for the year ended December 31, 2000.

The Company has positioned itself as a single-source supplier to retailers by offering a wide assortment of products across multiple price points through its "good-better-best" strategy. This strategy enables the Company to sell its products through a broad array of distribution channels, including retail specialty stores, department stores, specialty mail order catalogue companies, mass market merchandisers, catalogue showrooms, warehouse clubs, premium and incentive marketers, drug store chains and home centers. The Company markets its products under numerous and well-recognized tradenames including the Company-owned Towle Silversmiths(R), Wallace Silversmiths(R) and International Silver Company(R) tradenames which are used in connection with the sale of tabletop and giftware items, and the Rauch(R) and Silvestri(R) tradenames which are used in connection with the sale of Christmas and other seasonal merchandise.

Products

The Company designs, manufactures, imports and markets a diverse offering of quality tabletop, giftware and seasonal products for home entertaining and decoration. For purposes of the information presented below, the Company identifies seasonal products as Christmas tree ornaments, other Christmas

Edgar Filing: SYRATECH CORP - Form 10-K405

decorations and a variety of other products sold for Halloween, Easter, Thanksgiving, Mother's Day and Valentine's Day. Seasonal products are marketed under a variety of the Company's tradenames. Seasonal products are also included in the Tabletop and Giftware product category and are marketed under the Wallace, Towle, and International Silver tradenames. For example, the Company considers picture frames a tabletop and giftware item and also considers it seasonal just by changing the packaging slightly (e.g., a red colored box at Christmas time). Therefore, a certain number of the Company's products and/or product lines are sold as both Tabletop and Giftware and as Seasonal products.

The Company has identified only one distinct and reportable segment: Home Entertaining and Decorative Products. This segment generates revenue from two types of product offerings: Tabletop and Giftware, and Seasonal. The following table presents a breakdown of the Company's net sales by these product categories for the periods presented.

1

| | Year Ended December 31, | | |
|-----------------------------|-------------------------|-----------|-----------|
| | 2000 | 1999 | 1998 |
| Tabletop and Giftware | \$230,076 | \$202,563 | \$184,545 |
| Seasonal | 126,522 | 102,707 | 105,861 |
| Total | \$356,598 | \$305,270 | \$290,406 |

The majority of the Company's products are sold through the same distribution channels. Customers in each distribution channel purchase a wide range of the Company's products and may purchase on a single purchase order Tabletop, Giftware or Seasonal products.

A significant portion of the Company's products are also sourced overseas. This function is also not performed by product or product lines and is therefore not reasonably allocable by product category.

The Company's products include those shown below; all of which are marketed under one of the Company's many well-recognized tradenames as follows:

Tabletop and Giftware

Sterling Silver and Silver-plated Flatware and Hollowware. The Company designs, markets and distributes a variety of products in these categories, including flatware, serving pieces, cosmetic accessories and hollowware, such as candlesticks, casseroles and coffee and tea services under the tradenames Wallace Silversmiths(R), Towle Silversmiths(R), International Silver Company(R), C.J. Vander(TM) and Tuttle Sterling(R). A majority of the Company's products in this category are manufactured at the Company's plants in Puerto Rico, England, and Massachusetts. These products are sold primarily to specialty stores, including jewelry stores and gift stores, and department stores and are generally included in bridal registries.

Stainless Steel Flatware. The Company designs, markets and distributes several lines of stainless steel flatware ranging from premium mass-produced sets to high-end flatware place settings. The Company markets these products under

Edgar Filing: SYRATECH CORP - Form 10-K405

tradenames such as Wallace Silversmiths(R), Towle Silversmiths(R), International Silver Company(R), 1847 Rogers Bros.(R) and, under license agreements, the tradenames Cuisinart(R) and Hoffritz(R). The Company's products in this category are imported from the Company's third-party vendors located primarily in the Asia Pacific Rim. The primary channels of distribution include department stores, mass-market merchandisers, warehouse clubs and specialty stores and these products are also included in bridal registries.

Picture Frames, Photo Storage and Photo Albums. The Company designs, markets and distributes several lines of picture frames and photo albums. The picture frames range from sterling silver on the high end to a variety of other frames produced in wood, resin, ceramic, metal and other mediums. The photo albums are produced in metal, fabric and resin. The Company has introduced new photo storage products including wooden cabinets, compact disk holders and wooden collage boxes. The Company markets these products under tradenames such as Melannco International(R), International Silver Company(R), Wallace Silversmiths(R) and Towle Silversmiths(R). The Company's products in this category are imported from the Company's third-party vendors located primarily in the Asia Pacific Rim. The channels of distribution include department stores, including stationery departments, specialty stores and mass market merchandisers.

2

Glassware, Crystal and Ceramics. The Company designs, markets and distributes several lines of glassware and crystal products, including beverage ware, glass dinnerware, serveware and accessories, glass vases, candle lighting and salad sets. The Company markets these products under the tradenames Towle(R) Crystal, International Silver Company(R), Elements(R), Farberware(R), Ambrosia(R), International Bazaar(TM) and under a license agreement, the tradename Cuisinart(R). The Company designs, markets and distributes a line of ceramic serveware and storage. The Company markets these products under the Farberware(R) tradename. The Company's products in this category are imported from the Company's third-party vendors located primarily in the Asia Pacific Rim. The channels of distribution of the Company's glassware line include mass-market merchandisers, department stores, warehouse clubs and specialty stores.

Porcelain Boxes. The Company designs, markets and distributes a diverse range of high-end, hand-painted porcelain boxes under the Rochard(TM) and Limoges Imports(TM) tradenames which are primarily manufactured by third-party vendors located primarily in France. The channels of distribution include specialty stores, including jewelry stores and department stores.

Other Tabletop and Giftware. The Company designs, markets and distributes a wide range of other tabletop and giftware products, including premium products such as picture frames and cosmetic accessories as "gift with purchase" items, stainless steel kitchen and bath accessories, lighting and candles including candle holders produced in glass, ceramic, metal, and other mediums, brassware, napkin rings, decorative clocks and decorative nautical items. The majority of the Company's products in this category are imported from the Company's third-party vendors located primarily in the Asia Pacific Rim. The Company markets these products under certain of its tradenames including International Silver Company(R), International Bazaar(TM), and Potpourri Designs(R). The primary channels of distribution include department stores, mass-market merchandisers, warehouse clubs and specialty stores.

Licensing Activities. The Company owns certain intellectual property rights related to the tradename Farberware and grants licenses to third parties for which the Company receives royalties.

Edgar Filing: SYRATECH CORP - Form 10-K405

Seasonal Products

Christmas Ornaments. The Company designs, manufactures, markets and distributes Christmas tree ornaments made of glass, satin, metal, ceramic and resin. The Company's products are distributed through specialty stores, department stores, jewelry stores, mass market merchandisers and warehouse clubs. These products are marketed under the tradenames Rauch(R), and Silvestri(R). The Company also manufactures limited edition, sterling silver Christmas ornaments that are marketed under the tradenames Wallace Silversmiths(R) and Towle Silversmiths(R).

Other Christmas Decorations. The Company designs, markets and distributes a diverse product offering of other Christmas decorations including figurines, waterglobes, collectibles, trim, lighting, tree skirts and other decorative items produced in wood, resin, metal, paper, textiles, glass and ceramic. These products are marketed under the tradenames Silvestri(R), Wallace Silversmiths(R), International Bazaar(TM), and Rauch(R). These products are distributed through specialty stores, department stores, mass market merchandisers and warehouse clubs.

Other Seasonal Products. The Company designs, markets and distributes a variety of other seasonal products for Halloween, Easter, Thanksgiving, Mother's Day and Valentine's Day. These products include figurines, vases, bowls, trays and other items comprised of metal, resin, wood, ceramic and glass. These products are distributed through specialty stores, department stores, mass market merchandisers and warehouse clubs.

3

Sales, Marketing and Distribution

The Company sells many different types of products, with a variety of price points and target customers. Accordingly, the Company sells its products through a variety of distribution channels including department and specialty stores, mass market merchandisers, and warehouse clubs, catalogue showrooms, drugstores, supermarkets, incentive marketers and jewelry stores. The Company maintains separate sales forces for its product lines so as to provide the specialized expertise and attention necessary to service its customer base. The Company's sales and marketing staff coordinates with individual retailers to devise marketing strategies and merchandising concepts and to furnish advice on advertising and product promotion. The Company has developed several promotional programs for use in the ordinary course of business to promote sales throughout the year.

The Company's various sales and marketing efforts are supported from its principal office and showroom in East Boston, Massachusetts and, for certain of its products, from its offices and showrooms in Hong Kong and London. The Company maintains additional showrooms in New York, Los Angeles, Atlanta and Dallas. The Company's sales and marketing staff at December 31, 2000, consisted of approximately 159 employees who are salaried, paid commissions based on sales or, in some instances, paid a base salary plus commissions. The Company also distributes certain of its products through independent sales representatives who work on a commission basis only.

The Company operates an 886,000 square foot facility located in Mira Loma, California, which serves as its primary warehouse and distribution center.

Retailing Customers

During 2000, 20 customers accounted for approximately 47% of the Company's net sales. Sales to one customer represented approximately 12.2% of the

Edgar Filing: SYRATECH CORP - Form 10-K405

Company's 2000 net sales.

2000 Channels of Distribution

Mass Market Merchandisers, Catalogue Showrooms, Warehouse Clubs, Drug Stores and Supermarkets . . .
Department Stores
Specialty Stores, Jewelry Stores, Specialty Catalog Companies, Premium and Incentive Marketers. . .

In order better to service its customers, the Company has invested in equipment and software to allow its customers to transmit their orders electronically throughout the EDI system and receive electronic invoicing and shipping notices.

4

Manufacturing and Raw Materials

The Company produces its sterling silver flatware at its manufacturing facility in San German, Puerto Rico, where it fabricates and manufactures sterling silver into finished products for the Wallace, International, Towle and Tuttle lines, and provides manufacturing support to its C. J. Vander subsidiary. The company also manufactures at its facility in Sheffield, England for C.J. Vander, Ltd. and Roberts and Belk. The Company also designs, produces and maintains the tools required for manufacturing sterling silver flatware.

The Company has maintained, in the aggregate, approximately six months of inventory. The Company's silver fabrication operation in its Puerto Rico manufacturing plant became fully operational during 1994. This process reduces the need for purchasing fabricated silver from outside vendors. The Company uses fabricated silver in its manufacturing operations. Fabricated sterling silver made from fine silver purchased by the Company may be readily obtainable from outside resources as well. The Company purchases fine silver in the spot market in quantities the Company believes are adequate to meet reasonably foreseeable consumer demand for its silver products. The Company does not engage in speculative purchases of fine silver. During the five-year period ended December 31, 2000, the closing price of silver as quoted by Handy & Harman Inc. has ranged from \$4.21 per troy ounce to \$7.31 per troy ounce. At March 15, 2001 the closing price was \$4.42.

The Company manufactures silver-plated giftware and tabletop products, including hollowware, at its manufacturing and silver-plating facilities in North Dighton, Massachusetts and in Sheffield, England. These facilities have stamping, processing, soldering, finishing, polishing, silver-plating and packaging capabilities necessary to turn unfinished metal into finished products.

The Company's imported products originate as designs created by its internal design staff or by independent designers, in each case in conjunction with the Company's product development and marketing staffs. Products based on these designs are manufactured to the Company's specifications in various countries including Hong Kong, India, Korea, Taiwan, the People's Republic of China and Japan.

In 2000, the Company purchased an aggregate of approximately \$159 million of products from approximately 800 foreign manufacturers. No vendor accounted for 10% or more of such purchases in 2000. The Company does not have information on

Edgar Filing: SYRATECH CORP - Form 10-K405

the financial condition of its major foreign vendors, which are primarily privately held, but is not aware of any unfavorable information related to their respective financial condition. Of the Company's foreign purchases in 2000 approximately 90% were from vendors located in the Far East; approximately 5% were from vendors located in Europe, approximately 4% were from vendors located in Canada and Mexico, and approximately 1% in the aggregate from vendors in other locations. The Company's arrangements with its manufacturers are subject to the risks of doing business abroad, including risks associated with foreign currency and potential import restriction. The Company also is subject to risks associated with the availability of, and time required for, the transportation of products from foreign countries, including shipping losses or lost sales that may result from delays or interruptions in shipping. The Company does not believe that the loss of any single foreign supplier would have a material long-term adverse impact on the Company's source of supply, as other suppliers with whom the Company does business would be able to increase production to fulfill the Company's requirements.

5

The Company continues to invest in capital equipment, training and process control efforts to improve efficiencies, reduce costs and enhance quality related to its manufactured Christmas ornament operations. The Company maintains adequate manufacturing, warehousing and distribution facilities in Gastonia, NC and Chester, SC to service the business. Adequate capacity exists to meet anticipated growth and the non-union labor supply is adequate in both locations. The Christmas decoration manufacturing processes at Rauch Industries use three primary raw materials: (i) glass ornament blanks, (ii) cardboard, corrugated and polystyrene packaging materials, and (iii) silver and lacquers. The Company has not experienced difficulty in obtaining raw materials or other supplies from its vendors and does not anticipate any such difficulty in the foreseeable future. The Company imports ornament hangers, decorated glass balls, and assorted tree and off-the-tree decorations from China, India and Mexico.

In 1999, the Company closed and sold the Rauch Industries manufacturing facility in El Paso, TX (Holiday Products) where it manufactured Christmas stockings, tree-skirts and Santa Claus hats and suits. These items are now purchased from vendors in Mexico and the Far East.

Competition

The tabletop, giftware and seasonal product lines which the Company sells are highly competitive. Not only does the large number of domestic manufacturers affect competition, but also the large volume of foreign imports. Several of the Company's competitors are larger and have greater financial resources than the Company. The Company's products compete indirectly with a broad range of household products not offered by the Company. Within the overall tabletop products category, the production of sterling silver flatware in the United States is relatively concentrated, with five manufacturers, including the Company, accounting for substantially all of the sterling silver flatware manufactured and sold in the United States. The other principal manufacturers and marketers of sterling silver flatware are Gorham, Inc. and its affiliate The Kirk Steiff Company, Reed & Barton Corp. and Lunt Silversmiths, all of which have been in business for many years. The giftware and seasonal products industries, however, are very fragmented with numerous small manufacturers and marketers of a limited number of products. The Company is not aware of any competitor having the same product line breadth.

The Company's diverse product lines allow it to target a wide range of customers and to respond more effectively to changes in retail distribution and consumer preferences. Furthermore, the trend towards vendor consolidation and increasing

Edgar Filing: SYRATECH CORP - Form 10-K405

electronic communications and complex logistical requirements of the retail industry increases demand for vendors, like the Company, who can meet these requirements and make timely deliveries of a broad range of quality products and provide advertising and other sales support.

6

A number of factors affect competition in the sale of products of the type manufactured, imported and sold by the Company. Among these are brand identification, style, design, packaging, price, quality, promotion, sales staff and the level of service provided to customers. An important aspect of service is the ability to meet customers' "Floor-Ready" standards, including store-level distribution, pre-pricing, electronic invoicing and shipping notices. The importance of these competitive factors varies from customer to customer and from product to product and no one of these factors is dominant in all cases. The Company believes that its ability to compete effectively can be attributed to its performance in all of these areas.

Trademarks, Copyrights and Patents

The success of the Company's various businesses depends in part on the Company's ability to exploit certain proprietary designs, trademarks and brand names on an exclusive basis and reliance upon the protections afforded by applicable copyright, patent and trademark laws and regulations. The loss of certain of the Company's rights to such designs, trademarks and brand names or the inability of the Company to effectively protect or enforce such rights could adversely affect the Company. The Company does not believe that there is a significant danger that it will lose its rights to any of its material trademarks and tradenames or be unable to effectively protect or enforce such rights. Although the loss of any right to designs, trademarks and tradenames could have negative effects, any such effects are unlikely to be material.

Seasonality

Sales are generally higher in the third and fourth quarters and are strongly influenced by the buying patterns associated with the Christmas season. The Company's needs for working capital accelerate in the second half of the year and, accordingly, total debt levels tend to peak in the third and fourth quarters, falling off again in the first quarter of the following year. The amount of the Company's sales generated during the second half of the year generally depends upon a number of factors, including general economic conditions, and other factors beyond the Company's control. The Company's results of operations would be adversely affected and disproportionately affected if the Company's sales were substantially lower than those normally expected during the second half of the year. The Company continues to introduce products appropriate to other holidays and seasons in order to increase sales during the first and second quarters.

Backlog and Warranty

Orders for the Company's products are generally subject to cancellation until shipment. As a result, the Company's backlog consists of cancelable orders and is dependent upon trends in consumer demand throughout the year. Customer order patterns vary from year to year, largely because of annual differences in consumer acceptance of product lines, product availability, marketing strategies, inventory levels of retailers and differences in overall economic and weather conditions. As a result, comparison of backlog as of any date in a given year with backlog at the same date in a prior year is not necessarily indicative of sales trends. The Company had a backlog of approximately \$36.5 million as of December 31, 2000, compared to approximately \$39.7 million as of

Edgar Filing: SYRATECH CORP - Form 10-K405

December 31, 1999. See "Seasonality." At December 31, 1999 the Company's backlog included \$9.9 million related to a license agreement with a specialty retail/licensing organization which has been replaced by a sourcing arrangement under which the Company does not receive customer orders and the associated backlog. See Management's Discussion and Analysis of Financial Condition and Results of Operations. The Company does not believe that backlog is necessarily indicative of the Company's future results of operations or prospects.

The Company's warranty policy is to accept returns of products with defects in materials or workmanship. The Company will also accept returns of incorrectly shipped goods where the Company has been notified on a timely basis and, in certain cases, to maintain customer goodwill. In accordance with normal retail industry practice, the Company ordinarily accepts returns only from its customers and does not ordinarily accept returns directly from consumers. Certain of the products returned to the Company by its customers, however, may have been returned to those customers by consumers. The Company will routinely accept returns for imported products that are received late by the customer. The majority of the returned products are resold into the same distribution channel. During the three year period ended December 31, 2000, returns and allowances amounted to approximately 3.5% of sales.

7

Environmental Regulation

The Company's manufacturing operations, including silverplating, chrome plating, tool making and painting operations routinely involve the handling of waste materials that are classified as hazardous. The Company also refabricates certain materials used in its silverplating operations. The Company is subject to certain domestic federal, state and local laws and regulations concerning the containment and disposal of hazardous materials and, therefore, in the ordinary course of its business, the Company incurs compliance costs and may be required to incur clean-up costs. The Company's C.J. Vander facility is also subject to many environmental regulations related to its plating operations in the United Kingdom. Based upon currently available information, the Company does not expect that the costs of such compliance and clean-up will be material. Actions by federal, state and local governments concerning environmental matters could result in laws or regulations that could increase the cost of producing the products manufactured by the Company or otherwise adversely affect the demand for its products. In addition, the future costs of compliance with environmental laws and regulations and liabilities resulting from currently unknown circumstances or developments could be substantial and could have a material adverse effect on the Company. For example, certain laws and regulations could impose liability upon the Company for any historic releases of hazardous substances from facilities that it has owned or operated, or, from facilities to which its waste materials have been transported for treatment or disposal.

Employees

As of December 31, 2000, the Company had approximately 1,500 employees. The Company believes that its relationship with its employees is good.

The Company's employees located in the U.S. and Puerto Rico are not represented by labor unions.

On February 23, 2000 a union election was held at the Company's subsidiaries Wallace International de P.R., Inc. and International Silver de P.R., Inc. (the "P.R. Subsidiaries"). On March 6, 2000, the National Labor Relations Board (NLRB) issued a "Certification of Results of Election" stating that no collective bargaining representative had been selected and that no timely

Edgar Filing: SYRATECH CORP - Form 10-K405

objections had been filed.

Approximately 30 employees of C.J. Vander are represented by the Union of Manufacturing, Science & Finance (MSF). Management believes its employee relations is satisfactory.

8

ITEM 2. Properties

The following table sets forth information with respect to the Company's properties as of February 28, 2001:

| LOCATION ----- | TYPE OF FACILITY ----- | APPROXIMATE SQUARE FOOTAGE OR ACREAGE | STATUS ----- |
|--------------------|-----------------------------------|--|-----------------|
| Mira Loma, CA | Warehouse/Distribution/Land | 886,000 | Owned |
| Chester, SC | Warehouse/Manufacturing/Showroom | 828,000 | Owned |
| Gastonia, NC | Office/Manufacturing/Distribution | 387,441 | Owned |
| East Boston, MA | Office/Showroom | 292,000 | Owned |
| El Paso, TX | Office/Warehouse | 85,000 | Leased |
| North Dighton, MA | Office/Manufacturing/Warehouse | 333,198 | Leased |
| Crisfield, MD | Office/Manufacturing/Warehouse | 71,754 | Owned |
| San German, PR | Manufacturing/Office | 87,239 | Leased |
| Hong Kong | Office/Showroom | 6,809 | Leased |
| Atlanta, GA | Showrooms | 18,707 | Leased |
| Dallas, TX | Showrooms | 8,568 | Leased |
| Los Angeles, CA | Showrooms | 4,115 | Leased |
| Commerce, CA | Office/Showroom | 37,117 | Leased |
| London, England | Office/Showroom | 4,000 | Leased |
| China | Warehouse/Office | 168,052 | Leased |
| Taiwan | Office/Warehouse | 1,725 | Leased |
| New York, NY | Warehouse | 3,800 | Leased |
| Tianjin, PRC | Office | 24,327 | Leased |
| New York, NY | Showrooms | 46,228 | Leased |
| Sheffield, England | Manufacturing/Warehouse/Showroom | 42,000 | Owned |

ITEM 3. Legal Proceedings

The Company has been named as a defendant in certain legal actions arising from its normal business activities, including routine copyright and trademark litigation, which actions are considered normal in the businesses in which the Company is engaged.

9

ITEM 4. Submission of Matters to A Vote of Security Holders

During the fourth quarter of 2000, no matters were submitted to a vote of the Company's shareholders through the solicitation of proxies or otherwise.

PART II

Edgar Filing: SYRATECH CORP - Form 10-K405

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters

Absence of Public Market

On April 16, 1997, THL Transaction I Corp., ("THL I"), a Delaware corporation, controlled by affiliates of Thomas H. Lee Company ("THL"), was merged with and into the Company (the "Merger"). Syratech Common Stock, which was traded on the NYSE under the symbol "SYR", was de-listed from the NYSE upon consummation of the Merger. From the effective time of the Merger, the Company has had less than 100 stockholders. The Company filed a report on Form 15 Certification and Notice of Termination of Registration under Section 12(g) of the Securities Exchange Act of 1934 or Suspension of Duty to File Reports under Sections 13 and 15 (d) of the Securities Exchange Act of 1934 on December 7, 1998.

Dividends Paid

The Company has never paid cash dividends on its common stock and does not expect to do so in the foreseeable future. The Company's ability to pay dividends is restricted by terms of the Senior Revolving Credit Facility and the Senior Notes. The Company intends to retain all earnings to provide funds for the operation and expansion of its businesses.

ITEM 6. Selected Financial Data

The following selected consolidated financial information as of December 31, 2000 through 1996 and for each of the years in the five-year period ended December 31, 2000 has been derived from the consolidated financial statements of the Company. The consolidated balance sheets of the Company as of December 31, 2000 and 1999 and the consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000, together with the notes thereto and the related report of Deloitte & Touche LLP, independent auditors, are included elsewhere herein. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto of the Company included elsewhere in this Annual Report on Form 10-K.

10

| | Year Ended December | | |
|---|---------------------------|------------|------------|
| | 2000 | 1999 | 1998 |
| | (in thousands, except per | | |
| Income Statement Data: | | | |
| Net sales | \$ 356,598 | \$ 305,270 | \$ 290,406 |
| Cost of sales | 259,729 | 221,199 | 212,968 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Gross profit | 96,869 | 84,071 | 77,438 |
| Selling, general and administrative expenses | 77,524 | 69,079 | 65,017 |
| Asset dispositions, impairment of long-lived assets and restructuring costs (1) | (532) | (15,596) | 5,170 |
| Other operating income (2) | (1,982) | (3,358) | (5,662) |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Income from operations | 21,859 | 33,946 | 12,913 |
| Interest expense | (24,223) | (24,643) | (23,709) |
| Interest income | 70 | 137 | 34 |

Edgar Filing: SYRATECH CORP - Form 10-K405

| | | | |
|---|------------|----------|-------------|
| Other income (3) | - | - | - |
| Income (loss) before income taxes | (2,294) | 9,440 | (10,762) |
| Provision (benefit) for income taxes | (575) | 4,251 | (2,690) |
| Income (loss) from continuing operations before extraordinary gain | (1,719) | 5,189 | (8,072) |
| Extraordinary gain on early extinguishment of debt, net of income taxes of \$2,527 | 3,636 | - | - |
| Net income (loss) | 1,917 | 5,189 | (8,072) |
| Preferred stock dividend accrued | 2,940 | 2,624 | 2,344 |
| Net income (loss) applicable to common stockholders . | \$ (1,023) | \$ 2,565 | \$ (10,416) |
| Basic earnings (loss) per share: | | | |
| Income (loss) from continuing operations before extraordinary gain | \$ (0.45) | \$ 1.37 | \$ (2.13) |
| Extraordinary gain on early extinguishment of debt, net of income taxes of \$2,527 | 0.96 | - | - |
| Preferred stock dividend accrued | (0.78) | (0.69) | (0.62) |
| Net income (loss) per common share | \$ (0.27) | \$ 0.68 | \$ (2.75) |
| Weighted-average number of shares outstanding . | 3,784 | 3,784 | 3,784 |
| Diluted earnings (loss) per share: | | | |
| Income (loss) from continuing operations before extraordinary gain | \$ (0.45) | \$ 1.37 | \$ (2.13) |
| Extraordinary gain on early extinguishment of debt, net of income taxes | 0.96 | - | - |
| Preferred stock dividend accrued | (0.78) | (0.69) | (0.62) |
| Net income (loss) per common share | \$ (0.27) | \$ 0.68 | \$ (2.75) |
| Shares: | | | |
| Weighted-average number of shares outstanding . | 3,784 | 3,784 | 3,784 |
| Effect of dilutive stock options | - | - | - |
| Adjusted weighted-average number of shares outstanding | 3,784 | 3,784 | 3,784 |

11

| | December 31, | | | |
|----------------------------------|--------------|------------|------------|---------------------------------------|
| | 2000 | 1999 | 1998 | 1997 |
| BALANCE SHEET DATA: | | | | |
| | | | | (in thousands, except per share data) |
| Working capital..... | \$ 110,101 | \$ 123,439 | \$ 105,117 | \$ 105,117 |
| Total assets..... | 301,090 | 266,517 | 285,220 | 285,220 |
| Total debt (4)..... | 215,868 | 187,669 | 211,201 | 211,201 |
| Stockholders' equity..... | 22,224 | 21,337 | 16,538 | 16,538 |
| Book value per common share..... | (1.38) | (0.84) | (1.41) | (1.41) |

Edgar Filing: SYRATECH CORP - Form 10-K405

- (1) Consists of a gain on disposal of the Company's primary east coast distribution facility in 1999 and the write down of the value of certain assets in 1999 and 1998. See Note 2 to the Company's Financial Statements.
- (2) Consists primarily of revenue related to licensing the Farberware name. The years prior to 1998 also include income from the sale of Farberware inventory net of certain selling, general and administrative expenses.
- (3) Consists of nonrecurring pre-tax income related to the sale of certain equipment in 1997 and licensing the Farberware name on cookware and bakeware in 1996.
- (4) Consists of long-term debt, notes payable and current maturities of long-term debt.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Except for the historical information contained or incorporated by reference in this Annual Report on Form 10-K, the matters discussed or incorporated by reference herein are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, general economic and business conditions; industry capacity; industry trends; overseas expansion; the loss of major customers; changes in demand for the Company's products; the timing of orders received from customers; cost and availability of raw materials; dependence on foreign sources of supply; changes in business strategy or development plans; availability and quality of management; availability, terms and deployment of capital; and the seasonal nature of the business. SPECIAL ATTENTION SHOULD BE PAID TO SUCH FORWARD-LOOKING STATEMENTS INCLUDING, BUT NOT LIMITED TO, STATEMENTS RELATING TO (i) THE COMPANY'S ABILITY TO OBTAIN SUFFICIENT RESOURCES TO FINANCE ITS WORKING CAPITAL AND CAPITAL EXPENDITURE NEEDS AND PROVIDE FOR ITS KNOWN OBLIGATIONS AND (ii) THE CONTINUATION OF, AND THE COMPANY'S ABILITY TO BENEFIT FROM, THE VENDOR CONSOLIDATION TREND IN THE RETAIL INDUSTRY DESCRIBED ELSEWHERE IN THE ANNUAL REPORT ON FORM 10-K.

12

Results of Operations

The following table sets forth certain financial data as a percentage of net sales of the Company for each of the years presented.

| | Percentage of Net Sa | |
|--------------------|----------------------|--------|
| | Year Ended December | |
| | 2000 | 1999 |
| | ---- | ---- |
| Net sales..... | 100.0% | 100.0% |
| Cost of sales..... | 72.8 | 72.5 |

Edgar Filing: SYRATECH CORP - Form 10-K405

| | | |
|---|--------|-------|
| Gross profit..... | 27.2 | 27.5 |
| Selling, general and administrative expenses..... | 21.7 | 22.6 |
| Impairment of long-lived assets and other assets disposition (1) | (0.1) | (5.1) |
| Other operating income (2)..... | (0.5) | (1.1) |
| Income from operations..... | 6.1 | 11.1 |
| Interest expense, net..... | (6.7) | (8.0) |
| Income (loss) before income taxes..... | (0.6) | 3.1 |
| Provision (benefit) for income taxes..... | (0.1) | 1.4 |
| Income (loss) from continuing operations..... | (0.5)% | 1.7% |

(1) Consists of a gain on disposal of its primary east coast distribution facility in 1999 and the write down of the value of certain assets in 1999 and 1998. See Note 2 to the Company's consolidated financial statements.

(2) Consists primarily of licensing income including licenses of the Farberware tradename.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Net sales increased 16.8% to \$356.6 million for the year ended December 31, 2000 from \$305.3 million for the year ended December 31, 1999. This increase reflects the continued strong demand for housewares products designed by the Company including fountains, stainless steel flatware, lighting, candles and accessories. Giftware sales also increased versus the prior year including sales of licensed giftware to specialty retailers. Changes in normal product prices did not materially impact net sales.

Gross profit increased 15.2% to \$96.9 million for the year ended December 31, 2000 from \$84.1 million for the year ended December 31, 1999. Gross profit as a percentage of sales was 27.2% for the year ended December 31, 2000 compared to 27.5% for the comparable 1999 period. The 0.3 percentage point decrease in percentage gross profit primarily reflects the mix of the products sold during the period including sales of discontinued products and additional provisions for slow moving inventories. The change in gross profit as a percentage of sales was not materially impacted by change in normal product pricing.

13

Selling, general and administrative expenses ("S, G & A expenses") was \$77.5 million or 21.7% as a percentage of net sales for the year ended December 31, 2000 compared to 22.6% or \$69.1 million for the comparable 1999 period. The \$8.4 million increase in S, G & A expenses reflects higher royalties, commissions, and advertising related to the increased sales volume and investment in additional sales, marketing staff as well as higher spending for information technology. The 0.9 percentage point improvement in S, G & A expenses to sales for the year ended December 31, 2000 reflects spending controls put into place to reduce the growth in S, G & A below the rate of growth in sales volume. In 2001, the Company has entered into a sourcing arrangement with a specialty retail/licensing organization, replacing an arrangement in which the Company had previously sold their licensed products. The effect of the new arrangement will be to reduce sales and royalty expense and increase commission revenue. The Company does not expect an adverse impact on financial results as a result of the new arrangement.

Edgar Filing: SYRATECH CORP - Form 10-K405

Income from operations was \$21.9 million and \$33.9 million for the years ended December 31, 2000 and 1999, respectively. During 1999, income from operations included \$15.6 million relating to the recording of asset dispositions and impairments including a \$.5 million severance expense accrual. During 2000 the separation benefits were not required and the \$.5 million accrual was reversed in the fourth quarter with a corresponding benefit to income from operations. Excluding these adjustments, income from operations increased \$3.1 million or 16.9% to \$21.4 from \$18.3 million for the years ended December 31, 2000 and 1999, respectively.

Interest expense, net was \$24.2 million for the year ended December 31, 2000 compared to \$24.5 million in the same period of 1999. This decrease in interest expense primarily reflects the effect in 2000 of the November 1999 receipt of proceeds from the sale of the Company's Revere, MA property and the subsequent pay down of debt, offset by increased borrowings for working capital purposes due to higher sales volume and higher interest rates on the Company's Revolving Credit Facilities.

The benefit for income taxes was \$0.6 million for the year ended December 31, 2000 compared to a provision of \$4.3 million for the year ended December 31, 1999. The estimated effective income tax rate of 25% for the year ended December 31, 2000 compares to a 45% rate for the same period in the prior year. The tax rate in 1999 reflected the impact of recognizing the gain on the east coast distribution facility sale which increased the proportion of income taxed at higher U.S. tax rates compared with lower foreign tax rates, in comparison to 2000. The Company estimates the 2001 effective tax rate will be 25%.

During the fourth quarter of 2000, the Company purchased an aggregate of \$16,450 of its Notes on the open market resulting in an extraordinary gain on early debt extinguishment of \$3,636, net of \$2,527 in income taxes.

Net loss applicable to common stockholders for the year ended December 31, 2000 was \$(1.0) million or \$(0.27) per share compared to net income applicable to common stockholders for the year ended December 31, 1999 of \$2.6 million or \$0.68 per share on adjusted weighted average shares of 3,784,018 in both years.

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Net sales increased 5.1% to \$305.3 million for the year ended December 31, 1999 from \$290.4 million for the year ended December 31, 1998. This increase is primarily due to increased sales of a new line of licensed giftware products to specialty retailers and increased sales of candle giftware, partially offset by decreased sales of certain seasonal products. Changes in normal product prices did not materially impact net sales.

Gross profit increased 8.6% to \$84.1 million for the year ended December 31, 1999 from \$77.4 million for the year ended December 31, 1998. Gross profit as a percentage of sales was 27.5% for the year ended December 31, 1999 compared to 26.7% for the comparable 1998 period. The 0.8 percentage point increase primarily reflects the higher margin carried by the new line of licensed giftware which was offset by the increased royalty expense related to this line. The change in gross profit as a percentage of sales was not materially impacted by change in product pricing.

Selling, general and administrative expenses ("S, G & A expenses") of \$69.1 million or 22.6% as a percentage of net sales for the year ended December 31, 1999 compared to 22.4% or \$65.0 million for the comparable 1998 period. The 0.2 percentage point increase in S, G & A expenses to sales for the year ended December 31, 1999 reflects increased bad debt expense, and the higher royalty expense noted above.

Income from operations was \$33.9 million and \$12.9 million for the year ended December 31, 1999 and 1998, respectively, and included other operating income of \$3.4 million and \$5.7 million in 1999 and 1998, respectively. The decrease in 1999 other operating income is primarily due to one-time income of \$2.6 million recorded in 1998 in connection with the granting of a license and extending certain existing licenses relating to Farberware intellectual property to one of its existing licensees.

Income from operations also included asset dispositions in 1999 and charges for impairment of long-lived assets in 1999 and 1998. In November 1999 the Company sold its primary east coast distribution facility for \$29.5 million. The sale of this facility resulted in a net gain of approximately \$17.1 million. The Company simultaneously entered into a short-term leaseback of approximately 40% of the distribution facility. In connection with the disposition of the facility the Company recorded separation benefits of approximately \$0.5 million for 42 hourly employees and three salaried employees, all of which is accrued at December 31, 1999 and was expected to be fully paid by the end of the first quarter of 2001. During 2000 the separation benefits were not required and the \$.5 million accrual was reversed in the fourth quarter of 2000 with a corresponding benefit to income from operations in that year. In April, 1999, the Company sold undeveloped land adjacent to this facility for a gain of approximately \$0.8 million.

In the fourth quarter of 1999, the Company wrote down the value of certain assets by approximately \$1.2 million. These write-downs relate to abandonment of certain manufacturing equipment at its Gastonia, North Carolina facility with a book value of approximately \$1.1 million. The remaining asset write-downs relate to the finalization of amounts relative to the shutdown of the El Paso facility discussed above. Other less significant asset write-downs and adjustments aggregated a net charge of \$0.6 million.

Interest expense, net was \$24.5 million for the year ended December 31, 1999 compared to \$23.7 million in the same period of 1998. This increase results from increased borrowings for working capital purposes and higher interest rates on the Company's Revolving Credit Facilities and notes payable.

The provision for income taxes was \$4.3 million for the year ended December 31, 1999 compared to a benefit of \$2.7 million for the year ended December 31, 1998. The estimated effective income tax rate of 45% for the year ended December 31, 1999 compares to a 25% rate for the same period in the prior year. The increase in tax rate reflects the impact of recognizing the gain on the east coast distribution facility sale which in 1999 increased the proportion of income taxed at higher U.S. tax rates compared with lower foreign tax rates, in comparison to 1998.

Net income applicable to common stockholders for the year ended December 31, 1999 was \$2.6 million or \$0.68 per share compared to a net loss applicable to common stockholders for the year ended December 31, 1998 of (\$10.4) million or (\$2.75) per share on adjusted weighted average shares of 3,784,018 in both years.

Liquidity and Capital Resources

Net cash used in operating activities for the year ended December 31, 2000 was \$24.2 million. The primary use of cash was the increase in accounts receivable related to the higher sales volume during the fourth quarter compared with the prior year. Inventories decreased from \$94.1 million at December 31, 1999 to \$92.7 million at December 31, 2000 due to improved procedures to control

Edgar Filing: SYRATECH CORP - Form 10-K405

inventory levels and the timing of inventory purchases, and to lower projected sales for the first quarter of 2001, due to the change to a sourcing arrangement for certain previously licensed products noted above.

The Company's working capital requirements are seasonal and tend to be highest in the period from September through December due to the Christmas selling season. Accounts receivable tend to decline during the first quarter as receivables generated during the third and fourth quarters are collected and remain lower until the next peak season beginning in September.

Capital expenditures were approximately \$7.9 million for the year ended December 31, 2000. These expenditures relate primarily to computer equipment and systems, and machinery, equipment and tools and dies for the Company's manufacturing and distribution facilities, including capital expenditures to add distribution capabilities to the Company's East Boston and North Dighton facilities due to the relocation of activities formerly located at the

15

Company's Revere, MA facility which was sold in November, 1999. See Note 2 to the accompanying consolidated financial statements.

At December 31, 2000, the Company had a Senior Revolving Credit Facility (the "Revolving Credit Facility") which provided for \$123,000 of borrowings, including a \$30,000 sublimit for the issuance of standby and commercial letters of credit. In accordance with the terms of its Senior Notes Indenture, the Revolving Credit Facility was reduced by \$7,000 effective as of November 21, 2000 as a result of the permanent application of certain proceeds from the November 22, 1999 sale of its primary east coast facility.

The Company also has debt financing in the form of \$148.55 million of 11% Senior Notes (the "Notes") which are due April 15, 2007 and require interest payments to be made semi-annually on April 15 and October 15. During the fourth quarter of 2000, the Company purchased an aggregate of \$16.45 million of its Notes on the open market resulting in an extraordinary gain of \$3,636, net of \$2,527 in income taxes.

The Company's level of indebtedness will have several important effects on its future operation, including (i) a substantial portion of the Company's cash flow from operations must be dedicated to the payment of interest on its indebtedness and will not be available for other purposes, (ii) covenants contained in the Revolving Credit Facility and the Indenture governing the Senior Notes will require the Company to meet certain financial tests, and other restrictions may limit its ability to borrow additional funds or to dispose of assets and may affect the Company's flexibility in planning for, and reacting to, changes in its business, including possible acquisition activities, and (iii) the Company's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired.

The Company believes that borrowings available under the Revolving Credit Facility, as amended, will be sufficient to finance the Company's working capital requirements, provide for all known obligations of the Company (including the obligations of the Company under the \$148.55 million Notes and under its operating leases) and fund planned capital expenditures through December 31, 2001.

See Note 5 to the accompanying consolidated financial statements for additional discussion on borrowings, availability, covenants and dividend restrictions of the Company under its Revolving Credit Facilities and its Notes due April 15,

Edgar Filing: SYRATECH CORP - Form 10-K405

2007.

See Note 9 for a description of the dividend and liquidation terms of the Company's Cumulative Redeemable Preferred Stock.

16

Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The standard requires that all companies record derivatives in the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The Company will adopt SFAS No. 133, as required, the first quarter of fiscal year 2001, and such adoption will not have a material impact on the consolidated financial statements.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin, or SAB, No. 101, "Revenue Recognition in Financial Statements," as amended by SAB 101A and 101B, which is effective no later than the quarter ended December 31, 2000. SAB 101 clarifies the SEC's views regarding the recognition of revenue. The Company adopted SAB 101 during 2000. The adoption of SAB 101 did not have a significant impact on the Company's consolidated financial statements.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to interest rate risk primarily through its borrowing activities. The Company's short-term borrowings are substantially all denominated in U.S. dollars and bear interest at variable rates primarily based on either a prime rate or Eurodollar rate. The effect of a 10% change in the prime or the Eurodollar rate would not have a material impact on the Company's financial results. The Company also has fixed debt financing of \$148,550 of 11% Senior Notes due April 15, 2007 that had a fair value of \$89,130 as of December 31, 2000 based upon recent private market trades. There is inherent rollover risk for these borrowings upon maturity and are renewed at current market rates. The extent of this risk is not quantifiable or predictable because of the variability of future interest rates and the Company's future financing requirements. Currently, the Company does not enter into financial instruments transactions for trading or other speculative purposes or to manage interest rate exposure and does not have investments in debt or equity securities.

The Company transacts sales and purchases primarily in U.S. dollars and maintains minimum cash balances denominated in foreign currencies. The Company does not enter into foreign currency hedge transactions. Through December 31, 2000, foreign currency fluctuations have not had a material impact on the Company's consolidated financial position or results of operations or cash flows in any one year and the Company does not believe that its exposure to foreign currency rate fluctuations is material.

17

ITEM 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Auditors.....
Consolidated Financial Statements:
 Consolidated balance sheets as of December 31, 2000 and 1999.....
 Consolidated statements of operations for the years ended December 31, 2000, 1999 and 1998...
 Consolidated statements of stockholders' equity for the years ended December 31, 2000, 1999 a
 Consolidated statements of cash flows for the years ended December 31, 2000, 1999 and 1998...
 Notes to consolidated financial statements.....

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Syratech Corporation:

We have audited the accompanying consolidated balance sheets of Syratech Corporation and subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. Our audits also included the consolidated financial statement schedule listed in the Index at Item 14. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Syratech Corporation and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Boston, Massachusetts
March 30, 2001

Edgar Filing: SYRATECH CORP - Form 10-K405

SYRATECH CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (in thousands, except share data)

| | December 31, | |
|---|--------------|-----------|
| | 2000 | 1999 |
| | ----- | ----- |
| ASSETS | | |
| Current assets: | | |
| Cash and equivalents | \$ 3,442 | \$ 1,451 |
| Accounts receivable, net | 103,637 | 69,267 |
| Inventories | 92,749 | 94,096 |
| Deferred income taxes | 14,156 | 13,187 |
| Prepaid expenses and other | 3,318 | 3,273 |
| | ----- | ----- |
| Total current assets | 217,302 | 181,274 |
| Property, plant and equipment, net | 71,776 | 71,689 |
| Purchase price in excess of net assets acquired, net..... | 6,566 | 6,308 |
| Other assets, net | 5,446 | 7,246 |
| | ----- | ----- |
| Total | \$301,090 | \$266,517 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Revolving loan facilities and notes payable | \$ 67,318 | \$ 22,669 |
| Accounts payable | 13,642 | 11,673 |
| Accrued expenses | 14,801 | 11,697 |
| Accrued interest | 4,120 | 3,999 |
| Accrued compensation | 3,421 | 3,012 |
| Accrued advertising | 3,610 | 3,569 |
| Income taxes payable | 289 | 1,216 |
| | ----- | ----- |
| Total current liabilities | 107,201 | 57,835 |
| Long - term debt | 148,550 | 165,000 |
| Deferred income taxes | 20,547 | 19,671 |
| Pension liability | 2,568 | 2,674 |
| Commitments and contingencies | | |
| Preferred stock, \$.01 par value, 500,000 shares authorized; (25,000 designated as cumulative redeemable preferred stock, 18,000 shares issued and outstanding, liquidation value of \$18,000, includes accrued and unpaid dividends of \$9,438 and \$6,498 in 2000 and 1999, respectively) | 27,438 | 24,498 |
| Common stock, \$.01 par value, 20,000,000 shares authorized; 3,784,018 shares issued and outstanding | 38 | 38 |
| Deficit | (4,331) | (3,308) |
| Accumulated other comprehensive income | (921) | 109 |
| | ----- | ----- |
| Total stockholders' equity | 22,224 | 21,337 |
| | ----- | ----- |
| Total | \$301,090 | \$266,517 |
| | ===== | ===== |

Edgar Filing: SYRATECH CORP - Form 10-K405

See notes to consolidated financial statements.

20

SYRATECH CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except per share data)

| | For the Years Ended De | |
|---|------------------------|-----------|
| | 2000 | 1999 |
| Net sales | \$356,598 | \$305,270 |
| Cost of sales | 259,729 | 221,199 |
| | 96,869 | 84,071 |
| Gross profit | | |
| Selling, general and administrative expenses | 77,524 | 69,079 |
| Asset dispositions, impairment of long-lived assets and restructuring costs | (532) | (15,596) |
| Other operating income | (1,982) | (3,358) |
| | 21,859 | 33,946 |
| Income from operations | | |
| Interest expense | (24,223) | (24,643) |
| Interest income | 70 | 137 |
| | (2,294) | 9,440 |
| Income (loss) before provision (benefit) for income taxes | | |
| Provision (benefit) for income taxes | (575) | 4,251 |
| | (1,719) | 5,189 |
| Income (loss) from continuing operations before extraordinary gain | | |
| Extraordinary gain on early extinguishment of debt, net of income taxes of \$2,527 | 3,636 | -- |
| | 1,917 | 5,189 |
| Net income (loss) | | |
| Preferred stock dividends accrued | 2,940 | 2,624 |
| | \$ (1,023) | \$ 2,565 |
| Net income (loss) applicable to common stockholders | ===== | ===== |
| Basic and diluted income (loss) per share: | | |
| Income (loss) from continuing operations before extraordinary gain | \$ (0.45) | \$ 1.37 |
| Extraordinary gain on early extinguishment of debt, net of income taxes of \$2,527 | 0.96 | -- |
| Preferred stock dividends accrued | (0.78) | (0.69) |
| | \$ (0.27) | \$ 0.68 |
| Net income (loss) per common share | ===== | ===== |
| Weighted-average number of shares outstanding | 3,784 | 3,784 |
| | ===== | ===== |

Edgar Filing: SYRATECH CORP - Form 10-K405

See notes to consolidated financial statements.

21

SYRATECH CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 and 1998
 (in thousands, except for share data)

| | Common Stock | | Cumulative Redeemable Preferred Stock | | Retained Earnings (Deficit) | Accumulated Other Comprehensive Income |
|------------------------------------|--------------|--------|---------------------------------------|-----------|-----------------------------|--|
| | Shares | Amount | Shares | Amount | | |
| Balance, January 1, 1998 | 3,784,018 | \$ 38 | 18,000 | \$ 19,530 | \$ 4,816 | \$ 769 |
| Other | | | | | (273) | |
| Accrued preferred stock dividend . | | | | 2,344 | (2,344) | |
| Comprehensive income: | | | | | | |
| Translation adjustment | | | | | | (270) |
| Net loss | | | | | (8,072) | |
| Total comprehensive loss | | | | | | |
| Balance, December 31, 1998 | 3,784,018 | 38 | 18,000 | 21,874 | (5,873) | 499 |
| Accrued preferred stock dividend . | | | | 2,624 | (2,624) | |
| Comprehensive income: | | | | | | |
| Translation adjustment | | | | | | (390) |
| Net income | | | | | 5,189 | |
| Total comprehensive income .. | | | | | | |
| Balance, December 31, 1999 | 3,784,018 | 38 | 18,000 | 24,498 | (3,308) | 109 |
| Accrued preferred stock dividend . | | | | 2,940 | (2,940) | |
| Comprehensive income: | | | | | | |
| Translation adjustment | | | | | | (695) |
| Minimum pension adjustment | | | | | | (335) |
| Net income | | | | | 1,917 | |
| Total comprehensive income .. | | | | | | |
| Balance, December 31, 2000 | 3,784,018 | \$ 38 | 18,000 | \$ 27,438 | \$ (4,331) | \$ (921) |

See notes to consolidated financial statements.

22

SYRATECH CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 (in thousands)

Edgar Filing: SYRATECH CORP - Form 10-K405

| | For the Years Ended December 31, | | |
|--|----------------------------------|----------|------------|
| | 2000 | 1999 | 1998 |
| Cash flows from operating activities: | | | |
| Net income (loss) | \$ 1,917 | \$ 5,189 | \$ (8,072) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | | |
| Depreciation and amortization | 8,618 | 8,582 | 7,857 |
| Deferred income taxes | (93) | 2,788 | (4,059) |
| Pension liability | (106) | (291) | (171) |
| Impairment of long-lived assets | | 1,747 | 5,170 |
| Gain on sale of property | | (17,988) | |
| Gain on extinguishment of debt before income taxes | (6,163) | | |
| (Gain) loss on disposal of assets and other | (17) | (22) | 42 |
| Increase (decrease) in assets and liabilities: | | | |
| Accounts receivable | (34,370) | 434 | (6,235) |
| Inventories | 1,347 | (7,491) | (2,999) |
| Prepaid expenses and other | (45) | (1,629) | 719 |
| Accounts payable and accrued expenses | 5,644 | (1,976) | (346) |
| Income taxes payable | (927) | 798 | 418 |
| Net cash used in operating activities | (24,195) | (9,859) | (7,676) |
| Cash flows from investing activities: | | | |
| Purchases of property, plant and equipment | (7,919) | (6,519) | (13,166) |
| Proceeds from disposal of assets | 278 | 32,591 | 1 |
| Other | (105) | 67 | 194 |
| Net cash provided by (used in) investing activities ... | (7,746) | 26,139 | (12,971) |
| Cash flows from financing activities: | | | |
| Net borrowings under revolving loan facilities | 44,649 | (23,532) | 27,301 |
| Retirement of outstanding senior notes | (9,793) | | |
| Other | (5) | | (356) |
| Net cash provided by (used in) financing activities ... | 34,851 | (23,532) | 26,945 |
| Effect of exchange rate changes | (919) | (306) | (270) |
| Net increase (decrease) in cash and equivalents | 1,991 | (7,558) | 6,028 |
| Cash and equivalents, beginning of year | 1,451 | 9,009 | 2,981 |
| Cash and equivalents, end of year | \$ 3,442 | \$ 1,451 | \$ 9,009 |

See notes to consolidated financial statements.

SYRATECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except for share and per share data)

1. Business and Summary of Significant Accounting Policies

Edgar Filing: SYRATECH CORP - Form 10-K405

Business

Syratech Corporation designs, manufactures, imports and markets a diverse portfolio of tabletop, giftware and seasonal products, including: sterling silver, silver-plated and stainless steel flatware, sterling silver, silver-plated and brass hollowware, picture frames and photo albums, glassware, woodenware and ceramics, fine porcelain boxes, figurines, waterglobes and Christmas ornaments, trim, lighting and tree skirts.

Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of Syratech Corporation and its subsidiaries (the "Company"), Wallace International Silversmiths, Inc. and its subsidiaries ("Wallace"), Leonard Florence Associates, Inc. ("LFA"), Towle Manufacturing Company and its subsidiaries ("Towle"), Rauch Industries, Inc. and its subsidiaries ("Rauch"), Silvestri Inc. ("Silvestri"), and Syratech (H.K.) Ltd. and its subsidiaries ("Syratech H.K."). All significant intercompany balances and transactions have been eliminated.

Earnings (Loss) Per Share

The Company applies the provisions of Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("Statement 128"), which specifies the computation, presentation, and disclosure requirements for earnings per share ("EPS") for entities with publicly held common stock or potential common stock. Basic earnings (loss) per share reflect the weighted-average number of common shares outstanding during each period. Diluted earnings (loss) per share reflect the impact of potential common shares from options and warrants, using the treasury stock method. There were no potential common shares in 2000, 1999 or 1998.

Comprehensive Income (Loss)

Comprehensive income is comprised of net income, foreign currency translation adjustments and minimum pension liability adjustments.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates include income taxes, reserves for potentially obsolete and slow moving inventory, and reserves for potential bad debts and sales returns.

SYRATECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Revenue Recognition

Revenue is recognized when products are shipped. The Company provides allowances for estimated doubtful accounts and sales returns based on historical experience

Edgar Filing: SYRATECH CORP - Form 10-K405

and evaluation of specific accounts. Such allowances were comprised of the following:

| | December 31, | |
|------------------------------------|--------------|----------|
| | 2000 | 1999 |
| Sales returns and allowances | \$ 10,041 | \$ 7,405 |
| Doubtful accounts | 1,881 | 1,606 |
| | \$ 11,922 | \$ 9,011 |

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin, or SAB, No. 101, "Revenue Recognition in Financial Statements," as amended by SAB 101A and 101B, which is effective no later than the quarter ended December 31, 2000. SAB 101 clarifies the SEC's views regarding the recognition of revenue. The Company adopted SAB 101 during 2000. The adoption of SAB 101 did not have a significant impact on the Company's consolidated financial statements.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to credit risk consist primarily of cash, cash equivalents and accounts receivable. The Company manages its cash credit risk by maintaining cash and cash equivalents with financial institutions that it believes are financially sound. In regards to accounts receivable, the Company performs on going credit evaluations of its customers. The Company sells its products to a multitude of customers in numerous geographical locations. There is no disproportionate concentration of risk.

Customers

Substantially all customers are retailers. No base of customers in one geographic area constitutes a significant portion of sales. Sales to one customer represented 12.2% and 10.6% of 2000 and 1999 consolidated net sales, respectively. No single customer represented 10% or greater of consolidated net sales in 1998. In 2000, one customer represented 17.2% of net accounts receivable. In 1999, another customer represented 13.9% of net accounts receivable.

Cash Equivalents

Cash equivalents consist of highly liquid investments purchased with a remaining maturity of three months or less.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out ("FIFO") method. See Note 3.

Property, Plant and Equipment

Purchased property, plant and equipment is recorded at cost. Leased equipment is recorded at the present value of the minimum lease payments required during the lease term. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets and over the terms, if shorter, of

Edgar Filing: SYRATECH CORP - Form 10-K405

the related leases, as follows:

| | Years ----- |
|----------------------------|----------------|
| Buildings and improvements | 2 to 39 |
| Tools and dies | 3 to 50 |
| Machinery and equipment | 3 to 10 |
| Other | 3 to 10 |

25

SYRATECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Impairment of Long-Lived Assets

Recoverability of long-lived assets is determined by periodically comparing the forecasted undiscounted net cash flows of the operations to which the assets relate to the carrying amount, including associated intangible assets of such operations.

Purchase Price in Excess of Net Assets Acquired

Purchase price in excess of net assets acquired is amortized using the straight-line method over 30 years. This goodwill is a result from the Company's purchase of its Rauch subsidiary in 1996. The Company evaluates the carrying value of goodwill based upon current and anticipated net income and undiscounted cash flows, and recognizes an impairment when it is probable that such estimated future net income and/or cash flows will be less than the carrying value of goodwill. Measurement of the amount of impairment, if any, is based upon the difference between carrying value and estimated fair value.

Other Assets

Other assets consist principally of deposits, deferred fees, deferred financing costs and deferred long-term rent. Deferred financing costs are being amortized using the interest method over the terms of the related loans. Accumulated amortization aggregated approximately \$4,744 and \$3,685 at December 31, 2000 and 1999, respectively.

Advertising Costs

Advertising costs are charged to operations when incurred. These costs are recorded in selling, general and administrative expenses and totaled \$4,440, \$4,196 and \$4,417 in the years ended December 31, 2000, 1999 and 1998, respectively.

Financial Instruments

The carrying values of cash and equivalents, accounts receivable, accounts payable and borrowings under revolving credit facilities approximate fair value due to the short-term nature of these instruments. The fair value of the Notes (Note 5) was estimated to be \$89,130 as of December 31, 2000, based upon recent private market trades.

Income Taxes

Edgar Filing: SYRATECH CORP - Form 10-K405

The Company and its domestic subsidiaries (except for Wallace's Puerto Rican subsidiaries) file a consolidated federal income tax return. The Puerto Rican subsidiaries file separate returns in accordance with Section 936 of the Internal Revenue Code. The Company uses the liability method of accounting for income taxes. Deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of the enacted tax laws. The Company provides for taxes on substantially all undistributed earnings of foreign subsidiaries.

The Company records valuation allowances against net deferred tax assets, if based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In assessing the realizability of deferred assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and when temporary differences become deductible. The Company considers, among other available information, uncertainties surrounding the recoverability of deferred tax assets, scheduled reversals of deferred tax liabilities, projected future taxable income, and other matters in making this assessment.

26

SYRATECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at year-end exchange rates and income and expense items are translated at the average rates of exchange prevailing during each year. The effects of foreign currency fluctuations on the foreign subsidiaries' assets and liabilities have been recorded directly to other comprehensive income included as a component of stockholders' equity. Gains and losses on foreign currency transactions are included in the consolidated statement of operations and comprehensive income.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The standard requires that all companies record derivatives in the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The Company will adopt SFAS No. 133, as required, the first quarter of fiscal year 2001, and such adoption will not have a material impact on the consolidated financial statements.

Reclassification

Certain prior year amounts have been reclassified to conform to the 2000 presentation.

Cash Flow Information

Edgar Filing: SYRATECH CORP - Form 10-K405

Supplemental cash flow information is as follows:

Cash paid during the year for:

| | 2000 ---- | 1999 ---- | 1998 ---- |
|-------------------|-------------------|-------------------|-------------------|
| Interest..... | \$22,941 ===== | \$23,318 ===== | \$22,653 ===== |
| Income taxes..... | \$ 2,190 ===== | \$ 1,118 ===== | \$ 1,045 ===== |

27

SYRATECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

2. Asset Dispositions, Impairment of Long-Lived Assets and Restructuring Costs

In November 1999 the Company sold its primary east coast distribution facility for \$29,500. The sale of this facility resulted in a net gain of approximately \$17,140. The Company simultaneously entered into a short-term leaseback of approximately 40% of the distribution facility (which ended on January 31, 2001). Also in 1999, the Company sold undeveloped land adjacent to this facility for a gain of approximately \$756. In connection with the disposition of the facility, the Company recorded separation benefits of approximately \$532 for 42 hourly employees and three salaried employees, all of which was accrued at December 31, 1999. During 2000 the separation benefits were not required and the \$532 accrual was reversed in the fourth quarter with a corresponding benefit recorded in the statement of operations.

In the fourth quarter of 1999, the Company wrote down the value of certain assets by approximately \$1,157. These write-downs relate to abandonment of certain manufacturing equipment at its Gastonia, North Carolina, facility with a book value of approximately \$1,057. The remaining asset write-downs relate to the finalization of amounts relative to the shutdown of the El Paso facility discussed below. Other less significant asset write-downs and adjustments aggregated a net charge of \$611. All amounts provided in 1999 were fully utilized during 2000.

In the fourth quarter of 1998, the Company wrote down the value of certain assets primarily relating to its facilities in El Paso, Texas, and one facility in Gastonia, North Carolina, where the carrying values had been impaired by an aggregate of \$4,307 after management's decision to shut down and sell the facilities. The El Paso facility was sold in December of 1999 and was leased back through June 30, 2000. The Company relocated its warehousing activities to a newly leased 85,000 sq. ft. facility also in El Paso. The Gastonia facility was shut down on June 15, 1999. No additional charges or credits were required after 1998. Also included in the fourth quarter of 1998 is a charge for \$627 related to impaired equipment and tooling that was abandoned at other Company facilities and \$236 representing a decline in the estimated fair value of a property held for sale since 1997.

3. Inventories

Inventories by major classification are as follows:

Edgar Filing: SYRATECH CORP - Form 10-K405

| | December 31, | |
|----------------------|--------------|-----------|
| | 2000 | 1999 |
| Raw materials..... | \$ 10,757 | \$ 11,137 |
| Work-in-process..... | 8,062 | 6,115 |
| Finished goods..... | 73,930 | 76,844 |
| Total..... | \$ 92,749 | \$ 94,096 |

28

SYRATECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

4. Property, Plant and Equipment

Property, plant and equipment was comprised of the following:

| | December 31, | |
|---------------------------------|--------------|-----------|
| | 2000 | 1999 |
| Land and improvements..... | \$ 6,359 | \$ 6,524 |
| Buildings and improvements..... | 52,153 | 50,021 |
| Tools and dies..... | 18,604 | 17,928 |
| Machinery and equipment..... | 40,068 | 37,039 |
| Other..... | 3,988 | 3,290 |
| Construction in progress..... | 1,873 | 910 |
| Total..... | 123,045 | 115,712 |
| Less accumulated depreciation. | (51,269) | (44,023) |
| Net..... | \$ 71,776 | \$ 71,689 |

Capitalized interest is not material to the Company's consolidated financial statements in any year presented.

Unrecorded commitments for property, plant and equipment are not material to the Company's consolidated financial statements at December 31, 2000.

5. Revolving Loan Facilities and Notes Payable

Revolving Loan Facilities

The Company has a Senior Revolving Credit Facility (the "Revolving Credit Facility") dated April 16, 1997 (amended effective as of July 31, 1997, December 31, 1997, March 30, 1998, December 31, 1998 and March 26, 2001) which at December 31, 2000 provided for \$123,000 of borrowings, including a \$30,000

Edgar Filing: SYRATECH CORP - Form 10-K405

submit for the issuance of standby and commercial letters of credit. In accordance with the terms of its Senior Notes Indenture, the Revolving Credit Facility was reduced by \$7,000 effective as of November 21, 2000 as a result of the permanent application of certain proceeds from the November 22, 1999 sale of its primary east coast facility. Borrowings made under the Revolving Credit Facility bear interest at a rate equal to, at the Company's option, the Eurodollar Rate plus 212.5 basis points (8.69% using the 30-day Eurodollar rate at December 31, 2000) or the Prime Rate plus 50 basis points (10.0% at December 31, 2000). The weighted-average interest rate on borrowings outstanding under this facility for the year ended December 31, 2000 was 9.9%. The Revolving Credit Facility expires on April 16, 2002. Pursuant to the terms of the Revolving Credit Facility, as amended, the Company is required during February and March of each year to maintain excess availability of at least \$25,000. The obligations of the Company under the Revolving Credit Facility are secured by inventory and accounts receivable of the Company (the "Issuer/Guarantor Parent") and its domestic subsidiaries and by a pledge of 100% of the domestic subsidiaries' (the "Guarantor Subsidiaries") and at least 65% of the foreign subsidiaries' ("Non-Guarantor Subsidiaries") outstanding capital stock (Note 14). The Revolving Credit Facility, as amended, contains customary covenants of the Company and the subsidiary borrowers, including but not limited to capital expenditures, and minimum consolidated net worth on or after December 31, 1997 to be at least \$1.00 (not in thousands). In addition, the Revolving Credit Facility, as amended, includes covenants requiring a minimum ratios of earnings before income taxes, depreciation, amortization, and certain adjustments ("EBITDA"), as defined, including funded debt to EBITDA and fixed charge coverage, as defined. Management believes the Company is in compliance with the covenants, as amended, as of December 31, 2000 and for the year then ended. At December 31, 2000, there was \$66,441 outstanding under this facility and of these borrowings, \$40,000 were at the Eurodollar rate. Availability under the Revolving Credit Facility, net of outstanding letters of credit, was \$43,976 at December 31, 2000.

29

SYRATECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Notes Payable

The Company also has debt financing of \$148,550 of 11% Senior Notes (the "Notes") which are due April 15, 2007 and require interest payments to be made semi-annually on April 15 and October 15. During the fourth quarter of 2000, the Company purchased an aggregate of \$16,450 of its Notes on the open market resulting in an extraordinary gain of \$3,636, net of \$2,527 in income taxes. The Notes are general unsecured obligations of the Company and rank pari passu in right of payment with all current and future unsubordinated indebtedness of the Company, including borrowings under the Revolving Credit Facility. However, all borrowings under the Revolving Credit Facility are secured by a first priority lien on the accounts receivable and inventory of the Company and its domestic subsidiaries ("Guarantor Subsidiaries") but not of its foreign subsidiaries (See Note 14). Consequently, the obligations of the Company under the Notes are effectively subordinated to its obligations under the Revolving Credit Facility to the extent of such assets. The Notes are redeemable, in whole or in part, at the Company's option after April 15, 2002.

The Company's ability to pay dividends is restricted by terms of the Revolving Credit Facility and the Notes. The Notes also include financial covenants, which

Edgar Filing: SYRATECH CORP - Form 10-K405

are less restrictive than the covenants contained in the Revolving Credit Facility. Cross default provisions exist between the Notes and the Revolving Credit Facility.

Other Debt Facilities

The Company has outstanding borrowings of \$877 under one of Wallace's Puerto Rican subsidiaries' \$1,000 debt facility (the "Facility"), expiring on May 31, 2001. The Facility bears interest at a rate equal to, at the Company's option, the Eurodollar Rate plus 175 basis points (8.31 % using the 30-day Eurodollar rate at December 31, 2000) or the bank's Prime Rate less 25 basis points (9.25% at December 31, 2000). Availability under the Facility was \$123 at December 31, 2000. The weighted-average interest rate on borrowings outstanding under this facility for the year ended December 31, 2000 was 9.2%.

Borrowings under the Facility were uncollateralized; however, the pledge of assets owned by one of the subsidiaries as collateral for other loans was prohibited. Borrowings under the Facility were guaranteed by the Company and cross-guaranteed by certain other subsidiaries.

The Company's C.J. Vander Ltd. subsidiary has an overdraft facility entered into on March 16, 1998 ("Overdraft Facility") which provides for borrowings of (pound)250. Borrowings made under the Overdraft Facility bear interest at the bank's base rate plus 1% (7.0% at December 31, 2000). The Overdraft Facility contains customary covenants, and borrowings are secured by substantially all of the assets of C.J.Vander Ltd. The Overdraft Facility as renewed on August 23, 2000 is due on demand and expires on April 30, 2001. Availability under the Overdraft Facility was (pound)241 at December 31, 2000. The weighted-average interest rate on borrowings outstanding under this facility for the year ended December 31, 2000 was 7.0%.

30

SYRATECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

6. Income Taxes

The provisions (benefit) for income taxes from continuing operations before extraordinary gain, excluding \$2,527 of deferred tax expense reported as a reduction of the extraordinary item reported for fiscal 2000, are as follows:

| | Year Ended December 31, | |
|--------------|-------------------------|-------|
| | 2000 | 1999 |
| | ---- | ---- |
| Current: | | |
| Federal..... | \$ 380 | \$ 87 |
| State..... | 506 | 579 |
| Foreign..... | 1,159 | 797 |
| | 2,045 | 1,463 |
| Deferred: | | |
| Federal..... | (2,412) | 3,198 |

Edgar Filing: SYRATECH CORP - Form 10-K405

| | | |
|-----------------------|----------|----------|
| State..... | (208) | (410) |
| Foreign..... | - | - |
| | ----- | ----- |
| | (2,620) | 2,788 |
| | ----- | ----- |
| Total provisions..... | \$ (575) | \$ 4,251 |
| | ===== | ===== |

The reconciliations between the Company's effective income tax rate and the U.S. federal statutory rate from continuing operations before extraordinary gain are as follows:

| | Year Ended December 31, | |
|---|-------------------------|-------|
| | 2000 | 1999 |
| | ---- | ---- |
| Federal statutory rate..... | (35.0)% | 35.0% |
| State taxes, net of federal income tax benefit..... | 7.0 % | 2.4% |
| Foreign income taxes (including Puerto Rico)..... | (3.4)% | 6.2% |
| Other..... | 6.4 % | 1.4% |
| | ----- | ----- |
| Effective income tax rate..... | (25.0)% | 45.0% |
| | ===== | ===== |

The components of income before provision (benefit) for income taxes from continuing operations before extraordinary gain were comprised of the following:

| | Year Ended December 31, | |
|---------------|-------------------------|----------|
| | 2000 | 1999 |
| | ---- | ---- |
| Domestic..... | \$ (7,598) | \$ 3,859 |
| Foreign..... | 5,304 | 5,581 |
| | ----- | ----- |
| Total..... | \$ (2,294) | \$ 9,440 |
| | ===== | ===== |

SYRATECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Provisions have been made for taxes on the majority of the undistributed earnings of Syratech H.K. and Wallace's Puerto Rican subsidiaries which are ultimately expected to be remitted to the parent company. In addition, the Company has permanently invested a portion of the undistributed earnings of these subsidiaries. It is not practical to estimate the amount of unrecognized deferred tax liability attributable to these undistributed foreign earnings.

Edgar Filing: SYRATECH CORP - Form 10-K405

Wallace's Puerto Rican subsidiaries operate under grants from the Commonwealth of Puerto Rico exempting 90% of their income from taxation until December 2003. Had the Company not been eligible for the tax exemption, net loss for 2000 would have increased by \$1,217, net income in 1999 would have decreased by \$985 and the net loss for 1998 would have increased by \$1,105, and earnings per share would have been decreased by approximately \$.32, \$.26 and \$.29, respectively.

The tax effects of significant items comprising the Company's net deferred tax asset (liability) are as follows:

| | December 31, | |
|---|--------------|-------------|
| | 2000 | 1999 |
| | ---- | ---- |
| Accounts receivable..... | \$ 5,458 | \$ 3,803 |
| Inventory..... | 2,282 | 1,576 |
| Reserves and accruals..... | 1,366 | 1,794 |
| Operating loss carryforwards..... | 7,710 | 7,353 |
| Other..... | 471 | 845 |
| | ----- | ----- |
| Total..... | 17,287 | 15,371 |
| Valuation allowance..... | (3,131) | (2,184) |
| | ----- | ----- |
| Net current deferred tax asset..... | \$ 14,156 | \$ 13,187 |
| | ===== | ===== |
| Property, plant and equipment..... | \$ (11,247) | \$ (11,928) |
| Deferred compensation..... | 874 | 1,021 |
| Foreign earnings to be remitted..... | (10,174) | (8,764) |
| | ----- | ----- |
| Net non-current deferred tax liability..... | \$ (20,547) | \$ (19,671) |
| | ===== | ===== |

The valuation allowance relates primarily to the potential unusable portion of foreign tax loss carryforwards, and increased as a result of fiscal 2000 losses by a foreign subsidiary.

7. Commitments and Contingencies

The Company and its subsidiaries have various operating lease commitments for buildings and equipment. The lease agreements generally require the Company to pay insurance, real estate taxes, and maintenance and contain various renewal options. Future minimum rental payments for all noncancellable operating leases for each of the next five years and thereafter are as follows:

| | |
|-------------------------|---------|
| 2001..... | \$3,980 |
| 2002..... | 3,237 |
| 2003..... | 2,559 |
| 2004..... | 1,949 |
| 2005..... | 1,403 |
| Subsequent to 2005..... | 1,623 |

Rent expense for all operating leases was approximately \$5,636, \$3,951 and \$4,570 in 2000, 1999 and 1998, respectively.

SYRATECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company's Rauch, Inc. subsidiary has entered into long term Purchase Commitments (Supply Agreements) with two vendors located in Kentucky and Pennsylvania for glass components used in the manufacture of Christmas ornaments. The Supply Agreements provide for the vendors to supply and Rauch to purchase, certain minimum quantities. At the end of December 31, 2000, the approximate future purchase commitments under the Supply Agreements were as follows:

| | |
|-----------|---------|
| 2001..... | \$3,950 |
| 2002..... | 3,950 |

Certain subsidiaries were contingently obligated for outstanding letters of credit, trade acceptances and similar instruments aggregating \$7,707 at December 31, 2000 (Note 5). The assets of Syratech H.K. are pledged as collateral for certain of these contingent obligations.

8. Employee Benefit Plans

The following information is provided in accordance with the provisions of SFAS No. 132, "Employers' Disclosures about Pensions and other Postretirement Benefits."

401(K) Savings Plans

The Company has two 401(k) savings plans (the "Plans"). The Plans cover substantially all employees of its domestic and Puerto Rican subsidiaries, and are subject to certain minimum age and length of employment requirements. Under the Plans, the Company matches 50% of the first five hundred twenty dollars contributed and 30% thereafter, of the participants' contributions up to 6% of compensation. The Company also has a savings plan, established in 1991, covering substantially all employees of the Company's Hong Kong subsidiary. Under the Hong Kong plan, the Company contributes up to 10% of the participants' compensation. The Company contributed an aggregate of \$581, \$510 and \$617 to all of these plans in 2000, 1999 and 1998.

Officers Retirement Plan

The Company has employment agreements with certain officers for terms ranging from three to five years.

Agreements with five of the Company's officers provide for other retirement benefit payments. Two agreements provide that the benefit payments be based upon two percent of the average total annual compensation (salary and bonus) for the three-year period preceding the executives' retirement dates multiplied by the number of years of service. In addition, one of the agreements provides for a 100% survivor benefit for the executive's spouse. Two agreements provide for benefit payments based upon the greater of (i) \$75,000 or (ii) one-half of one percent of the average total annual compensation (salary and bonus) for the three-year period preceding the executives' retirement dates multiplied by the number of years of service. One agreement with an officer provides for benefit payments based upon the greater of (i) \$75,000 or (ii) one percent of the average total annual compensation (salary and bonus) for the three-year period preceding the executives' retirement dates multiplied by the number of years of service. On April 16, 1997 an employment agreement with an officer was amended

Edgar Filing: SYRATECH CORP - Form 10-K405

so as to (i) change the officer's term of full-time employment from a rolling five-year term to a fixed five-year term, (ii) provide for a minimum base salary of \$1,150 per annum, (iii) establish \$1,150 as the minimum amount upon which the officer's retirement benefit (and the survivor's benefit of his surviving spouse) will be computed and (iv) create contractual rights with respect to certain perquisites that he is accorded informally under present arrangements with the Company. Additionally, an employment agreement with another officer was amended to change the officer's term of full-time employment from a rolling five-year term to a fixed five-year term. On July 29, 1998, the Company entered into Amendment No. 1 to Mr. Florence's Amended and Restated Employment Agreement which provides, among other things, for the modification of the computation and timing of payments in respect of the retirement benefit. The terms of the Amendment provide for the acceleration of payments (the first of which was made upon execution of the Amendment) related to the retirement benefit provided that such payments are allowed under the terms of the Company's credit agreements, as amended.

33

SYRATECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

These agreements provide for minimum annual salaries aggregating \$2,580 and certain other benefits. Pension expense is determined using assumptions at the beginning of the year. Assumptions used in determining the actuarial present value of the projected benefit obligation include a discount rate of 6.75% in 2000, 1999, and 1998, and a rate of future increases in benefit compensation of 3%. An additional minimum liability of \$335 for fiscal year 2000 is recorded within other comprehensive income.

Change in projected benefit obligation:

| | 2000 ---- | 1999 ---- | 19 --- |
|---|--------------|--------------|-----------|
| Benefit obligation at beginning of year | \$ 2,717 | \$ 3,261 | \$ |
| Service cost | 158 | 198 | |
| Interest cost | 123 | 160 | |
| Actuarial loss/(gain) | 621 | (10) | |
| Payments | (892) | (892) | |
| | ----- | ----- | ----- |
| Benefit obligation at end of year | \$ 2,727 | \$ 2,717 | \$ |
| | ===== | ===== | ===== |

Components of net periodic benefit costs:

| | 2000 ---- | 1999 ---- | 19 --- |
|---|--------------|--------------|-----------|
| Service cost for benefits earned..... | \$ 158 | \$ 198 | \$ |
| Interest cost benefit obligation..... | 123 | 160 | |
| Amortization of prior service cost..... | (34) | (34) | |

Edgar Filing: SYRATECH CORP - Form 10-K405

| | | | |
|--------------------------------|--------|--------|-------|
| Amortization of loss..... | 6 | 26 | |
| | ----- | ----- | ----- |
| Net periodic pension cost..... | \$ 253 | \$ 350 | \$ |
| | ===== | ===== | ===== |

Funded status as of December 31, 2000 and 1999:

| | 2000 | 1999 |
|---|----------|----------|
| | ---- | ---- |
| Actuarial present value of obligations: | | |
| Accumulated benefit obligation..... | \$ 2,568 | \$ 2,479 |
| | ===== | ===== |
| Projected benefit obligation..... | \$ 2,727 | \$ 2,717 |
| Fair value of plan assets..... | - | - |
| | ----- | ----- |
| Projected benefit obligation in excess of plan assets..... | 2,727 | 2,717 |
| Unrecognized prior service cost..... | 265 | 298 |
| Unrecognized gain/(loss)..... | (759) | (341) |
| Additional minimum liability | 335 | |
| | ----- | ----- |
| Net accrued pension liability..... | \$ 2,568 | \$ 2,674 |
| | ===== | ===== |

Other

The Company's C. J. Vander subsidiary also has an employee benefit plan. The Company's obligation under the plan is not material to the Company's consolidated financial position or results of operations.

SYRATECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

9. Stockholders' Equity

Preferred Stock

The liquidation preference of the Cumulative Redeemable Preferred Stock is \$1,000 per share plus accrued but unpaid dividends. Holders of the Cumulative Redeemable Preferred Stock are entitled, subject to the rights of creditors, in the event of any voluntary or involuntary liquidation of the Company, to an amount in cash equal to \$1,000 for each share outstanding plus all accrued and unpaid dividends. The rights of holders of the Cumulative Redeemable Preferred Stock upon liquidation of the Company rank prior to those of the holders of Common Stock.

Dividends on shares of Cumulative Redeemable Preferred Stock are cumulative from the date of issue and are payable when and as declared from time to time by the Board of Directors of the Company. Such dividends accrue on a daily basis (whether or not declared) from the original date of issue at an annual rate per share equal to 12% of the original purchase price per share, with such amount to

Edgar Filing: SYRATECH CORP - Form 10-K405

be compounded annually on each December 31 so that if the dividend is not paid for any year the unpaid amount will be added to the original purchase price of the Cumulative Redeemable Preferred Stock for the purpose of calculating succeeding years' dividends. At December 31, 2000, \$9,438 was accrued.

The Cumulative Redeemable Preferred Stock is redeemable at any time at the option of the Company, in whole or in part, at \$1,000 per share plus all accumulated and unpaid dividends, if any, to the date of redemption. Subject to the Company's existing debt agreements, the Company must redeem all outstanding Cumulative Redeemable Preferred Stock in the event of a public offering of equity, a change of control or certain sales of assets.

10. Related-Party Transactions

In connection with the 1997 merger between the Company and THL Transaction I Corp, a Delaware corporation, controlled by affiliates of Thomas H. Lee Company ("THL"), the Company entered into a Management Agreement with THL for which the Company pays an annual management fee in the amount of \$450. The Company paid and expensed \$450 in 2000, 1999 and 1998 under this arrangement.

11. Segment Disclosures

The Company has identified only one distinct and reportable segment: Home Entertainment and Decorative Products. This segment generates revenue from two types of product offerings: Tabletop and Giftware, and Seasonal. The Company has determined that it only has one reportable segment meeting the criteria established under SFAS 131 "Disclosures about Segments of an Enterprise and Related Information", as the Company's chief operating decision maker, as defined, (determined to be the Chief Executive Officer and President) and the Board of Directors do not manage any part of the Company separately and review and evaluate only the Company's consolidated operating results.

The Company's operations are conducted primarily in the United States of America (US), with only two locations representing individually more than 10% of revenues or income from operations: the US and Hong Kong. The Company also conducts operations in the United Kingdom (UK) and in other countries; however these operations are individually insignificant and have been included in "Other Foreign" below.

35

SYRATECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following presents information in accordance with SFAS No. 131:

| | Year Ended December 31, | | |
|----------------------------|-------------------------|------------|------------|
| | 2000 | 1999 | 1998 |
| Product Offerings: | | | |
| Net sales: | | | |
| Tabletop and Giftware..... | \$ 230,076 | \$ 202,563 | \$ 184,545 |
| Seasonal..... | 126,522 | 102,707 | 105,861 |
| | ----- | ----- | ----- |
| Total..... | \$ 356,598 | \$ 305,270 | \$ 290,406 |
| | ===== | ===== | ===== |

Edgar Filing: SYRATECH CORP - Form 10-K405

Geographic Location:

Net sales:

| | | | |
|--------------------|------------|------------|------------|
| United States..... | \$ 291,721 | \$ 250,454 | \$ 230,762 |
| Hong Kong..... | 57,900 | 48,124 | 55,070 |
| Other foreign..... | 6,977 | 6,692 | 4,574 |
| | ----- | ----- | ----- |
| Total..... | \$ 356,598 | \$ 305,270 | \$ 290,406 |
| | ===== | ===== | ===== |

Income (loss) from operations:

| | | | |
|--------------------|-----------|-----------|-----------|
| United States..... | \$ 16,573 | \$ 28,355 | \$ 8,525 |
| Hong Kong..... | 7,245 | 6,794 | 4,924 |
| Other foreign..... | (1,959) | (1,203) | (536) |
| | ----- | ----- | ----- |
| Total..... | \$ 21,859 | \$ 33,946 | \$ 12,913 |
| | ===== | ===== | ===== |

Identifiable assets:

| | | | |
|--------------------|------------|------------|------------|
| United States..... | \$ 283,026 | \$ 249,299 | \$ 268,133 |
| Hong Kong..... | 7,833 | 6,108 | 7,867 |
| Other foreign..... | 10,231 | 11,110 | 9,220 |
| | ----- | ----- | ----- |
| Total..... | \$ 301,090 | \$ 266,517 | \$ 285,220 |
| | ===== | ===== | ===== |

12. Litigation

The Company has been named as a defendant in certain legal actions arising from its normal business activities. The Company carries insurance against liability for certain types of risks. Although the amount of liability that could result from any litigation cannot be predicted, in the opinion of management, the Company's potential liability on all known claims would not have a material adverse effect on the consolidated financial position or results of operations of the Company.

36

SYRATECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

13. Quarterly Results (Unaudited)

SUPPLEMENTARY INFORMATION
Quarterly Results (unaudited)

| | First Quarter | Second Quarter | Third Quarter |
|--|------------------|-------------------|------------------|
| | ----- | ----- | ----- |
| Year Ended December 31, 2000: | | | |
| Net sales..... | \$ 55,327 | \$ 47,141 | \$ 11,864 |
| Gross profit..... | 14,864 | 12,426 | 3,864 |
| Income (loss) from operations..... | (3,337) | (3,220) | 1,110 |
| Income (loss) before provision (benefit) for income taxes | (8,779) | (8,721) | 1,110 |
| Income (loss) from continuing operations | | | |

Edgar Filing: SYRATECH CORP - Form 10-K405

| | | | |
|---|-----------|-----------|-------|
| before extraordinary gain | (6,584) | (6,535) | |
| Extraordinary gain on debt extinguishment | | | |
| Preferred stock dividend accrued | (735) | (735) | |
| Net income (loss) applicable to common stockholders | (7,319) | (7,270) | |
| Basic and diluted income (loss) per share: | | | |
| Income (loss) from continuing operations before extraordinary gain | \$ (1.74) | \$ (1.72) | \$ |
| Extraordinary gain net of income taxes | | | |
| Preferred stock dividend accrued | (0.19) | (0.20) | |
| | ----- | ----- | ----- |
| Net income (loss) per common share | \$ (1.93) | \$ (1.92) | \$ |
| | ===== | ===== | ===== |
| Weighted-average number of shares outstanding | 3,784 | 3,784 | |
| | ===== | ===== | ===== |
| Year Ended December 31, 1999: | | | |
| Net sales..... | \$ 42,726 | \$ 42,064 | \$ 11 |
| Gross profit..... | 12,839 | 12,002 | 3 |
| Income (loss) from operations..... | (2,990) | (1,788) | 1 |
| Income (loss) before provision (benefit) for income taxes | (8,663) | (6,983) | |
| Income (loss) from continuing operations..... | (6,498) | (5,236) | |
| Preferred stock dividend accrued | (656) | (656) | |
| Net income (loss) applicable to common stockholders | (7,154) | (5,892) | |
| Basic and diluted income (loss) per share: | | | |
| Income (loss) from continuing operations..... | \$ (1.72) | \$ (1.38) | \$ |
| Preferred stock dividend accrued | (0.17) | (0.18) | |
| | ----- | ----- | ----- |
| Net income (loss) per common share | \$ (1.89) | \$ (1.56) | \$ |
| | ===== | ===== | ===== |
| Weighted-average number of shares outstanding | 3,784 | 3,784 | |
| | ===== | ===== | ===== |

During the fourth quarter of 2000 the separation benefits recorded in 1999 as a result of the sale of the Company's primary east coast warehouse were not required and the \$532 accrual was reversed with a corresponding benefit to the statement of operations (see Note 2). A subsidiary of the Company recorded \$1,425 of additional provisions for excess and slow moving inventory, also during the fourth quarter.

During the fourth quarter of 1999, the Company adjusted the income tax rate to 45% for the full year, which is higher than the estimated effective income tax rate of 25% recorded through September 30, 1999. The increased income tax rate reflects the impact from the gain recorded from the sale of a warehouse (see Note 2).

SYRATECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

14. Supplemental Consolidating Financial Statements

The following supplemental consolidating financial statements as of December 31, 2000 and 1999 and for each of the three years in the period ended December 31, 2000, present separate financial information for the Company ("Issuer/Guarantor

Edgar Filing: SYRATECH CORP - Form 10-K405

Parent"), the Guarantor Subsidiaries (Note 5), and the Non-Guarantor Subsidiaries (Note 5). Separate financial statements of each guarantor are not presented because management believes that such statements would not be materially different from the information presented herein.

38

SYRATECH CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SUPPLEMENTAL CONSOLIDATING BALANCE SHEETS
YEAR ENDED DECEMBER 31, 2000

| | Issuer/ Guarantor Parent | Guarantor Subsidiaries | Non- Guaran Subsidi |
|---|--------------------------------|---------------------------|---------------------------|
| | ----- | ----- | ----- |
| ASSETS | | | |
| Current assets: | | | |
| Cash and equivalents | \$ | \$ 968 | \$ 2 |
| Accounts receivable, net | | 97,839 | 5 |
| Inventories | | 87,767 | 5 |
| Deferred income taxes | 4,797 | 9,359 | |
| Prepaid expenses and other | 113 | 2,799 | |
| | ----- | ----- | ----- |
| Total current assets | 4,910 | 198,732 | 14 |
| Property, plant and equipment, net | | 68,676 | 3 |
| Purchase price in excess of net assets acquired | | 6,066 | |
| Other assets, net | 5,790 | 150 | |
| Investment | 49,665 | 9,793 | |
| | ----- | ----- | ----- |
| Total | \$ 60,365 | \$ 283,417 | \$ 17 |
| | ===== | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Revolving loan facilities and notes payable | \$ | \$ 67,318 | \$ |
| Accounts payable | | 7,556 | 6 |
| Accrued expenses | 41 | 13,570 | 1 |
| Accrued interest | 3,832 | 288 | |
| Accrued compensation | | 2,997 | |
| Accrued advertising | | 3,610 | |
| Income taxes payable | (9,893) | 7,315 | |
| | ----- | ----- | ----- |
| Total current liabilities | (6,020) | 102,654 | 8 |
| Long-term debt | 165,000 | | |
| Deferred income taxes | 10,174 | 10,373 | |
| Pension liability | | 2,568 | |
| Intercompany (receivable) payable | (13,127) | 36,379 | (21 |
| Stockholders' equity | (95,662) | 131,443 | 31 |

Edgar Filing: SYRATECH CORP - Form 10-K405

| | | | |
|-------------|-----------|------------|-------|
| Total | \$ 60,365 | \$ 283,417 | \$ 17 |
|-------------|-----------|------------|-------|

39

SYRATECH CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SUPPLEMENTAL CONSOLIDATING BALANCE SHEETS
YEAR ENDED DECEMBER 31, 1999

| | Issuer/ Guarantor Parent | Guarantor Subsidiaries | Non- Guarantor Subsidiaries |
|---|--------------------------------|---------------------------|-----------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and equivalents | \$ | \$ 587 | \$ 864 |
| Accounts receivable, net | | 64,087 | 5,180 |
| Inventories | | 88,181 | 5,874 |
| Deferred income taxes | 5,399 | 7,788 | |
| Prepaid expenses and other | 113 | 2,319 | 841 |
| Total current assets | 5,512 | 162,962 | 12,759 |
| Property, plant and equipment, net | | 68,073 | 3,664 |
| Purchase price in excess of net assets acquired ... | | 6,308 | |
| Other assets, net | 7,117 | 129 | |
| Investment | 49,665 | | |
| Total | \$ 62,294 | \$ 237,472 | \$ 16,423 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Revolving loan facilities and notes payable | \$ | \$ 22,579 | \$ 90 |
| Accounts payable | | 7,259 | 4,414 |
| Accrued expenses | 37 | 11,337 | 323 |
| Accrued interest | 3,832 | 167 | |
| Accrued compensation | | 2,726 | 286 |
| Accrued advertising | | 3,569 | |
| Income taxes payable | (10,644) | 11,284 | 570 |
| Total current liabilities | (6,775) | 58,921 | 5,683 |
| Long-term debt | 165,000 | | |
| Deferred income taxes | 8,764 | 10,907 | |
| Pension liability | | 2,674 | |
| Intercompany (receivable) payable | (25,545) | 42,800 | (17,255) |
| Stockholders' equity | (79,150) | 122,170 | 27,995 |
| Total | \$ 62,294 | \$ 237,472 | \$ 16,423 |

Edgar Filing: SYRATECH CORP - Form 10-K405

40

SYRATECH CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SUPPLEMENTAL CONSOLIDATING STATEMENTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 2000

| | Issuer/ Guarantor Parent | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Eliminations | Consolidated |
|--|--------------------------------|---------------------------|-----------------------------------|--------------|--------------|
| Net sales | \$ | \$ 292,115 | \$ 130,932 | \$ (66,449) | \$ 355,603 |
| Cost of sales | | 217,367 | 108,811 | (66,449) | 258,729 |
| Gross profit | | 74,748 | 22,121 | | 96,869 |
| Selling, general and administrative expenses | 450 | 60,239 | 16,835 | | 77,524 |
| Asset dispositions, impairments restructuring | | (532) | | | (532) |
| Other operating income | | (1,982) | | | (1,982) |
| Income (loss) from operations | (450) | 17,023 | 5,286 | - | 21,859 |
| Interest expense | (22,309) | (1,880) | (34) | | (24,223) |
| Interest income | | 18 | 52 | | 70 |
| Income (loss) before provisions (benefit) for income taxes | (22,759) | 15,161 | 5,304 | | (2,294) |
| Provision (benefit) for income taxes | (6,556) | 4,822 | 1,159 | | (615) |
| Income (loss) from continuing operations before extraordinary gain | (16,203) | 10,339 | 4,145 | - | (1,719) |
| Extraordinary gain on early extinguishment of debt, net of income taxes of \$2,527 | 3,636 | | | | 3,636 |
| Net income (loss) | (12,567) | 10,339 | 4,145 | | 1,917 |
| Preferred stock dividends accrued | 2,940 | | | | 2,940 |
| Net income (loss) applicable to common stockholders | \$ (15,507) | \$ 10,339 | \$ 4,145 | \$ - | \$ (1,023) |

Edgar Filing: SYRATECH CORP - Form 10-K405

41

SYRATECH CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SUPPLEMENTAL CONSOLIDATING STATEMENTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 1999

| | Issuer/ Guarantor Parent | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Eliminations | Consol |
|---|--------------------------------|---------------------------|-----------------------------------|--------------|--------|
| | ----- | ----- | ----- | ----- | ----- |
| Net sales | \$ | \$ 250,550 | \$ 94,864 | \$ (40,144) | \$ 30 |
| Cost of sales | | 186,145 | 75,198 | (40,144) | 22 |
| Gross profit | | 64,405 | 19,666 | - | 8 |
| Selling, general and administrative expenses | 450 | 54,541 | 14,119 | (31) | 6 |
| Asset dispositions and impairment of long-lived assets and restructuring costs..... | | (15,552) | (44) | | (1) |
| Other operating income | | (3,358) | | | (|
| Income (loss) from operations | (450) | 28,774 | 5,591 | 31 | 3 |
| Interest expense | (19,573) | (5,019) | (51) | | (2) |
| Interest income | | 96 | 41 | | |
| Dividend income | 14,390 | - | | (14,390) | |
| Income (loss) before provisions (benefit) for income taxes .. | (5,633) | 23,851 | 5,581 | (14,359) | |
| Provision (benefit) for income taxes | (4,625) | 8,080 | 796 | | |
| Net income (loss) | (1,008) | 15,771 | 4,785 | (14,359) | |
| Preferred stock dividends accrued | 2,624 | | | | |
| Net income (loss) applicable to common stockholders | \$ (3,632) | \$ 15,771 | \$ 4,785 | \$ (14,359) | \$ |

42

SYRATECH CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Edgar Filing: SYRATECH CORP - Form 10-K405

SUPPLEMENTAL CONSOLIDATING STATEMENTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 1998

| | Issuer/ Guarantor Parent | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Eliminations | Consol |
|--|--------------------------------|---------------------------|-----------------------------------|--------------|--------|
| | ----- | ----- | ----- | ----- | ----- |
| Net sales | \$ | \$ 230,782 | \$ 91,234 | \$ (31,610) | \$ 29 |
| Cost of sales | | 173,373 | 71,205 | (31,610) | 21 |
| Gross profit | | 57,409 | 20,029 | - | 7 |
| Selling, general and administrative expenses | 450 | 49,304 | 15,406 | (143) | 6 |
| Asset dispositions and impairment of long-lived assets | | 4,935 | 235 | | |
| Other operating income | | (5,662) | | | (|
| Income (loss) from operations | (450) | 8,832 | 4,388 | 143 | 1 |
| Interest expense | (19,569) | (4,048) | (92) | | (2 |
| Interest income | 1 | 1 | 32 | | |
| Income (loss) before provisions (benefit) for income taxes .. | (20,018) | 4,785 | 4,328 | 143 | (1 |
| Provision (benefit) for income taxes | (4,850) | 1,280 | 880 | | (|
| Net income (loss) | (15,168) | 3,505 | 3,448 | 143 | (|
| Preferred stock dividends accrued | 2,344 | | | | |
| Net income (loss) applicable to common stockholders | \$ (17,512) | \$ 3,505 | \$ 3,448 | \$ 143 | \$ (1 |
| | ===== | ===== | ===== | ===== | ===== |

43

SYRATECH CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SUPPLEMENTAL CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2000

Issuer/

Non-

Edgar Filing: SYRATECH CORP - Form 10-K405

| | Guarantor Parent | Guarantor Subsidiaries | Guarantor Subsidiaries |
|--|---------------------|---------------------------|---------------------------|
| | ----- | ----- | ----- |
| Cash flows from operating activities: | | | |
| Net income (loss) | \$(12,567) | \$ 10,339 | \$ 4,145 |
| Adjustments to reconcile net income to net cash provided by (used in) operations: | | | |
| Depreciation and amortization | 916 | 7,091 | 611 |
| Deferred income taxes | 2,012 | (2,105) | |
| Gain on extinguishment of debt, before income taxes | (6,163) | | |
| Gain or (loss) on disposal of assets | | (17) | |
| Pension liability | | (106) | |
| Increase (decrease) in assets and liabilities: | | | |
| Accounts receivable | (28,985) | (4,767) | (618) |
| Inventories | | 914 | 433 |
| Prepaid expenses and other | 497 | (977) | 435 |
| Accounts payable and accrued expenses | 4 | 2,963 | 2,677 |
| Income taxes payable | 3,278 | (3,981) | (224) |
| Intercompany account | 41,094 | (36,147) | (4,947) |
| | ----- | ----- | ----- |
| Net cash (used in) provided by operating activities ... | 86 | (26,793) | 2,512 |
| | ----- | ----- | ----- |
| Cash flows from investing activities: | | | |
| Purchases of property, plant and equipment | | (7,598) | (321) |
| Proceeds from disposal of assets | | 186 | 92 |
| Other | (82) | (23) | |
| | ----- | ----- | ----- |
| Net cash (used in) investing activities | (82) | (7,435) | (229) |
| | ----- | ----- | ----- |
| Cash flows from financing activities: | | | |
| Net borrowings under revolving loan facilities | | 44,739 | (90) |
| Retirement of outstanding senior notes | | (9,793) | -- |
| Other | (4) | (1) | |
| | ----- | ----- | ----- |
| Net cash provided by (used in) financing activities ... | (4) | 34,935 | (90) |
| | ----- | ----- | ----- |
| Effect of exchange rate changes on cash and equivalents | | (336) | (583) |
| | ----- | ----- | ----- |
| Net increase (decrease) in cash and equivalents | -- | 381 | 1,610 |
| Cash and equivalents, beginning of year | -- | 587 | 864 |
| | ----- | ----- | ----- |
| Cash and equivalents, end of year | \$ -- | \$ 968 | \$ 2,474 |
| | ===== | ===== | ===== |

Edgar Filing: SYRATECH CORP - Form 10-K405

| | Issuer/ Guarantor Parent | Guarantor Subsidiaries | Non- Guarantor Subsidiaries |
|--|--------------------------------|---------------------------|-----------------------------------|
| | ----- | ----- | ----- |
| Cash flows from operating activities: | | | |
| Net income (loss) | \$ (1,008) | \$ 15,771 | \$ 4,785 |
| Adjustments to reconcile net income to net cash provided by (used in) operations: | | | |
| Depreciation and amortization | 1,422 | 6,527 | 633 |
| Deferred income taxes | 6,217 | (3,429) | |
| Pension liability | | (291) | |
| Impairment of long-lived assets and other asset dispositions | | 1,791 | (44) |
| Dividend income | (14,390) | | |
| Gain on sale of property | | (17,988) | |
| (Gain) loss on disposal of assets and other | | (32) | 10 |
| Increase (decrease) in assets and liabilities: | | | |
| Accounts receivable | | 746 | (312) |
| Inventories | | (6,851) | (640) |
| Prepaid expenses and other | | (1,259) | (370) |
| Accounts payable and accrued expenses | | (3,808) | 1,832 |
| Income taxes payable | (10,842) | 11,488 | 152 |
| Intercompany account | 18,684 | (12,998) | (5,655) |
| Net cash provided by (used in) operating activities ... | 83 | (10,333) | 391 |
| Cash flows from investing activities: | | | |
| Purchases of property, plant and equipment | | (5,551) | (968) |
| Proceeds from disposal of assets | | 32,089 | 502 |
| Other | (83) | 150 | |
| Net cash provided by (used in) investing activities ... | (83) | 26,688 | (466) |
| Cash flows from financing activities: | | | |
| Change in revolving loan facilities | | (23,264) | (268) |
| Net cash provided by (used in) financing activities ... | | (23,264) | (268) |
| Effect of exchange rate changes on cash and equivalents | | | (306) |
| Net decrease in cash and equivalents | | (6,909) | (649) |
| Cash and equivalents, beginning of year | | 7,496 | 1,513 |
| Cash and equivalents, end of year | \$ -- | \$ 587 | \$ 864 |
| | ===== | ===== | ===== |

SYRATECH CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

SUPPLEMENTAL CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1998

Edgar Filing: SYRATECH CORP - Form 10-K405

| | Guarantor Parent | Guarantor Subsidiaries | Guarantor Subsidiaries |
|--|---------------------|---------------------------|---------------------------|
| Cash flows from operating activities: | | | |
| Net income (loss) | \$(15,168) | \$ 3,505 | \$ 3,448 |
| Adjustments to reconcile net income to net cash provided by (used in) operations: | | | |
| Depreciation and amortization | 1,419 | 5,930 | 508 |
| Deferred income taxes | (1,869) | (2,036) | (154) |
| Pension liability | | (171) | |
| Impairment of long-lived assets and other asset dispositions | | 4,935 | 235 |
| (Gain) loss on disposal of assets and other | | | 42 |
| Increase (decrease) in assets and liabilities: | | | |
| Accounts receivable | | (3,893) | (2,342) |
| Inventories | | (2,519) | (480) |
| Prepaid expenses and other | (113) | 836 | (4) |
| Accounts payable and accrued expenses | (645) | (818) | 1,117 |
| Income taxes payable | (15,735) | 15,657 | 496 |
| Intercompany account | 32,449 | (28,889) | (3,417) |
| Net cash (used in) provided by operating activities ... | 338 | (7,463) | (551) |
| Cash flows from investing activities: | | | |
| Purchases of property, plant and equipment | | (12,645) | (521) |
| Other | | 212 | (17) |
| Net cash used in investing activities | | (12,433) | (538) |
| Cash flows from financing activities: | | | |
| Change in revolving loan facilities | | 27,301 | |
| Other | (356) | | |
| Net cash provided by (used in) financing activities ... | (356) | 27,301 | |
| Effect of exchange rate changes on cash and equivalents | | | (270) |
| Net increase (decrease) in cash and equivalents | (18) | 7,405 | (1,359) |
| Cash and equivalents, beginning of year | 18 | 91 | 2,872 |
| Cash and equivalents, end of year | \$ -- | \$ 7,496 | \$ 1,513 |

46

ITEM 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

Not applicable

PART III

ITEM 10. Directors and Executive Officers Of The Registrant

Edgar Filing: SYRATECH CORP - Form 10-K405

| Name | Age | Principal Occupation |
|-------------------------|-----|---|
| ---- | --- | ----- |
| Leonard Florence | 69 | Chairman of the Board, Chief Executive Officer and President of the Company |
| E Merle Randolph | 68 | Executive Vice President, International Manufacturing, Dire |
| Michael S. Krause | 60 | Executive Vice President and Chief Operating Officer |
| Ami A. Trauber | 61 | Executive Vice President of Finance, Administration, Strategic Planning and Chief Financial Officer and Treasurer |
| Melvin L. Levine | 69 | Vice President of Purchasing of the Company, Director |
| Alan R. Kanter | 48 | Vice President of Sales of the Company, Director |
| Faye A. Florence | 44 | Vice President and General Counsel; Secretary of the Company |
| David V. Harkins | 60 | Director |
| Thomas M. Hagerty | 38 | Director |
| Scott A. Schoen | 42 | Director |
| Kent R. Weldon | 33 | Director |
| George R. Taylor | 30 | Director |

Leonard Florence is Chairman of the Board, Chief Executive Officer and President of the Company. He has served in the capacity of Chairman of the Board and Chief Executive Officer continuously since September 1986. He has also been President and a director of certain of its subsidiaries since their respective dates of organization. Mr. Florence previously served as President of the Company from 1986 to 1994 and resumed the position in 1995. Mr. Florence has been an executive in the tabletop and giftware products industry for more than 40 years.

E. Merle Randolph has held the position of Executive Vice President, International Manufacturing since 1998. Prior thereto he had been Vice President, Chief Financial Officer and Treasurer of the Company since September 1986. He became a Director of the Company in May 1989. Mr. Randolph is also an officer of certain of the Company's subsidiaries. For 17 years prior to joining the Company, Mr. Randolph was employed in various financial positions by Rockwell International Corporation.

Michael S. Krause became Executive Vice President and Chief Operating Officer in August 1997. Prior to joining the Company, Mr. Krause served as Senior Vice President Global Operations at Tambrands, Inc. from 1995 to 1997; Vice President-Supply Chain, Snacks Division, at The Quaker Oats Company in 1995; Executive Vice President, Supply Chain at Stella Foods Inc. in 1994; and Senior Vice President-Operations at Goody Products, Inc. from 1991 to 1994.

Ami A. Trauber was appointed Executive Vice President of Finance, Administration, Strategic Planning and Chief Financial Officer and Treasurer in February, 1998. Prior thereto Mr. Trauber served as Chief Financial Officer at Visual Edge Systems, Inc. and served as President, Chief Operating Officer, Director and Part Owner of Ed's West, Inc. He served as Corporate Vice President Finance and Control at Harcourt General, Inc. from 1978-1990. Mr. Trauber is also an officer and director of certain of the Company's subsidiaries.

Melvin L. Levine has been a Vice President of the Company and certain of its subsidiaries since September 1986. Mr. Levine has been an executive in the tabletop and giftware products industry for more than 40 years. He became a director of the Company in May 1989. Mr. Levine is also an officer and director

Edgar Filing: SYRATECH CORP - Form 10-K405

of certain of the Company's subsidiaries.

Alan R. Kanter has been a Vice President of the Company and a subsidiary of the Company since September 1986. He became a director of the Company in April 1997. Mr. Kanter has been employed in the tabletop and giftware industry for more than 20 years.

Faye A. Florence, an attorney, has been Vice President and General Counsel of the Company since June 1987 and Secretary since August 1987. Ms. Florence is also an officer of certain of the Company's subsidiaries. Ms. Florence is the daughter of Leonard Florence.

David V. Harkins, President, Thomas H. Lee Partners, L.P. Mr. Harkins has been associated with the firm since its founding in 1975. In addition, he has over 30 years experience in the investment and venture capital industries with the John Hancock Mutual Life Insurance Company, where he began his career, as well as TA Associates and Massachusetts Capital Corporation. Mr. Harkins also founded National Dentex Corporation and serves as Chairman of the Board. He is currently a Director of Conseco, Inc., Cott Corporation, Fisher Scientific International, Inc., Metris Companies, Inc., Stanley Furniture Company, Inc and Tucker Anthony Sutro.

Thomas M. Hagerty, Managing Director, joined Thomas H. Lee Partners, L.P. in 1988. Prior to joining the firm, Mr. Hagerty was in the Mergers and Acquisitions Department of Morgan Stanley & Co. Incorporated. Mr. Hagerty is currently a director of several public and private companies including Cott Corporation, ARC Holdings LLC, Tucker Anthony, Conseco Inc. and Metris Companies, Inc.

Scott A. Schoen, a Managing Director at the Thomas H. Lee Partners, L.P., joined the firm in 1986. Prior to joining the firm, Mr. Schoen was in the Private Finance Department of Goldman, Sachs & Co. Mr. Schoen is a Director of ARC Holdings LLC, Rayovac Corporation, TransWestern Publishing, United Industries Corporation and Wyndham International, Inc.

Kent R. Weldon, Managing Director, joined the Thomas H. Lee Partners, L.P. in 1991. From 1989 to 1991, Mr. Weldon worked at Morgan Stanley & Co. Incorporated in the Corporate Finance Department. Mr. Weldon is currently a director of Fisher Scientific International, Inc. and FairPoint Communication, Inc.

George R. Taylor is an Associate of Thomas H. Lee Partners, L.P. in Boston. He joined the firm in 1996 and prior to that he was a financial analyst at ABS Capital Partners of Baltimore.

Meetings Of The Board Of Directors

The Board of Directors consists of Leonard Florence, E. Merle Randolph, Melvin L. Levine, Alan R. Kanter, David V. Harkins, Thomas M. Hagerty, Scott A. Schoen, Kent R. Weldon and George R. Taylor. The Chairman of the Board is Leonard Florence. The Board of Directors held a meeting on February 24, 1998 to replace those committees as constituted prior to the Merger. The reconstituted committees include an Audit Committee and a Compensation and Stock Option Committee.

The Audit Committee consists of Scott Schoen, Kent R. Weldon and Thomas M. Hagerty. Scott Schoen is the Chairman of the Audit Committee. This Committee has oversight authority and responsibility for the financial statements of the Company and its subsidiaries. In conjunction with its responsibilities, the Committee invites representatives of Deloitte & Touche LLP to be present, at its meetings.

Edgar Filing: SYRATECH CORP - Form 10-K405

The Compensation and Stock Option Committee consists of David V. Harkins, Thomas M. Hagerty and George R. Taylor. Mr. Harkins is the Chairman of the Compensation and Stock Option Committee. The functions of the Compensation and Stock Option Committee include fixing the compensation and reviewing the salaries, of the Chief Executive Officer and the executive officers of the Company, including the review of incentive plans and benefits.

ITEM 11. Executive Compensation

The following table sets forth the compensation awarded to, earned by or paid to the Chief Executive Officer and the four other most highly compensated executive officers during the fiscal years ended December 31, 2000, 1999 and 1998 for services rendered in all capacities to the Company and its subsidiaries.

Summary Compensation Table

| Name and Principal Position | Fiscal Year | Annual Compensation (1) | |
|---|-------------|-------------------------|------------|
| | | Salary \$ | Bonus \$ |
| Leonard Florence..... Chairman of the Board, President and Chief Executive Officer | 12/31/2000 | \$ 1,150,000 | \$ 250,000 |
| | 12/31/1999 | \$ 1,150,000 | \$ - |
| | 12/31/1998 | \$ 1,150,000 | \$ - |
| Melvin L. Levine..... Vice President of Purchasing | 12/31/2000 | \$ 390,000 | \$ - |
| | 12/31/1999 | \$ 390,000 | \$ 55,000 |
| | 12/31/1998 | \$ 350,000 | \$ - |
| Alan R. Kanter..... Vice President of Sales | 12/31/2000 | \$ 390,000 | \$ - |
| | 12/31/1999 | \$ 390,000 | \$ 55,000 |
| | 12/31/1998 | \$ 350,000 | \$ - |
| Ami A. Trauber (3)..... Executive Vice President of Finance, Administration, Strategic Planning and Chief Financial Officer and Corporate Treasurer | 12/31/2000 | \$ 355,000 | \$ - |
| | 12/31/1999 | \$ 355,000 | \$ 50,000 |
| | 12/31/1998 | \$ 302,500 | \$ - |
| E. Merle Randolph..... Executive Vice President, International Manufacturing | 12/31/2000 | \$ 325,000 | \$ - |
| | 12/31/1999 | \$ 325,000 | \$ 25,000 |
| | 12/31/1998 | \$ 325,000 | \$ - |

(1) The column designated "Other Annual Compensation" by the Securities and Exchange Commission ("SEC") for the reporting of perquisites and other personal benefits has been eliminated because the amounts paid to each executive officer do not exceed the disclosure threshold established by the SEC pursuant to applicable rules and no other compensation required to be reported under that column was awarded to, earned by or paid to any of the named executive officers during the period covered by the table. In addition, the columns designated by the SEC for the reporting of certain long-term compensation, including awards of restricted stock and long-term

Edgar Filing: SYRATECH CORP - Form 10-K405

incentive plan payouts have been eliminated as no such awards or payouts were made during the period covered by the table.

49

- (2) During the year ended December 31, 1999 a life insurance policy with benefits payable to both Leonard Florence and the Company was cancelled and the Company's interest in such benefits totaling \$178,206 was transferred to Mr. Florence. The estimated dollar value benefit of insurance premiums paid by the Company with respect to this policy for the year ended December 31, 1998 was \$16,392. All other amounts represent contributions made by the Company to the accounts of Messrs. Florence, Levine, Kanter and Randolph pursuant to the Company's 401(k) Plan.
- (3) Ami A. Trauber was appointed Executive Vice President of Finance, Administration, Strategic Planning and Chief Financial Officer and Corporate Treasurer on January 26, 1998. Amounts shown as salary represent compensation for the period beginning February 1, 1998 to December 31, 1998. Included in the column designated caption "All Other Compensation" is \$32,400 for consulting services for the period January 1 to January 31, 1998. All other amounts represent contributions made by the Company to Mr. Trauber's account pursuant to the Company's 401(k) Plan.

Stock Option Grants

The Company does not currently have a stock option plan, therefore there were no grants of stock options to any of the named executive officers during the fiscal year 2000. The Company does not grant stock appreciation rights ("SARs") of any kind.

Option Exercises/Value Of Unexercised Options

The Company does not currently have a stock option plan, therefore no stock options were exercised during fiscal year 2000 and there are no unexercised options at December 31, 2000.

Compensation Of Directors

The directors who are not also officers of the Company are currently compensated indirectly through the management fee agreement between the Company and THL I. (See notes to the consolidated financial statements).

Compensation And Stock Option Committee Interlocks And Insider Participation

In connection with the Merger, the Company entered into a management agreement with Thomas H. Lee Company for which the Company pays an annual management fee in the amount of \$450.

Compensation And Stock Option Committee Report

The Members of the Compensation and Stock Option Committee of the Board of Directors (the "committee") are all non-employee directors. The Committee is charged with the responsibility of fixing the annual compensation of the Chief Executive Officer of the Company, and in consultation with the Chief Executive Officer of the Company, determining the annual compensation of the other executive officers of the Company and the officers of each subsidiary of the Company, subject in each case to any employment or other contract between the Company or a subsidiary thereof and any such officer. In addition, the Committee is charged with the responsibility to determine the payment of bonuses or other supplemental compensation to the Chief Executive Officer of the Company and, in

Edgar Filing: SYRATECH CORP - Form 10-K405

consultation with the Chief Executive Officer, to determine payment of bonuses or other supplemental compensation to any other officer of the Company or any subsidiary thereof.

50

The Committee has the authority over the issuance of stock options or the grant of awards under any stock option, stock bonus or other stock based compensation and/or incentive plans for officers and/or employees of the Company. The Company does not currently have any such plans in place.

The overall compensation paid to executive officers of the Company includes cash compensation consisting of a base salary and may include a performance bonus and stock options for executive officers. In addition all executive officers participate in various benefit plans generally available to employees, such as health insurance and contributions made to the accounts of its employees pursuant to the Company's 401(k) Plan.

The Committee attempts to balance the compensation paid to the executive officers of the Company to the Company's performance. In its review, the Committee may consider the level of compensation paid to executive officers of companies of comparable market capitalization, however, this is somewhat difficult since industry peers, and principal competitors are often either privately held companies or divisions of large publicly held companies, and therefore, executive compensation information is not publicly available. The Committee, therefore, has generally relied upon its analysis of overall Company performance including the level of net sales and net income and the individual efforts and achievements of each executive officer during the fiscal year.

The Company was a party to employment agreements with certain of the named executive officers during fiscal year 2000. Such agreements were approved by both the Committee and the Board of Directors of the Company in August 1991 and fixed the minimum salary levels of such officers. Employment agreements with two of its officers, including the Chief Executive Officer were amended in August, 1995 reflecting changes to the annual retirement benefits to be received. Additionally, the employment agreements with Messrs. Randolph and Kanter were amended in July 1996, to provide, and during the same month Faye A. Florence and the Company entered into a Retirement Benefit Agreement that provides for certain retirement benefits to be received. Further, an employment agreement was entered into as of July, 1998 with an additional officer.

Upon consummation of the Merger, an employment agreement with an officer was amended so as to (i) change the officer's term of full-time employment from a rolling five-year term to a fixed five-year term, (ii) provide for a minimum base salary of \$1,150 per annum, (iii) establish \$1,150 as the minimum amount upon which the officer's retirement benefit (and the survivor's benefit of his surviving spouse) will be computed and (iv) create contractual rights with respect to certain perquisites that he is accorded informally under present arrangements with the Company. Additionally, an employment agreement with another officer was amended to change the officer's term of full-time employment from a rolling five-year term to a fixed five-year term.

In evaluating the compensation paid to the Chief Executive Officer, Mr. Florence, the Committee evaluates many factors. The Committee following an analysis of the Company's overall performance and financial results establishes Mr. Florence's overall compensation. Additionally, Mr. Florence's performance in his position is reviewed in conjunction with his ongoing ability to provide the necessary direction for the Company's continued growth. Moreover, the Committee determined as it has in the past that Mr. Florence's compensation should also be determined in conjunction with the visibility and leadership roles which Mr. Florence continues to possess in the industries in which the Company operates.

Employment Agreements

Effective August 16, 1991, the Company entered into an employment agreement with Leonard Florence (the "Florence Employment Agreement") providing for the employment of Mr. Florence as Chief Executive Officer of the Company. The Florence Employment Agreement provided that the Company may, at its discretion, but without any obligation, increase Mr. Florence's base salary during the term of full-time employment. Once the base salary shall have been increased, it shall not thereafter be decreased without his written consent. The Florence Employment Agreement obligates Mr. Florence to provide certain advisory services to the Company during the five-year period following the term of Mr. Florence's full-time employment (the "Advisory Period") and provides for Mr. Florence to receive annual compensation during the Advisory Period in an amount equal to not less than 25% of his base salary during the final year of his full-time employment. During the period of his full-time employment and the Advisory Period, Mr. Florence is prohibited from engaging in any business that is competitive with any line of business in which the Company is engaged that contributes three percent or more of the gross revenues of the Company. The Florence Employment Agreement also provides for payment to Mr. Florence of a retirement benefit. Upon the consummation of the Merger, the Florence Employment Agreement ("the Amended and Restated Agreement" was amended so as to (i) change his term of full-time employment from a rolling-five-year term to a fixed five-year term, (ii) provide for a minimum base compensation of \$1.15 million per annum, (iii) establish \$1.15 million as the minimum amount upon which his retirement benefit (and survivors benefit of his surviving spouse) will be computed and (iv) create contractual rights with respect to certain perquisites that are accorded to him informally under his prior arrangement with the Company. Under Section 162(m) of the Internal Revenue Code, so much of the compensation paid to Mr. Florence as exceeds \$1 million annually may not be deductible by the Company for federal income tax purposes. On July 29, 1998, the Company entered into Amendment No. 1 ("the Amendment") to Mr. Florence's Amended and Restated Employment Agreement which provides, among other things, for the modification of the computation and timing of payments in respect of the retirement benefit. The terms of the Amendment established fixed payment amounts and provided for the acceleration of payments (the first of which was made upon execution of the Amendment) related to the retirement benefit. In addition to other benefits, in 1999 the Board of Directors voted to grant continued health benefits to Leonard Florence and his spouse for the remainder of each of their lives.

The Company entered into a similar employment agreement, also effective as of August 16, 1991, with Melvin L. Levine, Vice President of Purchasing of the Company, except in Mr. Levine's case the base salary was \$0.225 million for the year ended December 31, 1992. Mr. Levine's current base salary is \$0.390 million per annum. As of May 1995 the employment agreement with Mr. Levine was amended with respect to the computation and payment of the retirement benefit. Specifically, the amendments provided for annual retirement benefit payments in amounts equal to 2% of their respective average total compensation (i.e., base salary and bonus compensation) in the three years preceding attainment by the relevant executive of age sixty-five or termination of such executive's full time employment, whichever occurs later, multiplied by the number of years of such executive's employment by the Company. Upon the consummation of the Merger, the employment agreement with Melvin L. Levine was further amended, to change his term of full-time employment from a rolling five-year term to a fixed five-year term.

The employment agreement with Mr. Levine, as amended, provides for retirement benefit payments determined and payable in accordance with the agreements. The

Edgar Filing: SYRATECH CORP - Form 10-K405

following table shows the estimated annual benefits payable to Mr. Levine upon retirement based upon various compensation levels and years of service.

PENSION PLAN TABLE

| REMUNERATION | Years of Service | | |
|--------------|------------------|---------|---------|
| | 10 | 15 | 20 |
| 400,000 | 80,000 | 120,000 | 160,000 |
| 500,000 | 100,000 | 150,000 | 200,000 |
| 600,000 | 120,000 | 180,000 | 240,000 |

52

Mr. Levine has completed 14 years of credited service. Retirement benefits under the employment agreements are computed on the basis of a straight-life annuity and are not reduced by the benefits received under Social Security, but would be reduced by any benefits received under any Company funded pension plan that hereafter may be adopted.

The Company has also entered into employment agreements, effective as of August 16, 1991, with E. Merle Randolph, currently the Vice President, International Manufacturing, and Alan R. Kanter, Vice President of Sales of the Company. The agreements with Messrs. Randolph and Kanter are similar to those with Messrs. Florence and Levine described above, except that (i) the term of full-time employment of each of Messrs. Randolph and Kanter will continue until the third anniversary of receipt of a notice of termination given by the Company to the executive involved or by such executive to the Company, (ii) the period during which each of Messrs. Randolph and Kanter has agreed to provide advisory services to the Company (and to be bound by a non-competition agreement) following the term of his full-time employment will be the lesser of three years or six months for each year of his full-time employment beginning with the date of the employment agreement, with such advisory period and the coextensive non-competition covenant being subject to termination at the election of the Company on six months prior notice to the executive involved, and (iii) no provision was originally made therein for a payment of a retirement benefit.

The employment agreements of Messrs. Randolph and Kanter were amended in July 1996, to provide, and during the same month Faye A. Florence and the Company entered into a Retirement Benefit Agreement that provides, inter alia, for the payment at age 65 or upon termination of such officer's employment, whichever is later, of an annual retirement benefit to each such officer equal to a percentage of his or her average annual compensation for the three fiscal years ended immediately prior to the date on which such officer ceases to be a full time employee of the Company multiplied by the number of years of such officer's service to the Company. The minimum annual retirement benefit for each such officer will be \$75,000.

53

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information as of January 15, 2001 concerning the beneficial ownership of Syratech Common Stock (i) by each

Edgar Filing: SYRATECH CORP - Form 10-K405

stockholder who is known by the Company to own beneficially in excess of 5% of the outstanding Common Stock, (ii) by each director, and (iii) by each executive officer named in the Summary Compensation Table under "Executive Compensation" and (iv) by all executive officers and directors as a group. Except as otherwise indicated, all persons listed below have (i) sole voting power and investment power with respect to their shares of Common Stock, except to the extent that authority is shared by spouses under applicable law, and (ii) record and beneficial ownership with respect to their shares of Common Stock.

| Name ----- | Shares of Common Stock Beneficially Owned | Percentage ----- |
|---|--|---------------------|
| Leonard Florence (a) | 362,850 | 9.6% |
| E. Merle Randolph | 17,000 | * |
| Melvin L. Levine | 44,256 | 1.2% |
| Alan R. Kanter | 51,356 | 1.4% |
| Ami A. Trauber | 0 | * |
| David V. Harkins (b) | 2,210,788 | 58.4% |
| Scott A. Schoen (b) | 2,205,936 | 58.3% |
| Thomas M. Hagerty (b) | 2,204,316 | 58.3% |
| George R. Taylor (b) | 2,196,216 | 58.0% |
| Kent R. Weldon (b) | 2,197,431 | 58.1% |
| Thomas H. Lee Company Affiliates (c) | 2,196,216 | 58.0% |
| Officers and Directors as a group (12 persons)..... | 2,708,812 | 71.6% |
| CMS Companies Inc. Affiliates (d) | 255,678 | 6.8% |

*Less than 1% of the issued and outstanding Syratech Common Stock.

(a) The business address for Leonard Florence is c/o Syratech Corporation, 175 McClellan Highway, East Boston, Massachusetts, 02128-9114.

(b) The business address of this stockholder is c/o Thomas H. Lee Company, 75 State Street, Boston, Massachusetts 02109. Includes an aggregate of 2,196,216 shares of common stock owned by Thomas H. Lee Equity Fund III, L.P., Thomas H. Lee Foreign Fund III, L.P. and THL Co-Investors III-A LLC which may be deemed to be beneficially owned by Messrs. Harkins, Hagerty, Schoen, Weldon and Taylor, Officers of Thomas H. Lee Company. Each of such persons disclaims beneficial ownership of such shares.

(c) THL Equity Advisors III limited Partnership ("Advisors"), the general partner of Thomas H. Lee Equity Fund III, L.P. and Thomas H. Lee Foreign Fund III, L.P., THL Equity Trust III ("Equity Trust"), the general partner of Advisors, Thomas H. Lee, Messrs. Harkins, Hagerty, Schoen and Weldon and other managing directors of Thomas H. Lee Company may be deemed to be beneficial owners of the shares of Syratech Common Stock held by such funds. Each of such persons maintains a principal business address at Suite 2600, 75 State Street, Boston, Massachusetts 02109. Each of such persons disclaims beneficial ownership of such shares.

(d) All such voting securities are owned by CMS Business Spectrum Fund L.P., CMS Co-Investment Subpartners, CMS Mid-Atlantic Business Opportunity Partners, L.P., and CMS diversified Partners. Each of such persons maintains a principal

Edgar Filing: SYRATECH CORP - Form 10-K405

business address c/o CMS Companies, Inc. 1926 Arch Street, Philadelphia, PA 19103-1484.

ITEM 13. Certain Relationships And Related Transactions

In connection with the Merger, the Company entered into a management agreement with the Thomas H. Lee Company for which the Company pays an annual management fee in the amount of \$450.

55

PART IV

ITEM 14. Exhibits, Financial Statement Schedules And Reports On Form 8-K

(a) Exhibits:

- 2.1 Restated Agreement and Plan of Merger dated November 27, 1996, effective as of October 23, 1996 between Syratech and THL Transaction I Corp. and the Amendment, dated February 14, 1997 to the Restated Agreement and Plan of Merger. Incorporated by reference from Exhibit 2.1 to Form S-4 Registration Statement No. 333-16917.
- 3.1 Restated Certificate of Incorporation of Syratech. Incorporated by reference from Exhibit 3.1 to Form S-1 Registration Statement No. 33-41619.
- 3.2 Syratech Corporation Certificate of Designations in respect of Series A Preferred Stock dated October 26, 1992. Incorporated by reference from Exhibit 3.2 to Form S-4 Registration Statement No. 333-16917.
- 3.3 Bylaws of Syratech. Incorporated by reference from Exhibit 3.2 to Form S-1 Registration Statement No. 33-41619.
- 3.4 Amendment to Section 2.9 of the Bylaws of Syratech, effective August 15, 1991. Incorporated by reference from Exhibit 3.3 to Form S-1 Registration Statement No. 33-41619.
- 3.5 Certificate of Ownership and Merger of WSC Liquidating, Inc. by and into Syratech Corporation dated May 9, 1996. Incorporated by reference from Exhibit 3.5 to Form S-4 Registration Statement No. 333-16917.
- 3.6 Specimen Common Stock Certificate. Incorporated by reference to Exhibit 4.1 to Form 10-K of Syratech for the year ended December 31, 1993.
- 10.1 Form of Amended and Restated Employment Agreement dated as of April 16, 1997 between Leonard Florence and the Company. Incorporated by reference from Exhibit 10.1 to Form S-4 Registration Statement No. 333-16917.
- 10.1.1 Amendment No. 1 dated July 29, 1998 to Employment Agreement dated as of April 16, 1997 between Leonard Florence and the Company.
- 10.2 Employment Agreement dated August 16, 1991 between E. Merle Randolph and the Company. Incorporated by reference from Exhibit 10.17 to Form S-1 Registration Statement No. 33-41619.
- 10.3 Employment Agreement dated August 16, 1991, between Melvin L. Levine and the Company. Incorporated by reference from Exhibit 10.18 to

Edgar Filing: SYRATECH CORP - Form 10-K405

Form S-1 Registration Statement No. 33-41619.

- 10.4 Employment Agreement dated August 16, 1991 between Alan R. Kanter and the Company. Incorporated by reference from Exhibit 10.19 to Form S-1 Registration Statement No. 33-41619.
- 10.5 Amendment No. 1 dated as of July 27, 1996 to Employment Agreement dated as of August 16, 1991 between E. Merle Randolph and the Company. Incorporated by reference from Exhibit 10.5 to Form S-4 Registration Statement No. 333-16917.
- 10.6 Amendment No. 1 dated as of May 11, 1995 to Employment Agreement dated as of August 16, 1991 between Melvin L. Levine and the Company. Incorporated by reference from Exhibit 10.8 to Form 10-K for Syratech for the year ended December 31, 1995.
- 10.7 Amendment No. 1 dated as of July 27, 1996 to Employment Agreement dated as of August 16, 1991 between Alan R. Kanter and the Company. Incorporated by reference from Exhibit 10.7 to Form S-4 Registration Statement No. 333-16917.

56

- 10.8 Retirement Benefit Agreement dated as of July 27, 1996 between Faye A. Florence and the Company. Incorporated by reference from Exhibit 10.8 to Form S-4 Registration Statement No. 333-16917.
- 10.9 Amendment No. 2, dated as of January 31, 1997, effective as of December 31, 1996, to Employment Agreement dated as of August 16, 1991 between E. Merle Randolph and the Company. Incorporated by reference from Exhibit 10.9 to Form S-4 Registration Statement No. 333-16917.
- 10.10 Amendment No. 2, dated as of January 31, 1997, effective as of December 31, 1996, to Employment Agreement dated as of August 16, 1991 between Melvin L. Levine and the Company. Incorporated by reference from Exhibit 10.10 to Form S-4 Registration Statement No. 333-16917.
- 10.11 Amendment No. 2 dated January 31, 1997 effective as of December 31, 1996, to Employment Agreement dated as of August 16, 1991 between Alan R. Kanter and the Company. Incorporated by reference from Exhibit 10.11 to Form S-4 Registration Statement No. 333-16917.
- 10.12 Agreement dated December 31, 1996 by and between the Company, THL I Transaction Corp., Leonard Florence and Melvin L. Levine. Incorporated by reference from Exhibit 10.12 to Form S-4 Registration Statement No. 333-16917.
- 10.13 Agreement dated December 31, 1996 by and between the Company, THL I Transaction Corp., Leonard Florence and E. Merle Randolph. Incorporated by reference from Exhibit 10.13 to Form S-4 Registration Statement No. 333-16917.
- 10.14 Agreement dated December 31, 1996 by and between the Company, THL I Transaction Corp., Leonard Florence and Alan R. Kanter. Incorporated by reference from Exhibit 10.14 to Form S-4 Registration Statement No. 333-16917.

Edgar Filing: SYRATECH CORP - Form 10-K405

- 10.15 Asset Purchase Agreement dated February 2, 1996 by and between Farberware Inc., the Company, Lifetime Hoan Corporation and Far-B Acquisition Corp., Inc. Incorporated by reference from Exhibit 1 to Form 8-K dated April 16, 1996.
- 10.16 Settlement Agreement dated February 3, 1997 by and among Bruckner Manufacturing Corp. (formerly Farberware Inc.), U.S. Industries, Inc., Farberware Inc. (formerly Far-B Acquisition Corp.) and Lifetime Hoan Corporation. Incorporated by reference from Exhibit 10.16 to Form S-4 Registration Statement No. 333-16917.
- 10.17 Agreement dated as of December 7, 1995 among the Company, SYR Acquisition Inc. and Rauch Industries, Inc. Incorporated by reference from Exhibit 1 to Form 8-K of the Company dated December 7, 1995. Incorporated by reference from Exhibit 10.17 to Form S-4 Registration Statement No. 333-16917.
- 10.18 Amended and Restated Line of Credit Agreement among Wallace International de Puerto Rico, Inc., International Silver de Puerto Rico, Inc. and Banco Popular de Puerto Rico dated October 15, 1996. Incorporated by reference from Exhibit 10.18 to Form S-4 Registration Statement No. 333-16917.
- 10.19 Agreement, dated as of February 2, 1996, by and among the Company, Lifetime Hoan Corporation and Far-B Acquisition Corp. Incorporated by reference from Exhibit 10.19 to Form S-4 Registration Statement No. 333-16917.
- 57
- 10.20 Agreement, dated as of May 3, 1996, by and among the Company, Farberware Inc. and Meyer Manufacturing Co. Ltd. Incorporated by reference from Exhibit 10.20 to Form S-4 Registration Statement No. 333-16917.
- 10.21 License Agreement, dated as of July 12, 1996, by and between Farberware Inc. and Service Merchandise Company, Inc. (redacted to omit certain royalty information). Incorporated by reference from Exhibit 10.21 to Form S-4 Registration Statement No. 333-16917.
- 10.22 Agreement, dated as of October 16, 1996, among Farberware Inc., Service Merchandise Company, Inc. and Windmere-Durable Holdings, Inc. (amending Item 10.21). Incorporated by reference from Exhibit 10.22 to Form S-4 Registration Statement No. 333-16917.
- 10.23 Commitment Letter between Banco Popular de Puerto Rico and Wallace International de PR, Inc. dated May 1, 1997. Incorporated by reference from Exhibit 10-1 to Form 10-Q dated August 13, 1997.
- 10.24 Letter Agreement between Banco Popular de Puerto Rico and Wallace International de PR, Inc. dated May 12, 1997. Incorporated by reference from Exhibit 10-2 to Form 10-Q dated August 13, 1997.
- 10.25 Amendment No. 1, dated as of July 31, 1997, to Loan and Security Agreement, dated as of April 16, 1997. Incorporated by reference from Exhibit 10-1 to Form 10-Q dated November 12, 1997.
- 10.26 Amendment No. 2, dated as of December 31, 1997, to Loan and Security Agreement, dated as of April 16, 1997. Incorporated by reference from

Edgar Filing: SYRATECH CORP - Form 10-K405

Exhibit 10.26 from 10-K dated March 31, 1998

- 10.27 Amendment No. 3 dated as of January 26, 1998 to Employment Agreement dated as of August 16, 1991 between E. Merle Randolph and the Company. Incorporated by reference from Exhibit 10.27 from 10-K dated March 31, 1998.
- 10.28 Purchase and Sale Agreement dated as of January 28, 1998 by and among The Claremont Company, Inc. and Faye A. Florence, Leonard Florence and E. Merle Randolph, Trustees of 175 Amlegion Realty Trust. Incorporated by reference from Exhibit 10.28 from 10-K dated March 31, 1998.
- 10.29 Escrow Agreement dated January 28, 1998 by and among Faye A. Florence, Leonard Florence and E. Merle Randolph, Trustees of 175 Amlegion Realty Trust and The Claremont Company and Hutchins, Wheeler & Dittmar, A Professional Corporation. Incorporated by reference from Exhibit 10.29 From 10-K dated March 31, 1998.
- 10.30 Agreement between Rauch Industries, Inc. and Guy Yocom Construction, Inc., dated July 31, 1997. Incorporated by reference from Exhibit 10.30 from 10-K dated March 31, 1998.
- 10.31 Agreement between Rauch Industries, Inc. and C.A.S. Construction Inc., dated August 25, 1997. Incorporated by reference from Exhibit 10.31 from 10-K dated March 31, 1998.
- 10.32 Varco-Pruden Purchase Order dated June 16, 1997. Incorporated by reference from Exhibit 10.32 from 10-K dated March 31, 1998.
- 10.33 Amendment No. 3, dated as of March 30, 1998, to Loan and Security Agreement, dated as of April 16, 1997. Incorporated by reference from Exhibit 10.33 from 10-K dated March 31, 1998.
- 10.34 Amendment No. 4, dated as of March 26, 1999, to Loan and Security Agreement, dated as of April 16, 1997. Incorporated by reference from Exhibit 10.34 from 10-K dated March 31, 1999.
- 10.35 Advice of Borrowing Terms between C. J. Vander Ltd. And Nat West Bank P.L.C., dated March 19, 1999. Incorporated by reference from Exhibit 10.35 from 10-K dated March 31, 1999.
- 10.36 Advice of Borrowing Terms between C. J. Vander Ltd. And Nat West Bank P.L.C., dated August 5, 1999. Incorporated by reference from Exhibit 10.2 from 10-Q dated June 30, 1999.
- 58
- 10.37 Letter Agreement between Banco Popular and Wallace International de Puerto Rico, Inc. dated June 1, 1999. Incorporated by reference from Exhibit 10.1 from 10-Q dated June 30, 1999.
- 10.38 Employment Agreement dated as of July 8, 1999 between Ami A. Trauber and the Company. Incorporated by reference from Exhibit 10.3 from 10-Q dated June 30, 1999.
- 10.39 Lyme Properties LLC. Incorporated by reference from Exhibit 10.2 from 10-Q dated September 30, 1999.
- 10.40 Advice of Borrowing Terms between C.J. Vander Ltd/International Silver Company Ltd and Nat West P.L.C., dated March 10, 2000.

Edgar Filing: SYRATECH CORP - Form 10-K405

Incorporated by reference from Exhibit 10.40 from 10-K dated December 31, 1999.

- 10.41 Letter Agreement dated as of December 31, 1998 between Farberware Inc. Excel Importing Corp. Incorporated by reference from Exhibit 10.36 from 10-K dated March 31, 1999.
- 10.42 Report on Form 15 Certification and Notice of Termination of Registration under Section 12(g) of the Securities Exchange Act of 1934 or Suspension of Duty to File Reports under Sections 13 and 15(d) of the Securities Exchange Act of 1934 filed on December 7, 1998. Incorporated by reference from Exhibit 10.37 from 10-K dated March 31, 1999.
- 10.43 Letter Agreement between Banco Popular and Wallace International de Puerto Rico, Inc. dated July 31, 2000. Incorporated by reference from Exhibit 10 to Form 10-Q dated June 30, 2000.
- 10.44 Advice of Borrowing Terms between C. J. Vander Ltd. and Nat West Bank P.L.C., dated August 23, 2000. Incorporated by reference from Exhibit 10.1 to Form 10-Q dated September 30, 2000.
- 10.45 Letter Agreement dated August 24, 2000 between Syratech Corporation and affiliates and Bank of America, N.A. administrative agent for lenders under Loan and Security Agreement. Incorporated by reference from Exhibit 10.2 to Form 10-Q dated September 30, 2000.
- 10.46 Amendment No. 5 dated as of March 26, 2001, to Loan and Security Agreement, dated as of April 16, 1997.
- 12 Computation of ratio of earnings before fixed charges to fixed charges.
- 22 List of Subsidiaries. Incorporated by reference from Exhibit 22 to Form S-4 Registration Statement No. 333-16917.

(b) Financial Statement Schedule:

Schedule II: Valuation and Qualifying Accounts

59

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Boston, State of Massachusetts, on the 30th day of March, 2001.

SYRATECH CORPORATION

By: /s/ Ami A. Trauber

Ami A. Trauber
Executive Vice President,
Chief Financial Officer and Treasurer

Edgar Filing: SYRATECH CORP - Form 10-K405

Pursuant to the requirements of the Securities Act of 1934, this Annual Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated below.

| SIGNATURE ----- | TITLE ----- | |
|---|---|------|
| /s/ Leonard Florence ----- Leonard Florence | Chairman of the Board of Directors, Chief Executive Officer and President (Principal Executive Officer) | Marc |
| /s/ Ami A. Trauber ----- Ami A. Trauber | Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer) | Marc |
| /s/ Thomas M. Hagerty ----- Thomas M. Hagerty | Director | Marc |
| /s/ David V. Harkins ----- David V. Harkins | Director | Marc |
| /s/ Alan R. Kanter ----- Alan R. Kanter | Director | Marc |
| /s/ Melvin L. Levine ----- Melvin L. Levine | Director | Marc |
| /s/ E. Merle Randolph ----- E. Merle Randolph | Director | Marc |
| /s/ Scott A. Schoen ----- Scott A. Schoen | Director | Marc |
| /s/ Kent R. Weldon ----- Kent R. Weldon | Director | Marc |
| /s/ George R. Taylor ----- George R. Taylor | Director | Marc |

60

SCHEDULE II

SYRATECH CORPORATION AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

Edgar Filing: SYRATECH CORP - Form 10-K405

| Column A | Column B | Column C | Column D | Column E | |
|---------------------------------|---------------------|---------------------------|--------------------------------|----------------|---------------|
| Description | Beginning of Period | (1) Costs and Expenses | (2) Charged to Other Accts. | Deductions | End of Period |
| Year Ended December 31, 2000 | | | | | |
| Allowance for doubtful accounts | \$ 1,606 | \$ 1,424 | | \$ (1,149) (a) | \$ 1,881 |
| Sales returns and allowances | 7,405 | 15,397 | | (12,761) (b) | 10,041 |
| | ----- | ----- | ----- | ----- | ----- |
| | \$ 9,011 | \$ 16,821 | | \$ (13,910) | \$ 11,921 |
| | ===== | ===== | ===== | ===== | ===== |
| Year Ended December 31, 1999 | | | | | |
| Allowance for doubtful accounts | \$ 836 | \$ 2,236 | | \$ (1,466) (a) | \$ 1,606 |
| Sales returns and allowances | 6,120 | 12,003 | | (10,718) (b) | 7,891 |
| | ----- | ----- | ----- | ----- | ----- |
| | \$ 6,956 | \$ 14,239 | \$ - | \$ (12,184) | \$ 9,011 |
| | ===== | ===== | ===== | ===== | ===== |
| Year Ended December 31, 1998 | | | | | |
| Allowance for doubtful accounts | \$ 1,231 | \$ 467 | | \$ (862) (a) | \$ 836 |
| Sales returns and allowances | 5,977 | 10,295 | | (10,152) (b) | 6,120 |
| | ----- | ----- | ----- | ----- | ----- |
| | \$ 7,208 | \$ 10,762 | \$ - | \$ (11,014) | \$ 6,956 |
| | ===== | ===== | ===== | ===== | ===== |

(a) Doubtful accounts written off

(b) Sales returns and other