

SYRATECH CORP
Form 10-K
March 31, 2003

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, 2002

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

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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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act.) YES NO

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, 2003 3,784,018.

DOCUMENTS INCORPORATED BY REFERENCE

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 70% of net sales for the year ended December 31, 2002. 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 30% of net sales for the year ended December 31, 2002.

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, warehouse clubs, premium and incentive marketers, drug store chains, supermarkets and home centers. The Company markets its products under numerous and well-recognized tradenames including the Towle Silversmiths®, Wallace Silversmiths®, International Silver Company®, and Rochar® tradenames which are used in connection with the sale of tabletop and giftware items, and the Rauch® and Silvestri® 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 decorations and a variety of other products sold for Valentine's Day, Easter, Mother's Day, Halloween, and Thanksgiving. 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.

(\$ Thousands)	Year Ended December 31,		
	2002	2001	2000
Tabletop and Giftware	\$ 177,052	\$ 187,833	\$ 220,255
Seasonal	75,408	79,398	129,366
Total	\$ 252,460	\$ 267,231	\$ 349,621

The decline in seasonal sales during 2001 compared with 2000 includes the effect of the following change. Seasonal sales for the year ended December 31, 2000 included \$54,730 of sales to a specialty retail/licensing organization. In 2001 the Company entered into a direct sourcing agency arrangement with the specialty retail/licensing organization, replacing an arrangement in which the Company had previously sold and distributed its licensed products. Under this arrangement the Company's sales and royalty expenses to this organization were eliminated and purchasing commissions are earned. This sourcing arrangement was discontinued at the end of 2002 except for the processing of existing orders. See Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company's products are sold through multiple 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 sourced overseas. The Company's product development personnel work closely on design with third party vendors located primarily in the Asia Pacific Rim from whom most of these products are imported. A full-time quality assurance staff based in Hong Kong and mainland China inspect products against the Company's quality and design standards and facilitates timely deliveries. 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®, Towle Silversmiths®, International Silver Company®, C.J. Vander and Tuttle Sterling®. A majority of the Company's products in this category are manufactured at the Company's plants in Puerto Rico 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 tradenames such as Wallace Silversmiths®, Towle Silversmiths®, International Silver Company®, 1847 Rogers Bros.® and, under license agreements, the tradenames Cuisinart® and Spode™. 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 wood. The Company has introduced photo storage products including wooden cabinets, compact disk holders, decorative wall accessories and wooden collage boxes. The Company markets these products under tradenames such as Melannco International®, International Silver Company®, Wallace Silversmiths®, Towle Silversmiths®, and Silvestri®. 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.

Glassware, Crystal and Ceramics. The Company designs, markets and distributes several lines of glassware and crystal products, including beverage ware, serveware and accessories, glass vases and candle lighting. The Company markets these products under the tradenames Towle Crystal®, International Silver Company®, Imperial Crystal®, and Elements. The Company also designs, markets and distributes a line of ceramic serveware. 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 for these products 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 and Limoges Imports tradenames which are manufactured by third-party vendors located primarily in France. The channels of distribution include specialty stores, including jewelry 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, lighting and candles including candle holders produced in glass, ceramic, metal, and other mediums, brassware, napkin rings and decorative clocks. 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®, Elements, and Potpourri Designs®. The primary channels of distribution include department stores, mass-market merchandisers, warehouse clubs and specialty stores.

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®, and Silvestri®. The Company also manufactures limited edition, sterling silver Christmas ornaments that are marketed under the tradenames Wallace Silversmiths® and Towle Silversmiths®.

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, nativities, and other decorative items produced in wood, resin, metal, paper, textiles, glass and ceramic. These products are marketed under the tradenames Silvestri®, Wallace Silversmiths®, International Bazaar, and Rauch®. 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 Valentine's Day, Easter, Mother's Day, Halloween, and Thanksgiving. These products include figurines, vases, bowls,

trays and other items comprised of metal, resin, textiles, wood, ceramic and glass. Included in this category are seasonal lawn and garden décor (statuary and plant stands). These products are marketed under the tradenames Silvestri®, International Silver Company®, and International Bazaar . These products are distributed through specialty stores, department stores, mass market merchandisers and warehouse clubs.

Sales, Marketing and Distribution

The Company sells many different types of products with multiple 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, 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. The Company maintains additional showrooms in New York, Los Angeles, Chicago, Atlanta and Dallas. The Company's sales and marketing staff at December 31, 2002, consisted of approximately 145 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.

On January 15, 2003, the Company sold its primary warehouse and distribution facility located in Mira Loma, CA. Simultaneously with the sale of the property, the Company entered into an agreement to lease the facility back. See Note 17 to the Consolidated Financial Statements. The agreement provides for gradual reductions in the square footage leased during its 66 month term. The Company also distributes Tabletop and Giftware products from its facility in East Boston MA. Other distribution centers owned and operated by the Company include facilities in Chester SC and Gastonia NC which serve as the primary distribution centers for its Rauch Christmas ornaments.

Retailing Customers

During 2002, 20 customers accounted for approximately 55.8% of the Company's net sales. Sales to one customer and its subsidiaries represented approximately 11.5% of the Company's 2002 net sales.

2002 Channels of Distribution	Approximate % of 2002 Net Sales
Mass Market Merchandisers, Warehouse Clubs, Drug Stores and Supermarkets	52%
Department Stores	24%
Specialty Stores, Jewelry Stores, Specialty Catalog Companies, Premium and Incentive Marketers	24%

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

Manufacturing, Sourcing 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, Towle, International and Tuttle lines, and provides manufacturing support to C. J. Vander Ltd. On March 21, 2003 the company sold C.J. Vander and its subsidiaries (See Notes 4 and 17 to the Consolidated Financial Statements). In connection with the sale, the Company has entered into an agreement to continue to supply them with manufactured flatware product. 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 has a silver fabrication operation in its Puerto Rico manufacturing plant. 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, 2002, the closing price of silver as quoted by Handy & Harman Inc. has ranged from \$4.06 per troy ounce to \$7.31 per troy ounce. At March 14, 2003 the closing price was \$4.56.

The Company manufactures silver-plated giftware and tabletop products, including hollowware, at its manufacturing and silver-plating facility in North Dighton, Massachusetts. This facility has 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, mainland China and Japan.

The Company continues to invest in capital equipment and process control efforts to improve efficiencies, reduce costs and enhance quality related to its Rauch manufactured Christmas ornament operations. At the end of the fourth quarter of 2001, the Company began dismantling the manufacturing equipment at its Chester, SC facility and moved it to its primary manufacturing location in Gastonia, NC in order to improve productivity and reduce overhead costs. The consolidation activity was completed in June, 2002. The Company maintains adequate warehousing and distribution facilities in Gastonia, NC and Chester, SC to service this business. Adequate manufacturing 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 certain ornament hangers, decorated glass balls, assorted tree and off-the-tree decorations and stockings, tree skirts and Santa Claus hats and shirts from China, India and Mexico.

In 2002, the Company purchased an aggregate of approximately \$117 million of products from approximately 700 foreign manufacturers. No vendor accounted for 10% or more of such purchases in 2002. The Company does not have information on 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 2002 approximately 89% were from vendors located in the Far East; approximately 7% were from vendors located in Europe, approximately 3% were from vendors located in India, 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.

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 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.

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 \$16.8 million as of December 31, 2002, compared to approximately \$22.4 million as of December 31, 2001. See Seasonality. 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, 2002, returns and allowances amounted to approximately 4.5% of sales.

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. 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, 2002, the Company had approximately 1,172 employees. The Company believes that its overall relationship with its employees is good.

As of December 31, 2002, the Company's employees located in the U.S. and Puerto Rico were not represented by labor unions.

On March 1, 2002, a union election was held at the Company's California warehouse facility located in Mira Loma, California. On March 11, 2002, the National Labor Relations Board (NLRB) issued a Certification of a Representative stating that the tally of ballots showed that a collective-bargaining representative had been selected and no timely objections had been filed. On March 12, 2003, the Company received notice from the NLRB that a Petition for Decertification (Removal of a Representative) was filed by an employee. On April 17, 2003 the NLRB has scheduled a decertification vote.

ITEM 2. Properties

The following table sets forth information with respect to the Company's properties as of March 24, 2003:

LOCATION	TYPE OF FACILITY	APPROXIMATE SQUARE FOOTAGE	STATUS
East Boston, MA	Office/Showroom/Warehouse	292,000	Owned
North Dighton, MA	Office/Manufacturing/Warehouse	333,198	Leased
Mira Loma, CA	Warehouse/Distribution/Land	886,000	Leased
Los Angeles, CA	Showrooms	4,115	Leased
Commerce, CA	Office/Showroom	37,117	Leased
Crisfield, MD	Office/Warehouse/Retail	71,754	Owned
New York, NY	Showrooms	46,553	Leased
Atlanta, GA	Showrooms	18,707	Leased
Dallas, TX	Showrooms	8,568	Leased
Chicago, IL	Showroom	5,540	Leased
Chester, SC	Warehouse/Showroom	828,000	Owned
Gastonia, NC	Office/Manufacturing/Distribution	387,441	Owned
San German, PR	Manufacturing/Office	87,239	Leased
Hong Kong	Office/Showroom	4,791	Leased
China	Warehouse/Office	183,283	Leased

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.

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

During the fourth quarter of 2002, no matters were submitted to a vote of the Company's shareholders through the solicitation of proxies or otherwise.

PART II

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 Partners, L.P. (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*

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The following selected consolidated financial information as of December 31, 2002 through 1998 and for each of the years in the five-year period ended December 31, 2002 has been derived from the consolidated financial statements of the Company. The consolidated balance sheets of the Company as of December 31, 2002 and 2001 and the consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2002, 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.

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	Year Ended December 31,				
	2002	2001	2000	1999	1998
	(in thousands, except per share data)				
Net sales	\$ 252,460	\$ 267,231	\$ 349,621	\$ 298,578	\$ 285,832
Cost of sales	196,434	197,436	253,261	215,420	210,412
Gross profit	56,026	69,795	96,360	83,158	75,420
Selling, general and administrative expenses	67,389	68,776	75,056	66,919	62,698
Asset dispositions, impairment of long-lived assets and restructuring costs	4,482	1,575	(532)	(15,552)	4,935
Other operating income	(1,852)	(9,201)	(8,145)	(3,358)	(5,662)
Operating income (loss) from continuing operations	(13,993)	8,645	29,981	35,149	13,449
Interest expense	(20,148)	(22,283)	(23,312)	(23,977)	(23,076)
Interest income	1	215	70	137	34
Income (loss) from continuing operations before provision (benefit) for income taxes	(34,140)	(13,423)	6,739	11,309	(9,593)
Provision (benefit) for income taxes	(11,418)	(3,726)	1,952	4,251	(2,690)
Income (loss) from continuing operations before cumulative effect of a change in accounting principle	(22,722)	(9,697)	4,787	7,058	(6,903)
Discontinued operations :					
Loss from operations of discontinued subsidiary	(1,360)	(1,771)	(2,870)	(1,869)	(1,169)
Loss on disposal of discontinued subsidiary	(5,305)				
Income (loss) before cumulative effect of a change in accounting principle	(29,387)	(11,468)	1,917	5,189	(8,072)
Cumulative effect of change in accounting principle	(6,225)				
Net income (loss)	(35,612)	(11,468)	1,917	5,189	(8,072)
Preferred stock dividend accrued	3,688	3,293	2,940	2,625	2,344
Net income (loss) applicable to common stockholders	\$ (39,300)	\$ (14,761)	\$ (1,023)	\$ 2,564	\$ (10,416)
Basic and diluted income (loss) per share:					
Income (loss) from continuing operations before cumulative effect of a change in	\$ (6.00)	\$ (2.56)	\$ 1.27	\$ 1.87	\$ (1.82)

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accounting principle					
Loss from operations of discontinued subsidiary	(0.36)	(0.47)	(0.76)	(0.49)	(0.31)
Loss on disposal of discontinued subsidiary	(1.40)				
Cumulative effect of change in accounting principle	(1.65)				
Preferred stock dividend accrued	(0.98)	(0.87)	(0.78)	(0.70)	(0.62)
Net income (loss) per common share	\$ (10.39)	\$ (3.90)	\$ (0.27)	\$ 0.68	\$ (2.75)

	December 31,				
	2002	2001	2000	1999	1998
	(in thousands, except per share data)				
BALANCE SHEET DATA:					
Working capital	\$ 82,736	\$ 112,707	\$ 112,774	\$ 126,426	\$ 108,155
Total assets	202,746	237,371	301,090	266,517	285,220
Total debt	176,967	174,629	215,868	187,579	210,843
Stockholders' equity	(24,060)	10,128	22,224	21,337	16,538
Book value per common share	(15.45)	(5.44)	(1.38)	(0.84)	(1.41)

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.

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 Sales		
	Year Ended December 31,		
	2002	2001	2000
Net sales	100.0%	100.0%	100.0%
Cost of sales	77.8	73.9	72.4
Gross profit.	22.2	26.1	27.6
Selling, general and administrative expenses	26.7	25.7	21.5
Asset dispositions, impairment of long-lived assets and restructuring costs	1.8	0.6	(0.2)
Other operating income	(0.8)	(3.4)	(2.3)
Income (loss) from continuing operations	(5.5)	3.2	8.6
Interest expense, net	(8.0)	(8.3)	(6.7)
Interest income		0.1	
Income (loss) from continuing operations before provision (benefit) for income taxes	(13.5)	(5.0)	1.9
Provision (benefit) for income taxes	(4.5)	(1.4)	0.5
Income (loss) from continuing operations	(9.0)%	(3.6)%	1.4%

Year ended December 31, 2002 compared to year ended December 31, 2001

Net sales decreased 5.5 % to \$252.5 million for the year ended December 31, 2002 from \$267.2 million for the year ended December 31, 2001 reflecting lower demand for certain of the Company's giftware products partially offset by higher demand for stainless steel flatware. Changes in normal product prices did not materially impact net sales.

Gross profit decreased to \$56.0 million for the year ended December 31, 2002 from \$69.8 million for the year ended December 31, 2001. Gross profit as a percentage of sales was 22.2% for the year ended December 31, 2002 compared to 26.1% for the comparable 2001 period. The largest single component of the reduction in gross margin (approximately 3 percentage points) was a \$7.4 million writedown of inventory values recorded in the fourth quarter resulting from the Company's plan to reduce its leased square footage in its Mira Loma CA distribution facility and close its North Dighton MA distribution facility. The Company adopted a plan of reducing and closing out certain products that were previously sold through normal programs and distribution channels to accomplish the reduction in distribution facilities and storage space.

Selling, general and administrative expenses (S, G & A expenses) decreased \$1.4 million to \$67.4 million for the year ended December 31, 2002, as compared with \$68.8 million for the comparable period ended December 31, 2001. S, G & A expenses as a percentage of sales

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increased slightly to 26.7% for the year ended December 31, 2002, as compared with 25.7% for the comparable period ended December 31, 2001, primarily as result of the reduction in sales volume.

During 2002, the Company initiated restructuring programs focused on reducing its overall cost structure by eliminating excess capacity in its distribution, manufacturing, showroom and sourcing facilities as well as reductions in headcount and expense commitments. Restructuring charges in 2002 are comprised of facility exit costs, employee separation payments, and the early termination of certain equipment lease and other commitments. In the fourth quarter of 2002, due to excess capacity, the Company began executing a plan to remove from service portions of its leased space in its North Dighton MA manufacturing and distribution facility. The distribution operations were re-located to the Company's Mira Loma CA warehouse during the first quarter of 2003, and the reduction in distribution and manufacturing space in North Dighton is planned to be completed by May 30, 2003. A charge of \$2.1 million was recorded to recognize the future costs associated with the unused space and related asset impairments. The Company has also recorded a charge of \$1.0 million related to abandonment of certain

equipment leases, the exit of two of its showrooms, and contract cancellation costs. In connection with the restructuring, the Company recorded employee separation payments of \$1.4 million.

In 2001, the Company recorded an asset impairment of \$1.6 million relating to excess equipment primarily relating to the consolidation of its Rauch manufacturing operations. The relocation of the equipment was completed in June 2002.

Income from operations for 2002 also included other operating income of \$1.9 million due to a gain on debt extinguishment related to the purchase of \$3.9 million of its Senior Notes on the open market.

Interest expense was \$20.1 million for the year ended December 31, 2002, compared to \$22.3 million in the same period of 2001. This decrease reflects the decline in the bank's prime lending rate, decreased borrowings under the Company's revolving credit facility and the reduced amount of 11% Senior Notes outstanding.

The benefit for income taxes was \$11.4 million for the year ended December 31, 2002 compared to \$3.7 million for the year ended December 31, 2001. The effective income tax rate increased to 33.4% in 2002 from 27.8% in 2001 primarily due to a change in the mix of foreign taxable income and domestic tax losses.

Net loss applicable to common stockholders for the years ended December 31, 2002 and 2001 was \$39.3 million and \$14.8 million, respectively, or \$10.39 and \$3.90, respectively, per basic and diluted share, on adjusted weighted-average shares of 3,784,018 in both periods.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Net sales, on a comparable basis (excluding sales to a specialty retail/licensing organization in 2000), decreased 9.4 % to \$267.2 million for the year ended December 31, 2001 from \$294.9 million for the year ended December 31, 2000 reflecting the generally weak retail environment. The 2001 net sales of \$267.2 million represented a 23.6% decrease from total net sales of \$349.6 million for the year ended December 31, 2000. Net sales for the year ended December 31, 2000 included \$54.7 million of sales to the specialty retail/licensing organization. In 2001 the Company entered into a direct sourcing agency arrangement with the specialty retail/licensing organization, replacing an arrangement in which the Company had previously sold and distributed its licensed products. Under the new arrangement the Company's sales and royalty expenses to this organization are eliminated and purchasing commissions are earned. Changes in normal product prices did not materially impact net sales.

Gross profit decreased to \$69.8 million for the year ended December 31, 2001 from \$96.4 million for the year ended December 31, 2000. Gross profit as a percentage of sales was 26.1% for the year ended December 31, 2001 compared to 27.6% for the comparable 2000 period. The 1.5 percentage point decrease reflects additional provisions for obsolete and slow moving inventory totaling approximately \$5.9 million related to certain discontinued products at its Rauch Christmas ornament manufacturing operation, and to the decision to cease manufacturing certain cutlery products in favor of sourcing them, as well as additional provisions related to other tabletop and giftware products. The decrease in the gross profit percentage also reflects a favorable mix of the product sold, offset by lower absorption of distribution and manufacturing costs compared with the prior year period.

Selling, general and administrative expenses (S, G & A expenses) decreased \$6.3 million to \$68.8 million for the year ended December 31, 2001, as compared with \$75.1 million for the comparable period ended December 31, 2000. During the fourth quarter of 2001, the Company provided approximately \$1.2 million related to termination benefits and contractual obligations for certain executives. The overall decrease is primarily due to reduced royalty expenses and spending cuts initiated to address the lower sales volume.

Income from operations was \$8.6 million and \$30.0 million for the years ended December 31, 2001 and 2000, respectively. During the fourth quarter of 2001, the Company recorded an asset impairment of \$1.6 million relating to excess equipment in its Rauch Christmas ball manufacturing operations. Rauch moved its Christmas ball manufacturing operations from its Chester SC facility to its primary location in Gastonia NC as planned during the fourth quarter of 2001. The relocation was completed in June 2002. Income from operations also included other operating income of \$9.2 million comprised of Farberware licensing fees of \$1.5 million and a one-time gain of \$7.2 million related to the sale of all of the Company's interest in the Farberware intellectual property. In 2002, the Company no longer derives licensing fees related to Farberware. Also included is a \$.5 million gain on debt extinguishment related to the purchase of \$0.7 million of its Senior Notes on the open market.

Interest expense was \$22.3 million for the year ended December 31, 2001, compared to \$23.3 million in the same period of 2000. This decrease reflects the decline in the bank's prime lending rate, the reduced amount of 11% Senior Notes outstanding, and decreased borrowings under the Company's revolving credit facility.

The benefit for income taxes was \$3.7 million for the year ended December 31, 2001 compared to a provision of \$2.0 million for the year ended December 31, 2000. The effective income tax rate was 27.8% in 2001 down slightly from 29.0% in 2000.

Net loss applicable to common stockholders for the years ended December 31, 2001 and 2000 was \$14.8 million and \$1.0 million, respectively, or \$3.90 and \$0.27, respectively, per basic and diluted share, on adjusted weighted-average shares of 3,784,018 in both periods.

Liquidity and Capital Resources

Net cash used in operating activities for the year ended December 31, 2002 was \$3.7 million as compared with cash of \$50.5 million provided by operations for the year ended December 31, 2001. The decrease in operating cash flows reflects the \$13.8 million decrease in gross margin in 2002 compared with 2001. Also, 2001 operating cash flows benefited from a significant one-time reduction in trade receivables due to the elimination of sales to a specialty retail/licensing organization as noted above and proceeds from the sale of the Company's interest in the Farberware intellectual property.

The Company's working capital requirements are seasonal and tend to be highest in the period from September through November due to the Christmas selling season. Accounts receivable tend to decline during December and the first quarter as receivables generated during the third and fourth quarters are collected and remain lower until the next peak season beginning in December. Inventories tend to increase from January through August of each year and gradually decrease during the final four months of the year.

Capital expenditures were approximately \$2.7 million for the year ended December 31, 2002. These expenditures relate primarily to investment in information technology, and machinery, equipment and tools and dies for the Company's manufacturing and distribution 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, March 26, 2001, August 13, 2001, March 22, 2002, November 12, 2002, December 18, 2002 and March 20, 2003). The obligations of the Company under the Revolving Credit Facility are secured by inventory and accounts receivable of the Company and its domestic subsidiaries, and by a pledge of 100% of the domestic subsidiaries' and at least 65% of the foreign subsidiaries' outstanding capital stock. The Revolving Credit Facility as amended, provides for borrowings of up to \$86,400 with borrowing capacity related to inventory limited to a maximum of \$55 million. The Revolving Credit Facility expires on April 15, 2004. The December 18, 2002 amendment provides for repurchases of the Company's 11% Senior Notes due 2007 (the "Senior Notes") subject to approval of each transaction by the administrative agent for the lenders. The Company had no covenants for compliance with minimum levels of earnings before income taxes, depreciation, amortization and certain adjustments ("EBITDA"), as defined, at December 31, 2002 as a result of a waiver obtained in conjunction with the November 12, 2002 amendment. The Company must maintain minimum EBITDA (i) for the period of one Fiscal Quarter ending March 31, 2003, of negative \$5.6 million, (ii) for the period of two consecutive Fiscal Quarters ending June 30, 2003, of negative \$9.9 million, (iii) for the period of three consecutive Fiscal Quarters ending September 30, 2003, of \$5 million, and (iv) for the period of four consecutive Fiscal Quarters ending December 31, 2003 and on the last day of each Fiscal Quarter thereafter of \$15 million. Borrowings made under the Revolving Credit Facility, other than for repurchases of Senior Notes, bear interest at a rate equal to, at the Company's option, the Eurodollar Rate plus 375 basis points or the Prime Rate plus 100 basis points.

Borrowings made under the Revolving Credit Facility for the repurchase of Senior Notes bear interest at a rate equal to, at the Company's option, the Eurodollar Rate plus 500 basis points or the Prime Rate plus 225 basis points. As amended, the Company must maintain minimum borrowing availability of \$10 million until October 15, 2003, \$11.25 million on October 16, 2003 increasing gradually to \$20 million for the period from December 3, 2003 through January 2004, \$25 million during February and March of 2004 and \$10 million thereafter.

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On March 20, 2003 the Revolving Credit Facility was amended to consent to the sale of C. J. Vander Ltd and its subsidiaries. See Notes 8 and 17 to the Consolidated Financial Statements. At December 31, 2002, there was \$23.2 million outstanding under the Revolving Credit Facility and of these borrowings, \$23.2 million were at the Prime Rate plus 100 basis points. The Company is in compliance with the covenants, as amended, as of December 31, 2002. Availability under the Revolving Credit Facility, net of outstanding letters of credit and minimum availability requirements, was \$35.1 million at December 31, 2002.

At December 31, 2002, the Company also had debt financing with third parties of \$143.9 million of 11% Senior Notes which are due April 15, 2007 and require interest payments to be made semi-annually on April 15 and October 15. The Senior 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. Consequently, the obligations of the Company under the Senior Notes are effectively subordinated to its obligations under the Revolving Credit Facility to the extent of such assets. The Senior Notes became redeemable, in whole or in part, at the Company's option, after April 15, 2002. During 2002 the Company, purchased an aggregate \$3.9 million of its Senior Notes on the open market resulting in a pre-tax gain of \$1.9 million.

Subsequent to year end and through March 31, 2003, the Company, purchased an additional \$24.4 million of its outstanding Senior Notes in the open market, resulting in a pre-tax gain of approximately \$9.0 million which will be recorded in the first quarter of 2003. The Company may from time to time in the future purchase material amounts of additional Senior Notes on the open market or in privately negotiated transactions. Such purchases would be subject to obtaining prior approval from the Company's lenders.

On April 2, 2001, the Company executed a \$10 million promissory note secured by certain real property and building improvements located in Mira Loma, California. The note bears interest at a rate of 7.42% and was to be repaid in monthly installments until May, 2011 when a final payment of \$8.1 million was due. At December 31, 2002, the balance outstanding on the note was \$9.8 million. On January 15, 2003, the Company was relieved of all of its obligations under the note upon the sale of its Mira Loma CA warehouse and distribution facility. The purchase price of \$26.8 million was partially paid by the Buyer's assumption of the \$9.8 of indebtedness related to the Property and the remainder was paid in cash. See Note 17 to the accompanying consolidated financial statements.

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 \$143.9 million Notes and under its operating leases) and fund planned capital expenditures through December 31, 2003.

Contractual Obligations

The following table presents contractual obligations as of December 31, 2002.

(\$ Millions)		Payments due by period
	Total	

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			Less than 1 Year		1-3 Years		3-5 Years		More than 5 Years	
Operating leases	\$	19.5	\$	5.5	\$	8.2	\$	5.0	\$	0.8
Purchase commitments		7.0		3.1		3.1		0.8		
Senior Notes		143.9						143.9		
Note payable on Mira Loma CA property(1)		9.8		0.1		0.4		0.4		8.9
Total	\$	180.2	\$	8.7	\$	11.7	\$	150.1	\$	9.7

(1) On January 15, 2003 the Note payable on the Mira Loma property was assumed by a third party buyer in connection with its sale. See Note 17 to the Consolidated Financial statements.

Significant Accounting Policies

The Company's management is required to make estimates and assumptions in order to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. While actual results could differ from these estimates and assumptions, the Company does not believe that such differences would have a material effect on its results of operations or financial position. The Company's significant accounting policies are included in Note 1 of the Notes to the consolidated financial statements. The most significant accounting policies or estimates that underlie the preparation of the consolidated financial statements are the revenue recognition and depreciation policies, in addition to the judgments used to review long-lived assets, including goodwill and other intangible assets, for impairment. Additionally, the Company's depreciation policy reflects judgments on the estimated useful life of assets.

Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations* for fiscal years starting after June 15, 2002. This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company does not believe that the adoption of SFAS No. 143 will have a significant impact on its financial statements.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Cost Associated with Exit or Disposal Activities*. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002.

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 \$143.9 million of 11% Senior Notes due April 15, 2007 that had a fair value of \$83.5 million as of December 31, 2002 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, 2002, 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.

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, 2002 and 2001.

Consolidated statements of operations for the years ended December 31, 2002, 2001 and 2000.

Consolidated statements of stockholders' equity for the years ended December 31, 2002, 2001 and 2000

Consolidated statements of cash flows for the years ended December 31, 2002, 2001 and 2000.

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, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. Our audits also included the consolidated financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits 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, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 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, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 6 to the consolidated financial statements, the Company changed its method of accounting for goodwill and intangible assets to conform to the provisions of SFAS No. 142. Also as discussed in Note 2, the 2001 and 2000 consolidated financial statements were restated due to the adoption of SFAS No. 145.

/s/ **DELOITTE & TOUCHE LLP**

Boston, Massachusetts
March 28, 2003

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

	December 31,	
	2002	2001
ASSETS		
Current assets:		
Cash and equivalents	\$ 1,399	\$ 4,602
Accounts receivable, net	51,582	56,638
Inventories	58,198	71,750
Deferred income taxes	20,649	17,848
Prepaid expenses and other	2,627	2,611
Assets held for sale	3,395	7,240
Total current assets	137,850	160,689
Property, plant and equipment, net	59,742	65,740
Purchase price in excess of net assets acquired, net		6,225
Other assets, net	5,154	4,717
Total	\$ 202,746	\$ 237,371
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Revolving loan facilities and notes payable	\$ 23,383	\$ 16,995
Accounts payable	8,107	10,538
Accrued expenses	11,887	7,957
Accrued interest	3,586	4,359
Accrued compensation	3,529	4,181
Accrued advertising	3,945	3,263
Income taxes payable	32	129
Liabilities held for sale	645	560
Total current liabilities	55,114	47,982
Long - term debt	153,584	157,634
Deferred income taxes	15,434	18,818
Pension liability	2,674	2,809
Commitments and contingencies		
Stockholders equity:		
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 \$16,419 and \$12,731 in 2002 and 2001, respectively)	34,419	30,731
Common stock, \$.01 par value, 20,000,000 shares authorized; 3,784,018 shares issued and outstanding	38	38
Deficit	(58,392)	(19,092)
Accumulated other comprehensive loss	(125)	(1,549)

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Total stockholders' equity		(24,060)		10,128
Total	\$	202,746	\$	237,371

See notes to consolidated financial statements.

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

	For the Years Ended December 31,		
	2002	2001	2000
Net sales	\$ 252,460	\$ 267,231	\$ 349,621
Cost of sales	196,434	197,436	253,261
Gross profit	56,026	69,795	96,360
Selling, general and administrative expenses	67,389	68,776	75,056
Asset dispositions, impairment of long-lived assets and restructuring costs	4,482	1,575	(532)
Other operating income	(1,852)	(9,201)	(8,145)
Operating income (loss) from continuing operations	(13,993)	8,645	29,981
Interest expense	(20,148)	(22,283)	(23,312)
Interest income	1	215	70
Income (loss) from continuing operations before provision (benefit) for income taxes	(34,140)	(13,423)	6,739
Provision (benefit) for income taxes	(11,418)	(3,726)	1,952
Income (loss) from continuing operations before cumulative effect of a change in accounting principle	(22,722)	(9,697)	4,787
Discontinued Operations:			
Loss from operations of discontinued subsidiaries	(1,360)	(1,771)	(2,870)
Loss on disposal of discontinued subsidiary	(5,305)		
Net income (loss) before cumulative effect of a change in accounting principle	(29,387)	(11,468)	1,917
Cumulative effect of change in accounting principle	(6,225)		
Net income (loss)	(35,612)	(11,468)	1,917
Preferred stock dividend accrued	3,688	3,293	2,940
Net (loss) applicable to common stockholders	\$ (39,300)	\$ (14,761)	\$ (1,023)
Basic and diluted income (loss) per share:	\$ (6.00)	\$ (2.56)	\$ 1.27

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Income (loss) from continuing operations before cumulative effect
of a change in accounting principle

Loss from operations of discontinued subsidiaries	(0.36)	(0.47)	(0.76)
Loss on disposal of discontinued subsidiary	(1.40)		
Cumulative effect of change in accounting principle	(1.65)		
Preferred stock dividends accrued	(0.98)	(0.87)	(0.78)
Net (loss) per common share	\$ (10.39)	\$ (3.90)	\$ (0.27)
Weighted-average number of shares outstanding	3,784	3,784	3,784

See notes to consolidated financial statements.

SYRATECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 and 2000
(in thousands, except for share data)

	Common Stock		Cumulative Redeemable Preferred Stock		Deficit	Accumulated Other Comprehensive Income / (Loss)	Total
	Shares	Amount	Shares	Amount			
Balance, January 1, 2000	3,784,018	\$ 38	18,000	\$ 24,498	\$ (3,308)	\$ 109	\$ 21,337
Accrued preferred stock dividend				2,940	(2,940)		
Comprehensive income:							
Translation adjustment						(695)	(695)
Minimum pension adjustment						(335)	(335)
Net income					1,917		1,917
Total comprehensive income							887
Balance, December 31, 2000	3,784,018	38	18,000	27,438	(4,331)	(921)	22,224
Accrued preferred stock dividend				3,293	(3,293)		
Comprehensive loss:							
Translation adjustment						(245)	(245)
Minimum pension adjustment						(383)	(383)
Net loss					(11,468)		(11,468)
Total comprehensive loss							(12,096)
Balance, December 31, 2001	3,784,018	38	18,000	30,731	(19,092)	(1,549)	10,128
Accrued preferred stock dividend				3,688	(3,688)		
Comprehensive loss:							
Translation adjustment						750	750
Pension adjustments						674	674
Net loss					(35,612)		(35,612)
Total comprehensive loss							(34,188)
Balance, December 31, 2002	3,784,018	\$ 38	18,000	\$ 34,419	\$ (58,392)	\$ (125)	\$ (24,060)

See notes to consolidated financial statements.

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

	For the Years Ended December 31,		
	2002	2001	2000
Cash flows from operating activities:			
Net income (loss)	\$ (35,612)	\$ (11,468)	\$ 1,917
Less net loss from discontinued operations	1,360	1,771	2,870
Loss on disposal of discontinued subsidiary	5,305		
Less effect of accounting change	6,225		
Income (loss) from continuing operations	(22,722)	(9,697)	4,787
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	9,801	9,823	8,433
Deferred income taxes	(6,185)	(5,421)	(93)
Pension liability	(135)	241	(106)
Impairment of long-lived assets		1,575	
Gain on extinguishment of debt before income taxes	(1,852)	(459)	(6,163)
(Gain) loss on disposal of assets and other	586	81	(17)
Changes in assets and liabilities:			
Accounts receivable	5,056	45,360	(34,606)
Inventories	13,552	16,088	1,026
Prepaid expenses and other	(16)	598	(515)
Accounts payable and accrued expenses	757	(7,635)	4,976
Income taxes payable	(97)	(160)	(927)
Net cash provided by (used in) operating activities from continuing operations	(1,255)	50,394	(23,205)
Net cash provided by (used in) operating activities from discontinued operations	(2,488)	63	(1,452)
Net cash provided by (used in) operating activities	(3,743)	50,457	(24,657)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(2,711)	(6,242)	(7,826)
Proceeds from disposal of assets		191	186
Other	72	(65)	(105)
Net cash provided by (used in) investing activities from continuing operations	(2,639)	(6,116)	(7,745)
Net cash provided by (used in) investing activities from discontinued operations	(16)	(8)	(1)
Net cash provided by (used in) investing activities	(2,655)	(6,124)	(7,746)
Cash flows from financing activities:			
Change in revolving loan facilities	6,378	(50,462)	44,739
Retirement of outstanding senior notes	(1,959)	(227)	(9,793)
Proceeds from long-term debt		10,000	

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Repayments of long-term debt	(140)	(73)	
Other	(1,708)	(948)	(5)
Net cash provided by (used in) financing activities from continuing operations	2,571	(41,710)	34,941
Net cash provided by (used in) financing activities from discontinued operations			(90)
Net cash provided by (used in) financing activities	2,571	(41,710)	34,851
Effect of exchange rate changes on cash and equivalents	624	(564)	(919)
Net increase (decrease) in cash and equivalents	(3,203)	2,059	1,529
Cash and equivalents, beginning of year	4,602	2,543	1,014
Cash and equivalents, end of year	\$ 1,399	\$ 4,602	\$ 2,543

See notes to consolidated financial statements.

SYRATECH CORPORATION AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars except share and per share data)**

1. Business and Summary of Significant Accounting Policies

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), Rochard, Inc. (Rochard), 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.

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, long lived asset impairment, reserves for potentially obsolete and slow moving inventory, and reserves for potential bad debts and sales returns.

Revenue Recognition

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Revenue is recognized when significant risks and rewards of ownership are transferred to the buyer, costs can be measured reliably and receipt of the future economic benefits is probable, typically when goods are shipped to customers. Additionally, the Company records an allowance for estimated returns, in compliance with SFAS No. 48, Revenue Recognition When Right of Return Exists. The Company provides allowances for estimated doubtful accounts and sales returns based on historical experience and evaluation of specific accounts. Such allowances were comprised of the following:

	December 31,	
	2002	2001
Sales returns and allowances	\$ 7,985	\$ 9,586
Doubtful accounts	2,132	2,393
	\$ 10,117	\$ 11,979

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.

Customers

Substantially all customers are retailers. Customers in one geographic area do not constitute a significant portion of sales. Sales to one customer represented 11.5%, 12.0% and 12.2% of 2002, 2001 and 2000 consolidated net sales, respectively. At December 31, 2002, one customer represented 18.3% of net accounts receivable and another customer represented 13.8% of net accounts receivable. At December 31, 2001, one customer represented 16.9% of net accounts receivable and another customer represented 11.1% 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 5.

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 the related leases, as follows:

	Years
Buildings and improvements	2 to 40
Tools and dies	2 to 50
Machinery and equipment	3 to 10

Impairment of Long-Lived Assets

The Company evaluates potential impairment of long-lived assets and long-lived assets to be disposed of in accordance with Statements of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which was adopted as of January 1, 2002. SFAS No. 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS No. 144 also redefined qualifying discontinued operations. Adoption of SFAS No. 144 had no impact on previously recorded amounts. As of December 31, 2002, management believes that there has not been any significant impairment of the Company's long-lived assets.

Other Assets

Other assets include deferred financing costs, the intangible asset related to its pension plan and deposits. Deferred financing costs are being amortized using the interest method over the terms of the related debt. The following table presents the balances of deferred financing costs at December 31, 2002 and 2001.

	2002	2001
Deferred Financing Costs	\$ 11,719	\$ 10,889
Accumulated amortization	7,362	6,432
Net	\$ 4,357	\$ 4,457

Advertising Costs

Advertising costs are charged to operations when incurred. These costs are recorded in selling, general and administrative expenses and totaled \$ 3,855, \$3,684 and \$4,440 in the years ended December 31, 2002, 2001 and 2000, 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. At December 31, 2002, the Company had debt financing of \$143,946 of 11% Senior Notes (the "Senior Notes"). The fair value of the Senior Notes (Note 8) was estimated to be \$83,489 as of December 31, 2002, based upon recent private market trades.

Income Taxes

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.

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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. 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.

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.

Earnings (Loss) Per Share

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 2002, 2001 or 2000.

Comprehensive Income / (Loss)

Comprehensive income (loss) is comprised of net income, foreign currency translation adjustments, and pension adjustments related to recording the minimum pension liability and maximum intangible asset. Accumulated other comprehensive income by component is as follows:

	December 31,	
	2002	2002
Translation adjustment	\$ (81)	\$ (831)
Minimum pension adjustment	(44)	(718)
Total accumulated other comprehensive income	\$ (125)	\$ (1,549)

Recent Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations* for fiscal years starting after June 15, 2002. This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company does not believe that the adoption of SFAS No. 143 will have a significant impact on its financial statements.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Cost Associated with Exit or Disposal Activities*. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002.

Reclassification

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Certain prior year amounts have been reclassified to conform to the 2002 presentation.

Cash Flow Information

Supplemental cash flow information is as follows:

Cash paid during the year for:

	2002	2001	2000
Interest	\$ 19,760	\$ 20,619	\$ 22,941
Income taxes	\$ 2,639	\$ 1,902	\$ 2,190

2. New Accounting Pronouncements

The Company adopted SFAS No. 142, *Goodwill and Other Intangible Assets* as described in Note 6, SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, as described in Note 1, and SFAS No. 145, *Recession of FASB Statements 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections*, as discussed below.

SFAS No. 145 generally requires gains and losses from the extinguishment of debt to be recorded as part of operating activities. Prior to the adoption of SFAS No. 145, gains and losses from the extinguishment of debt were reported as an extraordinary item, net of tax. SFAS No. 145 was adopted in 2002 and resulted in the restatement of certain amounts reported as an extraordinary item, net of taxes in 2001 and 2000. The following sets forth the changes to previously presented amounts:

	As originally presented		As Restated	
	2001	2000	2001	2000
Other operating income	\$ 8,742	\$ 1,982	\$ 9,201	\$ 8,145
Provision (benefit) for income taxes	\$ (3,914)	\$ (575)	\$ (3,726)	1,952
Extraordinary item, net of taxes	\$ 271	\$ 3,636	\$	

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

During 2002, the Company initiated restructuring programs focused on reducing its overall cost structure by eliminating excess capacity in its distribution, manufacturing, showroom and sourcing facilities as well as reductions in headcount and expense commitments. Restructuring charges in 2002 are comprised of facility exit costs, employee separation payments, and the elimination of certain equipment lease and other commitments. In the fourth quarter of 2002, due to excess capacity, the Company began executing a plan to remove from service portions of its leased space in its North Dighton MA manufacturing and distribution facility. The distribution operations were re-located to the Company's Mira Loma CA warehouse during the first quarter of 2003, and the reduction in distribution and manufacturing space in North Dighton is planned to be completed by May 30, 2003. A charge of \$2,054 was recorded to recognize the future costs associated with the unused space and related asset impairments. In addition, the company has initiated a plan to reduce its Mira Loma CA warehouse space from approximately 886,000 square feet to approximately 644,000 square feet and established an aggressive program of inventory reduction to accomplish the space reduction. As a result, the Company recorded a charge of \$7,447 in the fourth quarter of 2002 to reduce inventory carrying values for anticipated losses resulting from the planned inventory reductions (See Note 17). Previously, the Company sold these goods through its normal programs and channels. This charge is included in cost of sales. The Company has also recorded a charge of \$1,010 related to the early termination of certain equipment leases, the exit of two of its showrooms, and contract cancellation costs. In connection with the restructuring, the Company recorded employee separation payments of \$1,418, of which \$1,128 is unpaid at December 31, 2002.

During the fourth quarter of 2001, the Company recorded an asset impairment of \$1,575 relating to excess equipment primarily relating to the consolidation of its Rauch manufacturing operations. At the end of the fourth quarter of 2001, Rauch began dismantling the manufacturing equipment at its Chester, SC facility and moved it to its primary manufacturing location in Gastonia, NC where it displaced certain older equipment which is no longer used. The relocation of the equipment was completed in June 2002.

In November 1999 the Company sold its primary east coast distribution facility. 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.

4. Discontinued Operations

In December 2002 the Company formalized its decision to offer for sale its indirect wholly owned subsidiary, C.J. Vander Ltd. and its subsidiaries. The Company adopted SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS No. 144) as of January 1, 2002. Accordingly, results of this operation have been classified as discontinued and prior periods have been restated. In connection with the sale, consummated on March 21, 2003 (See Note 17), the Company incurred a one-time charge of \$5,305 to reduce this business to fair value less costs to sell. In December 2002, the Company also recognized a pre-tax loss of \$821 from discontinued operations (\$533, net of a \$288 tax benefit) related to worker s compensation expense of its former subsidiary Syroco, Inc. which was sold in 1995. The Company does not expect any material losses in the future related to Syroco, Inc.

Net sales and net loss from discontinued operations are as follows:

	2002	2001	2000
Net sales	\$ 7,564	\$ 7,711	\$ 6,977
Pre-tax loss from discontinued operations	\$ 1,648	\$ 1,771	\$ 2,870
Pre-tax loss on disposal of business segment	5,305		
Income tax benefit	(288)		
Net loss from discontinued operations	\$ 6,665	\$ 1,771	\$ 2,870

Assets and liabilities of the discontinued operation are as follows:

	2002	2001
Current assets	\$ 3,395	\$ 4,785
Property plant and equipment		2,455
Current liabilities	(645)	(560)
Net assets of discontinued operation	\$ 2,750	\$ 6,680

5. Inventories

Inventories by major classification are as follows:

	December 31,	
	2002	2001
Raw materials	\$ 7,993	\$ 7,362
Work-in-process	2,219	3,345
Finished goods	47,986	61,043
Total	\$ 58,198	\$ 71,750

6. Goodwill

The Company adopted SFAS No. 142 Goodwill and Other Intangible Assets as required in fiscal 2002. The implementation of SFAS 142 resulted in the Company recording a one-time, non-cash, goodwill impairment charge of \$6,225 as of January 1, 2002. The impairment results from a change in the criteria for the measurement of impairments from an undiscounted to a discounted cash flow method. This charge reflects the cumulative effect of adopting the accounting change in the statement of operations, but had no impact on cash flows. The impaired goodwill was not deductible for taxes, and as a result, no tax benefit was recorded in relation to the charge. The Company recorded approximately \$341 of goodwill amortization in 2001 and \$242 in 2000. Under SFAS 142 goodwill amortization was not recorded during 2002. The Company has not recorded any other specifically identified intangible assets for its intellectual property which includes copyrights and trademarks.

	2002	2001	2000
Reported income (loss) before cumulative effect of a change in accounting principle	\$ (22,722)	\$ (9,697)	\$ 4,787
Add back: Goodwill amortization		341	242
Adjusted income (loss) before cumulative effect of a change in accounting principle	\$ (22,722)	\$ (9,356)	\$ 5,029
Basic and diluted income (loss) per share:			
Reported income (loss) before cumulative effect of a change in accounting principle	\$ (6.00)	\$ (2.56)	\$ 1.27
Add back: Goodwill amortization		0.09	0.06
Adjusted income (loss) before cumulative effect of a change in accounting principle	\$ (6.00)	\$ (2.47)	\$ 1.33

7. Property, Plant and Equipment

Property, plant and equipment was comprised of the following:

	December 31,	
	2002	2001
Land and improvements	\$ 6,359	\$ 6,359
Buildings and improvements	51,219	51,670
Tools and dies	18,652	18,746
Machinery and equipment	36,382	36,459
Other	4,210	4,076
Construction in progress	474	2,558
Total	117,296	119,868
Less accumulated depreciation	(57,554)	(54,128)
Net	\$ 59,742	\$ 65,740

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

Commitments for the purchase of property, plant and equipment are not material to the Company's consolidated financial statements at December 31, 2002.

8. 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, March 26, 2001, August 13, 2001, March 22, 2002, November 12, 2002, December 18, 2002 and March 20, 2003). The obligations of the Company under the *Revolving Credit Facility* are secured by inventory and accounts receivable of the Company and its domestic subsidiaries, and by a pledge of 100% of the domestic subsidiaries and at least 65% of the foreign subsidiaries outstanding capital stock. The *Revolving Credit Facility* as amended, provides for borrowings of up to \$86,400 with borrowing capacity related to inventory limited to a maximum of \$55,000. The *Revolving Credit Facility* expires on April 15, 2004. The December 18, 2002 amendment provides for repurchases of the Company's 11% Senior Notes due 2007 (the *Senior Notes*) subject to approval of each transaction by the administrative agent for the lenders. The Company had no covenants for compliance with minimum levels of earnings before income taxes, depreciation, amortization and certain adjustments (*EBITDA*), as defined, at December 31, 2002 as a result of a waiver obtained in conjunction with the November 12, 2002 amendment. The Company must maintain minimum *EBITDA* (i) for the period of one Fiscal Quarter ending March 31, 2003, of negative \$5,565, (ii) for the period of two consecutive Fiscal Quarters ending June 30, 2003, of negative \$9,938, (iii) for the period of three consecutive Fiscal Quarters ending September 30, 2003, of \$5,000, and (iv) for the period of four consecutive Fiscal Quarters ending December 31, 2003 and on the last day of each Fiscal Quarter thereafter of \$15,000. Borrowings made under the *Revolving Credit Facility*, other than for repurchases of Senior Notes, bear interest at a rate equal to, at the Company's option, the Eurodollar Rate plus 375 basis points or the Prime Rate plus 100 basis points. The weighted-average interest rate on borrowings outstanding under the *Revolving Credit Facility* for the year ended December 31, 2002 was 7.0%.

Borrowings made under the Revolving Credit Facility for the repurchase of Senior Notes bear interest at a rate equal to, at the Company's option, the Eurodollar Rate plus 500 basis points or the Prime Rate plus 225 basis points. As amended, the Company must maintain minimum borrowing availability of \$10,000 until October 15, 2003, \$11,250 million on October 16, 2003 increasing gradually to \$20,000 for the period from December 3, 2003 through January 2004, \$25,000 during February and March of 2004 and \$10,000 thereafter.

On March 20, 2003 the Revolving Credit Facility was amended to consent to the sale of C. J. Vander Ltd and its subsidiaries (Notes 4 and 17). At December 31, 2002, there was \$23,234 outstanding under the Revolving Credit Facility and of these borrowings, \$23,234 were at the Prime Rate plus 100 basis points. The Company is in compliance with the covenants, as amended, as of December 31, 2002. Availability under the Revolving Credit Facility, net of outstanding letters of credit and minimum availability requirements, was \$35,136 at December 31, 2002.

Notes Payable

At December 31, 2002, the Company also had debt financing with third parties of \$143,946 of 11% Senior Notes which are due April 15, 2007 and require interest payments to be made semi-annually on April 15 and October 15. The Senior 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 18). Consequently, the obligations of the Company under the Senior Notes are effectively subordinated to its obligations under the Revolving Credit Facility to the extent of such assets. The Senior Notes became redeemable, in whole or in part, at the Company's option after April 15, 2002.

During 2002 the Company, purchased an aggregate \$3,900 of its Senior Notes on the open market resulting in a pre-tax gain of \$1,852.

Subsequent to year end and through March 31, 2003, the Company, purchased an additional \$24,446 of its outstanding Senior Notes on the open market, resulting in a pre-tax gain of approximately \$9,040 which will be recorded in the first quarter of 2003.

The Company's ability to pay dividends is restricted by terms of the Revolving Credit Facility and the Senior Notes. The Senior Notes also include financial covenants, which are less restrictive than the covenants contained in the Revolving Credit Facility. Cross default provisions exist between the Senior Notes and the Revolving Credit Facility.

Other Debt Facilities

The Company had no borrowings outstanding under one of Wallace's Puerto Rican subsidiaries \$1,000 debt facility (the Facility), expiring on April 30, 2003. The Facility bears interest at a rate equal to the bank's Prime Rate plus 100 basis points (5.25% at December 31, 2002). The Company has paid the Facility down to zero for a consecutive 15 day period as required by its terms. Availability under the Facility was \$1,000 at December 31, 2002. The weighted-average interest rate on borrowings outstanding under this facility for the year ended December 31, 2002 was 6.2%. Borrowings under the Facility are uncollateralized; however, the pledge of assets owned by one of the subsidiaries as collateral for other loans is prohibited. Borrowings under the Facility are guaranteed by the Company and cross-guaranteed by certain other subsidiaries.

On April 2, 2001, the Company executed a \$10,000 promissory note secured by certain real property and building improvements located in Mira Loma, California. The note bears interest at a rate of 7.42% and was to be repaid in monthly installments until May, 2011 when a final payment of \$8.1 million was due. At December 31, 2002, the balance outstanding on the note was \$9,787. On January 15, 2003, the Company was relieved of all of its obligations under the note upon the sale of its Mira Loma CA warehouse and distribution facility (Note 17).

9. Income Taxes

The provisions (benefit) for income taxes from continuing operations were comprised of the following:

	Year Ended December 31,		
	2002	2001	2000
Current:			
Federal	\$ (6,771)	\$	\$ 380
State	537	323	506
Foreign	1,001	1,372	1,159
	(5,233)	1,695	2,045
Deferred:			
Federal	(5,830)	(4,879)	115
State	(355)	(542)	(208)
Foreign			
	(6,185)	(5,421)	(93)
Total provisions	\$ (11,418)	\$ (3,726)	\$ 1,952

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

	Year Ended December 31,		
	2002	2001	2000
Federal statutory rate	(35.0)%	(35.0)%	35.0%
State taxes, net of federal income tax benefit	0.2%	1.2%	7.9%
Foreign income taxes (including Puerto Rico)	1.2%	4.6%	(16.1)%
Other	0.2%	1.4%	2.2%
Effective income tax rate	(33.4)%	(27.8)%	29.0%

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

	Year Ended December 31,		
	2002	2001	2000
Domestic	\$ (40,952)	\$ (22,756)	\$ (1,435)
Foreign	6,812	9,333	8,174
Total	\$ (34,140)	\$ (13,423)	\$ 6,739

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 liabilities attributable to these undistributed foreign earnings.

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 2002 would have increased by \$762, net loss in 2001 would have increased by \$720 and net income for 2000 would have decreased by \$1,217, and basic and diluted earnings per share would have been decreased by approximately \$.20, \$.19 and \$.32, respectively.

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

	December 31,	
	2002	2001
Accounts receivable	\$ 4,806	\$ 5,719
Inventory	6,087	4,167
Reserves and accruals	3,427	1,366
Operating loss carryforwards	8,347	10,548
Other	501	739
Total	23,168	22,539
Valuation allowance	(2,519)	(4,691)
Net current deferred tax asset	\$ 20,649	\$ 17,848
Property, plant and equipment	\$ (10,732)	\$ (9,957)
Deferred compensation	812	809
Foreign earnings to be remitted	(5,514)	(9,670)
Net non-current deferred tax liability	\$ (15,434)	\$ (18,818)

The valuation allowance relates primarily to the potential unusable portion of foreign tax loss carryforwards, and decreased primarily as a result of the reclassification to discontinued operations of the valuation loss allowance related to the discontinued subsidiary. At December 31, 2002, the Company has available a net operating tax loss carryforward in the United States of approximately \$23,848 which will expire between the years 2018 and 2022. The Company anticipates generating sufficient taxable income in future periods to realize these net operating losses.

10. 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:

2003	\$ 5,529
2004	4,618
2005	3,581
2006	3,066
2007	1,943
Subsequent to 2007	747

Rent expense for all operating leases was approximately \$5,580, \$4,989 and \$5,568 in 2002, 2001, and 2000, respectively.

Rauch has entered into long term Purchase Commitments (Supply Agreements) with two vendors located in Kentucky and North Carolina. The Supply Agreements provide for the vendors to supply and Rauch to purchase, certain minimum quantities of silver solution and glass components used in the manufacture of Christmas ornaments. As of December 31, 2002, the approximate future purchase commitments under the Supply Agreements were as follows:.

2003	\$ 3,056
2004	3,056
2005	878

Certain subsidiaries were contingently obligated for outstanding letters of credit, trade acceptances and similar instruments aggregating \$4,480 at December 31, 2002 (Note 8). The assets of Syratech H.K. are pledged as collateral for certain of these contingent obligations.

11. 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

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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 matched 50% of the first five hundred twenty dollars contributed by the participants to the plan and 30% of the remaining contributions made by the participants to the plan up to a maximum of 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 contributed up to 10% of the participants compensation. The Company contributed an aggregate of \$485, \$716 and \$562 to all of these plans in 2002, 2001 and 2000.

Officers Retirement Plan

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

Agreements with three 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. One agreement provides for benefit payments based upon the greater of (i) \$75 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. On July 29, 1998, the Company entered into Amendment No. 1 to Mr. Florence's Amended and Restated Employment Agreement which provided, 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. In January, 2002 the final payment satisfying the Company's retirement obligation to Mr. Florence was made.

These agreements provide for minimum annual salaries aggregating \$2,590 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 2002, 2001, and 2000, and a rate of future increases in benefit compensation of 3%.

Components of net periodic benefit costs:

	2002		2001		2000
Service cost for benefits earned	\$ 100	\$	56	\$	158
Interest cost benefit obligation	197		145		123
Amortization of prior service cost	38		(34)		(34)
Settlement loss	244		206		197
Amortization of loss	44		63		6
Net periodic pension cost	\$ 623	\$	436	\$	450

Change in projected benefit obligation:

	2002	2001	2000
Benefit obligation at beginning of year	\$ 2,872	\$ 2,727	\$ 2,717
Service cost	100	56	158
Amendments	836	0	0
Interest cost	197	145	123
Actuarial loss/(gain)	(287)	521	621
Payments	(652)	(577)	(892)
Benefit obligation at end of year	\$ 3,066	\$ 2,872	\$ 2,727

Funded status as of December 31, 2002 and 2001:

	2002	2001
Funded status	\$ 3,066	2,872
Unrecognized prior service cost	(568)	230
Unrecognized gain/(loss)	(436)	(1,011)
Net amount recognized	\$ 2,062	\$ 2,091

Amounts recognized in the Consolidated Balance Sheets consist of:

	2002	2001
Accrued benefit liability	\$ 2,674	\$ 2,809
Intangible asset	(568)	
Accumulated other comprehensive income	(44)	(718)
Net amount recognized	\$ 2,062	\$ 2,091

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. On March 21, 2003, C. J. Vander Ltd and its subsidiaries were sold and the Company is no longer obligated under this plan. See Notes 4 and 17.

12. 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 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, 2002, \$16,419 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.

13. 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 Partners, L.P. (THL), the Company entered into a Management Agreement with THL. The Company paid and expensed \$450 in 2002, 2001 and 2000 under this arrangement. THL and affiliates own 59.9% of the outstanding common stock and 89.9% of the preferred stock of the Company.

14. 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 has classified its C.J. Vander Ltd subsidiary as a discontinued operation which conducts operations in the United Kingdom (UK) (see Note 17) and accordingly revenues and income from operations are excluded from the following information.

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

	Year Ended December 31,		
	2002	2001	2000
Product Offerings:			
Net sales:			
Tabletop and Giftware	\$ 177,052	\$ 187,833	\$ 220,255
Seasonal	75,408	79,398	129,366
Total	\$ 252,460	\$ 267,231	\$ 349,621
Geographic Location:			
Net sales:			
United States	\$ 199,324	\$ 212,089	\$ 291,721
Hong Kong	53,136	55,142	57,900
Total	\$ 252,460	\$ 267,231	\$ 349,621
Income (loss) from continuing operations:			
United States	\$ (20,264)	\$ 45	\$ 22,736
Hong Kong	6,271	8,600	7,245
Total	\$ (13,993)	\$ 8,645	\$ 29,981
Identifiable assets:			
United States	\$ 194,226	\$ 223,152	\$ 283,026
Hong Kong	5,125	6,979	7,833
Discontinued operations	3,395	7,240	10,231
Total	\$ 202,746	\$ 237,371	\$ 301,090

15. 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.

16. Quarterly Results (Unaudited)

SUPPLEMENTARY INFORMATION

Quarterly Results (unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year Ended December 31, 2002:				
Net sales	\$ 38,251	\$ 39,040	\$ 94,992	\$ 80,177
Gross profit	10,911	11,287	26,878	6,950
Income (loss) from continuing operations	(2,999)	(4,071)	9,115	(16,038)
Income (loss) from continuing operations before provision (benefit) for income taxes	(7,910)	(15,173)	4,062	(15,119)
Income (loss) from continuing operations before cumulative effect of change in accounting principle	(6,098)	(12,908)	3,244	(6,960)
Discontinued operations:				
Loss from operations of discontinued subsidiary	(129)	(112)		(1,119)
Loss from disposal of discontinued subsidiary				(5,305)
Cumulative effect of change in accounting principle	(6,225)			
Net income (loss)	(12,452)	(13,020)	3,244	(13,384)
Preferred stock dividend accrued	(921)	(923)	(922)	(922)
Net income (loss) applicable to common stockholders	(13,373)	(13,943)	2,322	(14,306)
Basic and diluted income (loss) per share:				
Income (loss) from continuing operations before cumulative change in accounting principle	\$ (1.61)	\$ (3.41)	\$ 0.86	\$ (1.84)
Loss from operations of discontinued subsidiary	(0.03)	(0.03)		(0.30)
Loss from disposal of discontinued subsidiary				(1.40)
Cumulative effect of change in accounting principle	(1.65)			
Preferred stock dividend accrued	(0.24)	(0.25)	(0.24)	(0.25)
Net income (loss) per common share	\$ (3.53)	\$ (3.68)	\$ 0.62	\$ (3.78)
Weighted-average number of shares outstanding	3,784	3,784	3,784	3,784

Certain adjustments as described in Note 3 were recorded in the fourth quarter of 2002.

Year Ended December 31, 2001:	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	\$ 39,555	\$ 38,036	\$ 102,446	\$ 87,194
Gross profit	9,549	11,701	30,186	18,359
Income (loss) from continuing operations	(5,918)	(3,121)	12,985	4,699
Income (loss) from continuing operations before provision (benefit) for income taxes	(11,049)	(8,291)	7,389	(1,472)
Net income (loss) from continuing operations	(8,215)	(6,202)	5,649	(929)
Discontinued operations:				
Loss from operations of discontinued subsidiary	(287)	(64)	(429)	(991)
Loss from disposal of discontinued subsidiary				
Net income (loss)	(8,502)	(6,266)	5,220	(1,920)
Preferred stock dividend accrued	(823)	(823)	(823)	(824)
Net income (loss) applicable to common stockholders	(9,325)	(7,089)	4,397	(2,744)
Basic and diluted income (loss) per share:				
Income (loss) from continuing operations before cumulative effect of change in accounting principle	\$ (2.17)	\$ (1.64)	\$ 1.49	\$ (0.25)
Loss from operations of discontinued subsidiary	(0.08)	(0.02)	(0.11)	(0.26)
Preferred stock dividend accrued	(0.22)	(0.22)	(0.22)	(0.22)
Net income (loss) per common share	\$ (2.46)	\$ (1.87)	\$ 1.16	\$ (0.73)
Weighted-average number of shares outstanding	3,784	3,784	3,784	3,784

During the fourth quarter of 2001, the Company provided approximately \$1,248 related to termination benefits and contractual obligations for certain executives and recorded an asset impairment of \$1,575 for excess equipment primarily relating to the consolidation of its Rauch manufacturing operations (Note 3). The Company also recorded additional provisions for obsolete excess and slow moving inventory of \$5,879 related to certain discontinued products at Rauch and to the decision to cease manufacturing certain cutlery products in favor of sourcing them, as well as additional provisions related to other tabletop and giftware products. Also in the fourth quarter of 2001, a one-time pre-tax gain of \$7,240 related to the sale of all of the Company's interest in the Farberware intellectual property was recognized.

17. Subsequent Events

On January 15, 2003, the Company through an indirect wholly-owned subsidiary (Seller) sold its warehouse property located at 11640 Harrel Street, Mira Loma CA (the Property) to Industrial Developments International, Inc. (Buyer). The purchase price of \$26,750 was partially paid by the Buyer s assumption of \$9,787 of the Seller s indebtedness related to the Property and the remainder was paid in cash. Simultaneously with the sale of the property, the Buyer leased the Property back to an affiliate of Seller. The lease agreement provides for gradual reductions in the square footage leased by the buyer during its 66 month term.

On March 21, 2003 the Company through an indirect wholly-owned subsidiary sold C. J. Vander Ltd and its subsidiaries to HLW 179 Limited, a company led by the existing management of C. J. Vander Ltd. Proceeds of the sale net of expected selling costs were approximately \$2,750. In connection with the sale, two subsidiaries of the Company entered into agreements to supply certain products to the new company and one of its subsidiaries.

18. Supplemental Consolidating Financial Statements

The following supplemental consolidating financial statements as of December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002, present separate financial information for the Issuer/Guarantor Parent, the Guarantor Subsidiaries, and the Non-Guarantor Subsidiaries (Note 8). 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.

SUPPLEMENTAL CONSOLIDATING BALANCE SHEETS

December 31, 2002

	Issuer/ Guarantor Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and equivalents	\$	\$ 331	\$ 1,068	\$	\$ 1,399
Accounts receivable, net		49,167	2,415		51,582
Inventories		57,729	428	41	58,198
Deferred income taxes	5,829	14,820			20,649
Prepaid expenses and other	113	2,235	279		2,627
Assets held for sale			3,395		3,395
Total current assets	5,942	124,282	7,585	41	137,850
Property, plant and equipment, net		59,653	140	(51)	59,742
Purchase price in excess of net assets acquired					
Other assets, net	4,737	1,018		(601)	5,154
Investment	49,665	11,978		(61,643)	
Total	\$ 60,344	\$ 196,931	\$ 7,725	\$ (62,254)	\$ 202,746
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Revolving loan facilities and notes payable	\$	\$ 23,383	\$	\$	\$ 23,383
Accounts payable		5,211	2,896		8,107
Accrued expenses	40	10,746	1,101		11,887
Accrued interest	3,832	(246)			3,586
Accrued compensation		2,774	755		3,529
Accrued advertising		3,945			3,945
Income taxes payable	(6,083)	3,496	(90)	2,709	32
Liabilities held for sale			645		645
Total current liabilities	(2,211)	49,309	5,307	2,709	55,114
Long-term debt	165,000	9,638		(21,054)	153,584
Deferred income taxes	5,515	9,919			15,434
Pension liability		2,674			2,674
Intercompany (receivable) payable	13,570	22,406	(34,584)	(1,392)	
Stockholders equity	(121,530)	102,985	37,002	(42,517)	(24,060)
Total	\$ 60,344	\$ 196,931	\$ 7,725	\$ (62,254)	\$ 202,746

SUPPLEMENTAL CONSOLIDATING BALANCE SHEETS
December 31, 2001

	Issuer/ Guarantor Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and equivalents	\$	\$ 3,249	\$ 1,353	\$	\$ 4,602
Accounts receivable, net		52,465	4,173		56,638
Inventories		71,977	232	(459)	71,750
Deferred income taxes	5,857	11,991			17,848
Prepaid expenses and other	113	2,296	202		2,611
Assets held for sale			7,240		7,240
Total current assets	5,970	141,978	13,200	(459)	160,689
Property, plant and equipment, net		65,563	224	(47)	65,740
Purchase price in excess of net assets acquired		5,825		400	6,225
Other assets, net	4,720	509		(512)	4,717
Investment	49,665	10,020		(59,685)	
Total	\$ 60,355	\$ 223,895	\$ 13,424	\$ (60,303)	\$ 237,371
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Revolving loan facilities and notes payable	\$	\$ 16,995	\$	\$	\$ 16,995
Accounts payable		6,089	4,449		10,538
Accrued expenses	39	7,486	432		7,957
Accrued interest	3,832	527			4,359
Accrued compensation		3,821	360		4,181
Accrued advertising		3,263			3,263
Income taxes payable	(12,687)	9,627	480	2,709	129
Liabilities held for sale			560		560
Total current liabilities	(8,816)	47,808	6,281	2,709	47,982
Long-term debt	165,000	9,788		(17,154)	157,634
Deferred income taxes	9,672	9,146			18,818
Pension liability		2,809			2,809
Intercompany (receivable) payable	(144)	30,920	(29,384)	(1,392)	
Stockholders' equity	(105,357)	123,424	36,527	(44,466)	10,128
Total	\$ 60,355	\$ 223,895	\$ 13,424	\$ (60,303)	\$ 237,371

SUPPLEMENTAL CONSOLIDATING STATEMENTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2002

	Issuer/ Guarantor Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 156,024	\$ 113,974	\$ (17,538)	\$ 252,460
Cost of sales		119,760	94,212	(17,538)	196,434
Gross profit		36,264	19,762		56,026
Selling, general and administrative expenses	450	53,620	13,319		67,389
Asset disposition, impairments, restructuring		4,310	172		4,482
Other operating income	(1,852)				(1,852)
Operating income (loss) from continuing operations	1,402	(21,666)	6,271		(13,993)
Interest expense	(20,305)	(384)	541		(20,148)
Interest income			1		1
Income (loss) from continuing operations before provision (benefit) for income taxes	(18,903)	(22,050)	6,813		(34,140)
Provision (benefit) for income taxes	(4,582)	(7,837)	1,001		(11,418)
Income (loss) from continuing operations before cumulative effect of a change in accounting principle	(14,321)	(14,213)	5,812		(22,722)
Discontinued Operations:					
Loss from operations of discontinued subsidiaries		(533)	(827)		(1,360)
Loss on disposal of discontinued subsidiary			(5,305)		(5,305)
Net income (loss) before cumulative effect of a change in accounting principle	(14,321)	(14,746)	(320)		(29,387)
Cumulative effect of change in accounting principle		(6,225)			(6,225)
Net income (loss)	(14,321)	(20,971)	(320)		(35,612)
Preferred stock dividend accrued	3,688				3,688
Net income (loss) applicable to common stockholders	\$ (18,009)	\$ (20,971)	\$ (320)	\$	\$ (39,300)

SUPPLEMENTAL CONSOLIDATING STATEMENTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2001

	Issuer/ Guarantor Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 212,648	\$ 114,146	\$ (59,563)	\$ 267,231
Cost of sales		165,445	91,554	(59,563)	197,436
Gross profit		47,203	22,592		69,795
Selling, general and administrative expenses	450	54,334	13,992		68,776
Asset dispositions, impairment of long-lived assets		1,575			1,575
Other operating income	(459)	(8,742)			(9,201)
Operating income (loss) from continuing operations	9	36	8,600		8,645
Interest expense	(20,567)	(2,434)	718		(22,283)
Interest income		200	15		215
Dividend income	5,680			(5,680)	
Income (loss) from continuing operations before provision (benefit) for income taxes	(14,878)	(2,198)	9,333	(5,680)	(13,423)
Provision (benefit) for income taxes	(4,169)	(929)	1,372		(3,726)
Income (loss) from continuing operations	(10,709)	(1,269)	7,961	(5,680)	(9,697)
Discontinued Operations:					
Loss from operations of discontinued subsidiaries			(1,771)		(1,771)
Net income (loss)	(10,709)	(1,269)	6,190	(5,680)	(11,468)
Preferred stock dividend accrued	3,293				3,293
Net income (loss) applicable to common stockholders	\$ (14,002)	\$ (1,269)	\$ 6,190	\$ (5,680)	\$ (14,761)

SUPPLEMENTAL CONSOLIDATING STATEMENTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2000

	Issuer/ Guarantor Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 265,810	\$ 123,955	\$ (40,144)	\$ 349,621
Cost of sales		191,062	102,343	(40,144)	253,261
Gross profit		74,748	21,612		96,360
Selling, general and administrative expenses	450	60,239	14,367		75,056
Asset dispositions and impairment of long-lived assets		(532)			(532)
Other operating income	(6,163)	(1,982)			(8,145)
Operating income (loss) from continuing operations	5,713	17,023	7,245		29,981
Interest expense	(22,309)	(1,880)	877		(23,312)
Interest income		18	52		70
Dividend income	1,285			(1,285)	
Income (loss) from continuing operations before provision (benefit) for income taxes	(15,311)	15,161	8,174	(1,285)	6,739
Provision (benefit) for income taxes	(4,029)	4,822	1,159		1,952
Income (loss) from continuing operations	(11,282)	10,339	7,015	(1,285)	4,787
Discontinued Operations:					
Loss from operations of discontinued subsidiaries			(2,870)		(2,870)
Net income (loss)	(11,282)	10,339	4,145	(1,285)	1,917
Preferred stock dividends accrued	2,940				2,940
Net income (loss) applicable to common stockholders	\$ (14,222)	\$ 10,339	\$ 4,145	\$ (1,285)	\$ (1,023)

SUPPLEMENTAL CONSOLIDATING STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2002

	Issuer/ Guarantor Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ (14,321)	\$ (20,971)	\$ (320)	\$	\$ (35,612)
Less net loss from discontinued operations		533	827		1,360
Loss on disposal of discontinued subsidiary			5,305		5,305
Less effect of accounting change		6,225			6,225
Income (loss) from continuing operations	\$ (14,321)	\$ (14,213)	\$ 5,812	\$	\$ (22,722)
Adjustments to reconcile net income to net cash provided by (used in) operations:					
Depreciation and amortization	1,691	7,961	149		9,801
Deferred income taxes	(4,129)	(2,056)			(6,185)
Impairment of long-lived assets and other asset dispositions					
Gain on extinguishment of debt, before income taxes	(1,852)				(1,852)
(Gain) or loss on disposal of assets		578	8		586
Pension liability		(135)			(135)
Increase (decrease) in assets and liabilities					
Accounts receivable		3,298	1,758		5,056
Inventories		13,748	(196)		13,552
Prepaid expenses and other		61	(77)		(16)
Accounts payable and accrued expenses	1	1,245	(489)		757
Income taxes payable	6,604	(6,131)	(570)		(97)
Intercompany account	13,624	(8,742)	(4,882)		
Net cash (used in) provided by operating activities	1,618	(4,386)	1,513		(1,255)
Net cash provided by (used in) operating activities from discontinued operations			(2,488)		(2,488)
Net cash provided by (used in) operating activities	1,618	(4,386)	(975)		(3,743)
Cash flows from investing activities:					
Purchases of property, plant and equipment		(2,622)	(89)		(2,711)
Proceeds from disposal of assets					
Other		72			72
Net cash (used in) investing activities from continuing operations		(2,550)	(89)		(2,639)
Net cash provided by (used in) investing activities from discontinued operations			(16)		(16)
Net cash provided by (used in) investing activities		(2,550)	(105)		(2,655)

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Cash flows from financing activities:

Net borrowings under revolving loan facilities		6,378		6,378
Retirement of outstanding senior notes		(1,959)		(1,959)
Proceeds from Promissory Note				
Repayments of Promissory Note		(140)		(140)
Other	(1,618)	(90)		(1,708)
Net cash provided by (used in) financing activities from continuing operations	(1,618)	4,189		2,571
Effect of exchange rate changes on cash and equivalents				
		(171)	795	624
Net increase (decrease) in cash and equivalents		(2,918)	(285)	(3,203)
Cash and equivalents, beginning of year		3,249	1,353	4,602
Cash and equivalents, end of year	\$	\$	331 \$	1,068 \$
			\$	\$
				1,399

SUPPLEMENTAL CONSOLIDATING STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2001

	Issuer/ Guarantor Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ (10,709)	\$ (1,269)	\$ 6,190	\$ (5,680)	\$ (11,468)
Less net loss from discontinued operations			1,771		1,771
Income (loss) from continuing operations	(10,709)	(1,269)	7,961	(5,680)	(9,697)
Adjustments to reconcile net income to net cash provided by (used in) operations:					
Depreciation and amortization	1,768	7,720	335		9,823
Deferred income taxes	(1,562)	(3,859)			(5,421)
Pension liability		241			241
Impairment of long-lived assets		1,575			1,575
Gain on extinguishment of debt, before income taxes	(459)				(459)
Dividend income	(5,680)			5,680	
(Gain) or loss on disposal of assets		73	8		81
Increase (decrease) in assets and liabilities:					
Accounts receivable		45,374	(14)		45,360
Inventories		15,790	298		16,088
Prepaid expenses and other		503	95		598
Accounts payable and accrued expenses	(2)	(6,835)	(798)		(7,635)
Income taxes payable	(2,606)	2,312	134		(160)
Intercompany account	19,931	(11,907)	(8,024)		
Net cash provided by (used in) operating activities from continuing operations	681	49,718	(5)		50,394
Net cash provided by (used in) operating activities from discontinued operations			63		63
Net cash provided by (used in) operating activities	681	49,718	58		50,457
Cash flows from investing activities:					
Purchases of property, plant and equipment		(6,152)	(90)		(6,242)
Proceeds from disposal of assets		191			191
Other		(65)			(65)
Net cash provided by (used in) investing activities from continuing operations		(6,026)	(90)		(6,116)
Net cash provided by (used in) investing activities from discontinued operations			(8)		(8)
Net cash provided by (used in) investing activities		(6,026)	(98)		(6,124)

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Cash flows from financing activities:

Net borrowings under revolving loan facilities		(50,462)		(50,462)
Retirement of outstanding senior notes		(227)		(227)
Proceeds from Promissory Note		10,000		10,000
Repayments of Promissory Note		(73)		(73)
Other	(681)	(267)		(948)
Net cash provided by (used in) financing activities from continuing operations	(681)	(41,029)		(41,710)
Effect of exchange rate changes on cash and equivalents		(382)	(182)	(564)
Net decrease in cash and equivalents		2,281	(222)	2,059
Cash and equivalents, beginning of year		968	1,575	2,543
Cash and equivalents, end of year	\$	\$	3,249	\$
			1,353	\$
				\$
				4,602

SUPPLEMENTAL CONSOLIDATING STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2000

	Issuer/ Guarantor Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ (11,282)	\$ 10,339	\$ 4,145	\$ (1,285)	\$ 1,917
Less net loss from discontinued operations			2,870		2,870
Income (loss) from continuing operations	(11,282)	10,339	7,015	(1,285)	4,787
Adjustments to reconcile net income to net cash provided by (used in) operations:					
Depreciation and amortization	916	7,091	426		8,433
Deferred income taxes	2,012	(2,105)			(93)
Pension liability		(106)			(106)
Gain on extinguishment of debt before income taxes	(6,163)				(6,163)
Dividend income	(1,285)			1,285	
(Gain) loss on disposal of assets and other		(17)			(17)
Increase (decrease) in assets and liabilities:					
Accounts receivable	(28,985)	(4,767)	(854)		(34,606)
Inventories		914	112		1,026
Prepaid expenses and other	497	(977)	(35)		(515)
Accounts payable and accrued expenses	4	2,963	2,009		4,976
Income taxes payable	3,278	(3,981)	(224)		(927)
Intercompany account	41,094	(36,147)	(4,947)		
Net cash provided by (used in) operating activities from continuing operations	86	(26,793)	3,502		(23,205)
Net cash provided by (used in) operating activities from discontinued operations			(1,452)		(1,452)
Net cash provided by (used in) operating activities	86	(26,793)	2,050		(24,657)
Cash flows from investing activities:					
Purchases of property, plant and equipment		(7,598)	(228)		(7,826)
Proceeds from disposal of assets		186			186
Other	(82)	(23)			(105)
Net cash provided by (used in) investing activities from continuing operations	(82)	(7,435)	(228)		(7,745)
Net cash provided by (used in) investing activities from discontinued operations			(1)		(1)
Net cash provided by (used in) investing activities	(82)	(7,435)	(229)		(7,746)

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Cash flows from financing activities:

Change in revolving loan facilities		44,739		44,739
Retirement of outstanding senior notes		(9,793)		(9,793)
Other	(4)	(1)		(5)
Net cash provided by (used in) financing activities from continuing operations	(4)	34,945		34,941
Net cash provided by (used in) financing activities from discontinued operations			(90)	(90)
Net cash provided by (used in) financing activities	(4)	34,945	(90)	34,851
Effect of exchange rate changes on cash and equivalents		(336)	(583)	(919)
Net increase (decrease) in cash and equivalents		381	1,148	1,529
Cash and equivalents, beginning of year		587	427	1,014
Cash and equivalents, end of year	\$	\$ 968	\$ 1,575	\$ 2,543

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**

Name	Age	Principal Occupation	Director Since
Leonard Florence	71	Chairman of the Board	1986
Robert Meers	59	President and Chief Executive Officer of the Company, and Director	2002
Melvin L. Levine	71	Vice President of Purchasing of the Company, Director	1989
Alan R. Kanter	50	Vice President of Sales of the Company, Director	1997
Gregory W. Hunt	46	Senior Vice President, Chief Financial Officer and Treasurer, Director	2001
Faye A. Florence	46	Vice President and General Counsel; Secretary of the Company	
David V. Harkins	62	Director	1997
Thomas M. Hagerty	40	Director	1997
Scott A. Schoen	44	Director	1997
Kent R. Weldon	35	Director	1997
George R. Taylor	32	Director	2000

Leonard Florence is Chairman of the Board of the Company. He has served in the capacity of Chairman of the Board continuously since September 1986, and continuously as Chief Executive Officer until March 11, 2002. 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 until March 11, 2002. Mr. Florence has been an executive in the tabletop and giftware products industry for more than 45 years. Mr. Florence is currently a director of Lifetime Hoan Corporation.

Robert Meers was named President and Chief Executive Officer of the Company in March, 2002. Prior to joining the Company, Mr. Meers was Chairman of BBM Holding, Inc., a specialty retailer and an importer/exporter in the food industry, from 1999 to 2002. Prior thereto, Mr. Meers was Executive Vice President of Reebok International Ltd. from February 1994 and President and Chief Executive Officer of the Reebok Division from October 1995; President of Reebok's Specialty Business Group from February 1994 to October 1995; President of the Reebok Division U.S. Operations from November 1990 to January 1994 and Reebok's Canadian Operations Division from January 1993 to January 1994.

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 45 years. He became a director of the Company in May 1989. Mr. Levine is also an officer and director 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.

Gregory W. Hunt was appointed Senior Vice President, Chief Financial Officer and Treasurer of the Company in July, 2001. Mr. Hunt is also a Director of the Company. Prior to this, Mr. Hunt was Senior Vice President and Chief Financial Officer of NRT Incorporated, a residential real estate brokerage company. He served as Vice President and Chief Financial Officer at Culligan Water Technologies from 1995 to 1996, and Astrum International, parent company of Culligan Water Technologies and Samsonite Corp. from 1990 to 1995. Mr. Hunt is also an officer of certain of the Company's subsidiaries.

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 and has been employed in the tabletop and giftware industry for more than 15 years. Ms. Florence is the daughter of Leonard Florence.

David V. Harkins has been affiliated with Thomas H. Lee Partners, L.P. and its predecessor, Thomas H. Lee Company since its founding in 1974 and currently serves as President of Thomas H. Lee Partners, L.P. Mr. Harkins also serves as President of Thomas H. Lee Advisors, and Thomas H. Lee Management Company, and Vice President of THL Equity Holdings III, Inc. Mr. Harkins also founded National Dentex Corporation and currently serves as Chairman of the Board. He is also currently a director of Conseco Inc., Cott Corporation, Fisher Scientific International, Inc., Metris Companies Inc., and Stanley Furniture Company, Inc.

Thomas M. Hagerty has been employed by Thomas H. Lee Partners, L.P. and its predecessor, Thomas H. Lee Company, since 1988 and currently serves as a Managing Director. Mr. Hagerty is also a director of Affordable Residential Communities, Cott Corporation, Conseco Inc., Metris Companies Inc., and MGIC Investment Corporation.

Scott A. Schoen has been employed by Thomas H. Lee Partners, L.P. and its predecessor, Thomas H. Lee Company, since 1986 and currently serves as a Managing Director. In addition, Mr. Schoen is a Trustee of THL Equity Trust III, the general partner of THL Equity Advisors III, L.P., which is the general partner of Thomas H. Lee Equity Fund III, L.P. Mr. Schoen is also a director of ARC Holdings, LLC, AXIS Capital Holdings, Limited, TransWestern Holdings, L.P., United Industries Corporation, Wyndham International Inc. and several private corporations.

Kent R. Weldon has been employed by Thomas H. Lee Partners, L.P. and its predecessor, Thomas H. Lee Company, from 1991 until 1993 and since 1995, when he rejoined the firm. He currently serves as a Managing Director. Prior to joining Thomas H. Lee Partners, L.P., Mr. Weldon worked at Morgan Stanley & Co. Incorporated in the Corporate Finance Department. Mr. Weldon is a Vice President of THL Equity Trust III, the General Partner of THL Equity Advisors III, L.P., which is the General Partner of Thomas H. Lee Equity Fund III, L.P. Mr. Weldon also serves as a director of Fisher Scientific International, Inc, and FairPoint Communications, Inc.

George R. Taylor has been employed as an Associate by Thomas H. Lee Partners, L.P. and its predecessor, Thomas H. Lee Company, from 1996 until 1998 and since 2000, when he rejoined the firm. Prior to joining the firm 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, Robert Meers, Melvin L. Levine, Alan R. Kanter, Gregory W. Hunt, 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 Committees of the Board include an Audit Committee and a Compensation and Stock Option Committee.

The Audit Committee consists of David V. Harkins, Kent R. Weldon and George R. Taylor. Mr. Harkins 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.

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 for the fiscal years ended December 31, 2002, 2001 and 2000 the compensation awarded to, earned by or paid to the Chief Executive Officer, the four other most highly compensated executive officers serving at December 31, 2002, and an additional person no longer serving as an officer at December 31, 2002.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation(1)		All Other Compensation \$(2)
		Salary \$	Bonus \$	
Robert Meers(3) President and Chief Executive Officer	12/31/2002	\$ 395,833	\$	\$ 18,663
	12/31/2001	N/A	N/A	N/A
	12/31/2000	N/A	N/A	N/A
Leonard Florence(4,5) Chairman of the Board	12/31/2002	\$ 1,539,348	\$	\$ 6,755
	12/31/2001	\$ 1,150,000	\$ 323,000	\$ 3,254
	12/31/2000	\$ 1,150,000	\$ 250,000	\$ 3,254
Melvin L. Levine(5) Vice President of Purchasing	12/31/2002	\$ 406,870	\$	\$ 6,223
	12/31/2001	\$ 390,000	\$ 109,200	\$ 3,254
	12/31/2000	\$ 390,000	\$	\$ 3,254
Alan R. Kanter(5) Vice President of Sales	12/31/2002	\$ 432,319	\$	\$ 6,223
	12/31/2001	\$ 390,000	\$ 109,200	\$ 3,254
	12/31/2000	\$ 390,000	\$	\$ 3,254
Gregory W. Hunt(6) Senior Vice President, Chief Financial Officer and Treasurer	12/31/2002	\$ 325,000	\$ 150,000	\$ 4,054
	12/31/2001	\$ 147,708	\$ 100,000	\$
	12/31/2000	N/A	N/A	N/A
Faye A. Florence Vice President , General Counsel and Secretary	12/31/2002	\$ 240,000	\$	\$ 5,191
	12/31/2001	\$ 223,750	\$ 28,800	\$ 3,254
	12/31/2000	\$ 210,000	\$ 33,600	\$ 3,254

(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 incentive plan

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

(2) Amounts reported under All Other Compensation include an automobile allowance for Mr. Meers. All other amounts represent payments for long term disability insurance and contributions made by the Company to the accounts of Messrs. Meers, Florence, Levine, Kanter, Hunt, and Ms. Florence pursuant to the Company's 401(k) Plan.

(3) Mr. Meers was appointed President and Chief Executive Officer on March 11, 2002. Amounts shown as salary for the fiscal year ended December 31, 2002 represent compensation for the period from March 11, 2002 to December 31, 2002.

(4) Mr. Florence is Chairman of the Board and has served in an advisory capacity following his resignation as Chief Executive Officer on March 11, 2002. Amounts reported as salary for the year ended December 31, 2002 include compensation for the period he was Chief Executive Officer and for the advisory period, and include a one time payment of \$655,000 related to his service to the Company.

(5) Bonuses reported for the fiscal year ended December 31, 2001 for Messrs. Florence, Levine, and Kanter include amounts related to the fiscal year ended December 31, 2000 of \$185,000, \$62,400, and \$62,400, respectively. These amounts were not previously reported as they were determined and paid after the date of the Company's report on form 10-K for the year ended December 31, 2000. The bonus reported for Mr. Florence for the fiscal year ended December 31, 2000, pertains to the year ended December 31, 1999, and was not previously reported as it was determined and paid after the date of the Company's report on form 10-K for the year ended December 31, 1999.

(6) Mr. Hunt was appointed Senior Vice President, Chief Financial Officer and Treasurer on July 17, 2001. Amounts shown as salary for the fiscal year ended December 31, 2001 represent compensation for the period beginning July 17, 2001 to December 31, 2001.

Stock Option Grants

In June 2002 the stockholders approved the 2002 Stock Incentive Plan (the 2002 Plan). At December 31, 2002 no options had been granted under the 2002 Plan, therefore there were no grants of stock options to any of the named executive officers during the fiscal year 2002. The Company does not grant stock appreciation rights (SARs) of any kind.

Option Exercises/Value Of Unexercised Options

At December 31, 2002 no options had been granted under the 2002 Plan, therefore no stock options were exercised during fiscal year 2002 and there are no unexercised options at December 31, 2002.

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). Mr. Florence's compensation is included in the Summary Compensation Table above.

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 Partners, L.P. for which the Company pays an annual management fee in the amount of \$450,000.

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 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.

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 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 the Chairman and certain of the named executive officers during fiscal year 2002. Such agreements were approved by both the Committee and the Board of Directors of the Company and fixed the minimum salary levels of the Chairman and such officers. The Employment agreements with two of its officers, were amended in January, 2002 and April 2002, one reflecting changes to the annual retirement benefits to be received and the other extending the Agreement for one (1) year. Employment agreements were entered into as of June 2001 and March 2002 with two additional officers.

In evaluating the compensation paid to the Chief Executive Officer, Mr. Meers, the Committee evaluates many factors. The Committee following an analysis of the Company's overall performance and financial results establishes Mr. Meers' overall compensation. Additionally, Mr. Meers' performance in his position is reviewed in conjunction with his ongoing ability to provide the necessary direction for the Company's continued growth.

Employment Agreements

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 January, 2002 the final payment satisfying the Company s retirement obligation to Mr. Florence was made. 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 Amendment No. 2, dated March 11, 2002, to the Amended and Restated Employment Agreement dated April 16, 1997 with Leonard Florence. The Agreement entered into with the Executive provided for Mr. Florence s continued service to the Company in the capacity of Chairman of the Board for a period of three (3) years at a minimum base salary of Three Hundred Twenty Thousand Dollars (\$320,000) per year, with an additional compensation of Eight Thousand Dollars (\$8,000) per day for additional services if provided by Mr. Florence to the Company.

The Company entered into an employment agreement, also effective as of August 16, 1991, with Melvin L. Levine, Vice President of Purchasing of the Company. Mr. Levine s current base salary is \$.415 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. As of April 16, 1997 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 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	
	15	20
400,000	120,000	160,000
500,000	150,000	200,000
600,000	180,000	240,000

Mr. Levine has completed 16 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 an employment agreement, effective as of August 16, 1991, with Alan R. Kanter, Vice President of Sales of the Company. The agreement with Mr. Kanter is similar to Mr. Levine s, except that (i) the term of full-time employment of Mr. Kanter would

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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 Mr. 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.

The employment agreement of Mr. Kanter was 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. The Company entered into Amendment No. 3 to Mr. Kanter's Employment Agreement as of January 1, 2002. The Amendment provided that Mr. Kanter's Retirement Benefit be equal to the greater of Seventy Five Thousand Dollars (\$75,000.) or the product of two percent (2%) of the average total annual compensation paid to Mr. Kanter by the Company in the three years next preceding the Deemed Retirement Date and the number of full years during which Mr. Kanter was a fully time employee of the Company.

The Company entered into an employment agreement with Gregory W. Hunt, effective as of June 1, 2001 (the Hunt Employment Agreement) as the Senior Vice President, Chief Financial Officer and Treasurer of the Company. The Hunt Employment Agreement provides for the services of the Executive for a period of three (3) years at a minimum base salary of not less than Three Hundred Twenty Five Thousand Dollars (\$325,000.00) annually and a guaranteed bonus of \$100,000 for the period ended December 31, 2001 was paid. The Executive is eligible to receive future annual performance bonuses based on the Company's actual EBITDA with respect to each such fiscal year compared with the Company's EBITDA for such fiscal year as projected by the Board, prior to such year's commencement or at the discretion of the Compensation Committee.

The Company entered into an employment agreement with Robert Meers, effective as of March 11, 2002 (the Meers Employment Agreement) as President and Chief Executive Officer of the Company. The Meers Employment Agreement provides for the services of the Executive for a period of three (3) years at a minimum base salary of not less than Four Hundred Seventy Five Thousand Dollars (\$475,000.00) annually. The Executive is eligible to receive a percentage of Base Salary as an annual incentive bonus based on the Company's actual EBITDA with respect to each such fiscal year compared with the Company's EBITDA for such fiscal year as projected by the Board, prior to such year's commencement. Mr. Meers shall also be entitled to receive a one-time incentive bonus payment equal to One Million Dollars (\$1,000,000) if, for the twelve month period ending December 31, 2003, the Company achieves EBITDA in excess of Thirty One Million Dollars (\$31,000,000).

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information as of January 15, 2003 concerning the beneficial ownership of Syratech Common Stock (i) by each 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%
Robert Meers	0	*
Melvin L. Levine	44,256	1.2%
Alan R. Kanter	51,356	1.4%
Gregory W. Hunt	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)	2,196,463	58.0%
Kent R. Weldon(b)	2,197,431	58.1%
Thomas H. Lee Company Affiliates(c)	2,267,918	59.9%
Officers and Directors as a group (11 persons)	2,692,059	71.1%
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 Partners, L.P., 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 Partners, L.P.. 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 Partners, L.P. 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,

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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 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 Partners, L.P. for which the Company pays an annual management fee in the amount of \$450,000.

ITEM 14. *Controls and Procedures*

Within the ninety day period prior to the date of this report, the Company conducted an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer (its principal executive officer and principal financial officer, respectively) regarding the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-14 of the Securities Exchange Act of 1934 (the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

PART IV

ITEM 15. 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. Incorporated by reference from Exhibit 10.2 from 10-Q dated June 30, 1998.
- 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 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.
- 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.
- 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.
- 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 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.
- 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.

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- 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. 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. Incorporated by reference from Exhibit 10.46 from Form 10-K dated March 30, 2001.
- 10.47 Advice of Borrowing Terms between C. J. Vander Ltd/International Silver Company Ltd and Nat West P.L.C., dated March 20, 2001. Incorporated by reference from Exhibit 10.1 from Form 10-Q dated March 31, 2001.
- 10.48 Promissory Note For \$10,000,000 dated April 2, 2001 between ML Distribution Center LLC and SunAmerica Life Insurance company. Incorporated by reference from Exhibit 10.2 from Form 10-Q dated March 31, 2001.
- 10.49 Letter Agreement between Banco Popular and Wallace International de Puerto Rico, Inc. dated August 2, 2001. Incorporated by reference from Exhibit 10.1 from Form 10-Q dated June 30, 2001.
- 10.50 Amendment No. 6 dated as of August 13, 2001, to Loan and Security Agreement, dated April 16, 1997. Incorporated by reference from Exhibit 10.2 from Form 10-Q dated June 30, 2001.
- 10.51 Advice of Borrowing Terms between C. J. Vander Ltd/International Silver Company Ltd and Nat West P.L.C., dated September 28, 2001. Incorporated by reference from Exhibit 10.1 from Form 10-Q dated September 30, 2001.
- 10.52 Employment And Non-Competition Agreement dated February 27, 2002 between Robert Meers and the Company. Incorporated by reference from Exhibit 10.52 from 10-K dated December 31, 2001.
- 10.53 Amendment No. 2 To Amended And Restated Employment Agreement dated as of April 16, 1997 between Leonard Florence and the Company. Incorporated by reference from Exhibit 10.53 from 10-K dated December 31, 2001.
- 10.54 Amendment No. 7 And Consent dated March 22, 2002 to Loan And Security Agreement dated as of April 16, 1997. Incorporated by reference from Exhibit 10.54 from 10-K dated December 31, 2001.
- 10.55 Acquisition Agreement dated December 31, 2001 between Farberware Inc. and the Company. Incorporated by reference from Exhibit 10.55 from 10K dated December 31, 2001.
- 10.56 Employment Agreement dated June 1, 2001 between Gregory Hunt and the Company. Incorporated by reference from Exhibit 10.56 from 10-K dated December 31, 2001.
- 10.57 Amendment No. 4 dated as of February 22, 2001 to Employment Agreement dated as of August 16, 1991 between E. Merle Randolph and the Company. Incorporated by reference from Exhibit 10.57 from 10-K dated December 31, 2001.
- 10.58 Advice of Borrowing Terms between C. J. Vander Ltd/International Silver Company Ltd and Nat West P.L.C., dated as of April 1, 2002. Incorporated by reference from Exhibit 10.1 from Form 10-Q dated March 31, 2002.
- 10.59 Amendment No. 4 dated as of April 11, 2002 to Employment Agreement dated as of August 16, 1991, between Melvin L. Levine and the Company. Incorporated by reference from Exhibit 10.2 from Form 10-Q dated March 31, 2002.
- 10.60 Letter Agreement between Banco Popular and Wallace International de Puerto Rico, Inc. dated April 30, 2002. Incorporated by reference from Exhibit 10.3 from Form 10-Q dated March 31, 2002.
- 10.61 Amendment No. 3 dated as of January 1, 2002 to Employment Agreement dated as of August 16,

	1991, between Alan R. Kanter and the Company. Incorporated by reference from Exhibit 10.1 from Form 10-Q dated June 30, 2002.
10.62	Syratech Corporation 2002 Stock Incentive Plan. Incorporated by reference from Exhibit 10.2 from Form 10-Q dated June 30, 2002.
10.63	Amendment No. 8 and Waiver dated as of November 12, 2002, to Loan and Security Agreement, dated as of April 16, 1997. Incorporated by reference from Exhibit 10.1 from Form 10-Q dated September 30, 2002.
10.64	Amendment No. 9 dated as of December 18, 2002 to Loan and Security Agreements, dated April 16, 1997. Incorporated by reference from Exhibit 99-1 from Form 8K dated December 18, 2002.
10.65	Purchase and Sales Agreement dated December 13, 2002 between ML Distribution Center, IDI, Inc., and Syratech Corporation. Incorporated by reference from Exhibit 99.1 to 8K dated January 15, 2003.
10.66	First Amendment to Purchase and Sales Agreement dated December 18, 2002 between ML Distribution Center, IDI, Inc., and Syratech Corporation. Incorporated by reference from Exhibit 99.2 to 8K dated January 15, 2003.
10.67	First Amendment to Purchase and Sales Agreement dated December 18, 2002 between ML Distribution Center, IDI, Inc., and Syratech Corporation. Incorporated by reference from Exhibit 99.3 to 8K dated January 15, 2003.
10.68	Mira Loma Industrial Lease Agreement between 11640 Harrell and Syratech dated January 15, 2003.
10.69	Amendment 10, Consent and Waiver dated March 14, 2003 to Loan and Security Agreement dated April 16, 1997.
10.70	Share Sale Agreement dated March 21, 2003 relating to the sale of C J Vander between Syratech and HLW Limited.
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.
99.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Financial Statement Schedule:

Schedule II: Valuation and Qualifying Accounts

(c) Reports on Form 8-K:

The Company filed a Current Report on Form 8K on December 18, 2002 with the Securities and Exchange Commission, which reported the amendment of the Company's Loan and Security Agreement dated as of April 16, 1997.

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 31st day of March, 2003.

SYRATECH CORPORATION

By: /s/ Gregory W. Hunt
 Gregory W. Hunt
 Senior Vice President,
 Chief Financial Officer and Treasurer

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	DATE
/s/ Robert Meers Robert Meers	President, Chief Executive Officer and Director	March 31, 2003
/s/ Gregory W. Hunt Gregory W. Hunt	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer); Director	March 31, 2003
/s/ Thomas M. Hagerty Thomas M. Hagerty	Director	March 31, 2003
/s/ David V. Harkins David V. Harkins	Director	March 31, 2003
/s/ Alan R. Kanter Alan R. Kanter	Director	March 31, 2003
/s/ Melvin L. Levine Melvin L. Levine	Director	March 31, 2003

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/s/ Scott A. Schoen	Director	March 31, 2003
Scott A. Schoen		
/s/ Kent R. Weldon	Director	March 31, 2003
Kent R. Weldon		
/s/ George R. Taylor	Director	March 31, 2003
George R. Taylor		

SYRATECH CORPORATION
CERTIFICATIONS PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

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I, Robert Meers, President and Chief Executive Officer of Syratech Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Syratech Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a) and 15(d)) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2003

/s/ Robert Meers
Robert Meers, President and
Chief Executive Officer

SYRATECH CORPORATION
CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

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I, Gregory W. Hunt, Senior Vice President, Chief Financial Officer and Treasurer of Syratech Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Syratech Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a) and 15(d)) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2003

/s/ Gregory W. Hunt
Gregory W. Hunt
Senior Vice President, Chief Financial Officer
and Treasurer

SCHEDULE II

SYRATECH CORPORATION AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

Column A Description	Column B Beginning of Period	(1) Column C Costs and Expenses	(2) Column C Charged to Other Accts.	Column D Deductions	Column E End of Period
Year Ended December 31, 2002					
Allowance for doubtful accounts	\$ 2,393	\$ 940		\$ (1,201)(a)	\$ 2,132
Sales returns and allowances	9,586	13,234		(14,835)(b)	7,985
	\$ 11,979	\$ 14,174	\$	\$ (16,036)	\$ 10,117
Year Ended December 31, 2001					
Allowance for doubtful accounts	\$ 1,763	\$ 1,166		\$ (536)(a)	\$ 2,393
Sales returns and allowances	10,041	11,234		(11,689)(b)	9,586
	\$ 11,804	\$ 12,400	\$	\$ (12,225)	\$ 11,979
Year Ended December 31, 2000					
Allowance for doubtful accounts	\$ 1,606	\$ 1,270		\$ (1,113)(a)	\$ 1,763
Sales returns and allowances	7,344	15,397		(12,700)(b)	10,041
	\$ 8,950	\$ 16,667	\$	\$ (13,813)	\$ 11,804

(a) Doubtful accounts written off

(b) Sales returns and other