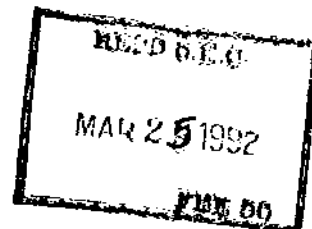


6N
3990

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

3346679

FORM S-1
REGISTRATION STATEMENT
under
The Securities Act of 1933



The Holson Burnes Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

05-045-1969
(I.R.S. Employer
Identification No.)

3998
(Primary Standard Industrial
Classification Code Number)

582 Great Road
North Smithfield, Rhode Island 02895
(401) 769-8000
(Address, including zip code, and telephone number, including area code,
of registrant's principal executive offices)



Steven W. Barnes
582 Great Road
North Smithfield, Rhode Island 02895
(401) 769-8000
(Name, address, including zip code, and telephone number, including area code, of agent for filing)

1256 PROCESSED BY
88:P MAR 30 1992
DISCLOSURE
INCORPORATED

Copies to:

Carter W. Emerson, Esq.
Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60601

Mark S. Hirsch, Esq.
Parker Chapin Flattau & Klimpl
1211 Avenue of the Americas
New York, New York 10036

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

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, par value \$0.01 per share	2,420,000 shares	\$16.00	\$38,720,000	\$12,100

- (1) Includes 220,000 shares that the Underwriters have the option to purchase from the Company to cover over-allotments, if any.
- (2) Estimated solely for the purpose of calculating the registration fee.

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

Page 1 of 1251 pages
Exhibit Index located at page 85

Cross Reference Sheet Pursuant to Item 501(b) of Regulation S-K
Showing Location in Prospectus of Information Required by Items of Part I of Form S-1.

<u>Registration Statement Item Number and Caption</u>	<u>Caption or Location in Prospectus</u>
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus	Outside Front Cover Page of Prospectus
2. Inside Front and Outside Back Cover Pages of Prospectus ..	Inside Front Cover Page of Prospectus; Outside Back Cover Page of Prospectus; Additional Information
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges	Prospectus Summary; Investment Considerations
4. Use of Proceeds	Use of Proceeds; Management's Discussion and Analysis of Financial Condition and Results of Operations
5. Determination of Offering Price	Outside Front Cover Page of Prospectus; Underwriting
6. Dilution	Dilution
7. Selling Security Holders	Not Applicable
8. Plan of Distribution	Outside Front Cover Page of Prospectus; Underwriting
9. Description of Securities to Be Registered	Prospectus Summary; Dividend Policy; Capitalization; Description of Capital Stock
10. Interests of Named Experts and Counsel	Legal Matters
11. Information with Respect to the Registrant	Outside Front Cover Page of Prospectus; Prospectus Summary; The Company; Investment Considerations; Recapitalization; Use of Proceeds; Capitalization; Dividend Policy; Dilution; Selected Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Management; Principal Stockholders; Certain Transactions; Description of Capital Stock; Shares Eligible for Future Sale; Legal Matters; Experts; Consolidated Financial Statements
12. Disclosure of Commission Position on Indemnification for Securities Act Liabilities	Not Applicable

PROSPECTUS

2,200,000 Shares



THE HOLSON BURNES GROUP, INC.

Common Stock

All of the 2,200,000 shares of Common Stock offered hereby are being sold by The Holson Burnes Group, Inc. ("the Company"). Prior to this offering there has been no public market for the Common Stock of the Company. It is currently estimated that the initial public offering price will be between \$14.00 and \$16.00 per share. See "Underwriting" for information relating to factors to be considered in determining the initial public offering price. The Company intends to apply for quotation on the NASDAQ National Market System under the trading symbol "HBGI."

See "Investment Considerations" for a discussion of certain factors that should be considered by prospective investors.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)
Per Share	\$	\$	\$
Total (3)	\$	\$	\$

- (1) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
- (2) Before deducting expenses estimated at \$_____, which are payable by the Company.
- (3) The Company has granted the Underwriters a 30-day option to purchase up to 220,000 additional shares on the same terms and conditions as set forth above solely to cover over-allotments, if any. If such options are exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be \$_____, \$_____ and \$_____, respectively. See "Underwriting."

The shares of Common Stock offered by this Prospectus are offered by the Underwriters subject to prior sale, to withdrawal, cancellation or modification of the offer without notice, to delivery to and acceptance by the Underwriters and to certain further conditions. It is expected that delivery of the shares will be made at the offices of Shearson Lehman Brothers Inc., New York, New York on or about _____, 1992.

LEHMAN BROTHERS

BEAR, STEARNS & CO. INC.

_____, 1992

000003

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Company intends to furnish to its stockholders annual reports containing audited financial statements and quarterly reports containing unaudited summary financial information for the first three quarters of each fiscal year of the Company.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. All share and per share data in this Prospectus have been adjusted to reflect the recapitalization (the "Recapitalization") described under "Recapitalization" and, except for the historical financial statements, the sale of 466,667 shares of Common Stock to existing stockholders described below. Such data also assumes that the Underwriters' over-allotment option is not exercised. See "Underwriting." Unless the context indicates otherwise, as used in this Prospectus, the "Company," "Holson Burnes" or "The Holson Burnes Group" refers to The Holson Burnes Group, Inc., its consolidated subsidiaries and their predecessors.

The Company

The Holson Burnes Group is the largest designer, manufacturer and distributor of photo albums in the United States and the second largest designer and distributor of photo frames. The Company is the only supplier in the U.S. with a substantial market presence in both albums and frames and which serves all major retail distribution channels. Holson Burnes' products are sold to approximately 25,000 retailers, including mass merchants (such as Wal-Mart, Kmart, Costco, Target, Eckerd, Walgreen and Staples), department stores (including J. C. Penney, Federated Department Stores, May Department Stores and Dayton Hudson) and specialty stores (such as Michael's Stores, Moto Foto and Bed and Bath). Holson Burnes offers the broadest line of frames and albums in the industry, representing more than 1,800 stock-keeping units.

Since 1986, the Company has acquired and integrated three leading participants in the photo-storage and display business.

- *Holson*, established in 1942 and acquired in 1986, was an originator of the modern photo album and is the leading supplier of such products to mass merchants.
- *Burnes*, established in 1917 and the leading supplier of photo frames to department and specialty stores, was acquired in 1987.
- *Terragraphics*, purchased in 1990, is a design-driven supplier of fashion-oriented frames to specialty stores.

Holson Burnes consolidated the acquired businesses, eliminated redundant operations and improved efficiencies. The consolidation has allowed the Company to pursue new marketing opportunities which the acquired businesses individually could not have capitalized on as effectively because of their smaller size, and differing products and distribution channels. As a result of the acquisitions, the consolidation and new product introductions, the Company's sales have increased at a compound annual rate of 17.7%, from \$58.1 million in 1987 to \$111.5 million in 1991.

The frame and album industry has grown in recent years in part due to favorable trends in the photographic industry. The popularity of easy-to-use 35mm cameras for amateurs with features such as automatic focus and flash, the increased use of special film processing promotions, such as 2-for-1 print offers, and faster, more accessible and affordable film processing through 60-minute photo outlets and other retail locations have all contributed to growth in the number of prints

processed, which totalled 16.8 billion in 1990. The Company believes that the vast majority of prints processed are not placed into frames or albums, thus creating an opportunity for market expansion. New fashion looks, materials and designs for both frames and albums have contributed to the increased use of photo storage and display products by consumers. The market for frames has further expanded due to an almost tripling of sales of photo enlargements from 1985 through 1990. Approximately 70% of the frames sold by the Company are used to display enlarged photos.

The Company has increased its market share in both frames and albums through the growth of its largest customers and the consolidation of suppliers by these customers. The Company is the largest album supplier to Wal-Mart, Kmart and Target and the largest supplier of both albums and frames to J.C. Penney, May Department Stores and Federated Department Stores. As the retail industry continues to streamline sourcing in order to improve efficiency and reduce costs, these retailers, along with numerous others, have been consolidating vendors. The Company has benefited from this trend by becoming the primary supplier to many of its larger customers, thereby increasing its share of retail shelf space. The Company has built these strong relationships by offering a broad product line at competitive prices, employing sophisticated marketing information systems and providing reliable product delivery.

The Company has expanded its business by introducing new products under its established brand names and cross-marketing these new products to all retail distribution channels. This effort commenced in 1989 with the introduction of a new line of photo albums under the Burnes brand to the Burnes traditional customer base of department and specialty stores (prior to which only frames had been sold by Burnes). The Company believes that the Burnes albums have since become the market share leader to such customers. Similarly, in late 1990 and 1991 the Company successfully introduced a new line of photo frames under the Holson brand to mass merchants (prior to which only albums had been sold by Holson). The mass merchant frame business is approximately \$500 million at wholesale and is fragmented among numerous competitors. The Company plans to introduce the *Showbox* photo viewer, a new product category which has been sold in Switzerland since 1987. Although shipments are not planned until the third quarter of 1992, the Company had orders for approximately \$_____ of the Showbox photo viewers as of _____, 1992.

Certain members of management and other existing stockholders have agreed to purchase from the Company 466,667 shares of Common Stock at the public offering price (less underwriting discounts and commissions) simultaneously with the closing of this offering. Bain Capital Fund Limited Partnership and Bain Capital Fund Limited Partnership II (collectively referred to herein as "Bain") and its affiliates will acquire 406,502 shares in such sale, and upon completion of this offering will possess 51% of the voting power of all outstanding stock and control the vote on virtually all matters submitted to stockholders. See "Investment Considerations--Control by Certain Stockholders" and "Principal Stockholders."

The Offering

Common Stock offered hereby	2,200,000 shares
Common Stock to be outstanding after the offering	6,000,000 shares ⁽¹⁾
Use of Proceeds	To repay indebtedness, including the reduction of borrowings under the Company's revolving credit facility and the repayment of the Promissory Notes. See "Use of Proceeds."
Proposed NASDAQ symbol	HBGI

(1) Excludes 351,361 shares issuable upon the exercise of stock options. See "Management--Stock Option Plans."

Summary Financial Data

	Year Ended December 31,				
	<u>1987⁽¹⁾</u>	<u>1988</u>	<u>1989</u>	<u>1990⁽¹⁾</u>	<u>1991</u>
	(In thousands, except per share data)				
Statement of Operations Data:					
Net sales	\$58,132	\$75,084	\$90,015	\$88,316	\$111,545
Gross profit	19,367	23,907	28,258	28,483	34,204
Net contribution ⁽²⁾	14,251	17,900	20,302	19,254	23,088
Operating income	2,783	4,728	8,431	4,003	5,300
Interest expense	1,167	1,628	2,959	3,682	4,168
Income from continuing operations before taxes	1,616	3,100	5,472	321	1,132
Income from continuing operations	1,059	1,351	3,026	613	810
Loss from discontinued operations and disposal, net of taxes	(468)	(1,239)	(603)	(756)	(4,656)
Net income (loss)	591	112	2,423	(143)	(3,846)
Income per common share from continuing operations	0.28	0.36	0.80	0.16	0.21
Net income (loss) per common share	0.16	0.03	0.64	(0.04)	(1.00)

Pro Forma Operating Results, As Adjusted For The Offering:⁽³⁾

Interest expense	\$434
Income from continuing operations	<u>3,142</u>
Income per Common Share from continuing operations	\$0.48

Balance Sheet Data:

	December 31, 1991	
	<u>Actual</u>	<u>As Adjusted⁽⁴⁾</u>
Working capital	\$40,045	\$40,045
Total assets	67,486	67,486
Long-term debt and capital lease obligations (excluding current portion) ..	46,935	9,935
Stockholders' equity	3,415	40,415

-
- (1) Includes results of operations of Burnes from its acquisition in May 1987 and of Terragraphics from its acquisition in September 1990.
 - (2) Reflects gross profit less variable selling expenses which include commissions, advertising, freight, displays and royalties.
 - (3) Pro forma operating results, as adjusted, reflect the consummation of the sale of Common Stock offered hereby and the application of the estimated net proceeds thereof to repay indebtedness as described under "Use of Proceeds," as if such transaction had occurred on January 1, 1991. Also adjusted to give effect to the sale to existing stockholders of 466,667 shares of Common Stock at a price equal to the public offering price (less underwriting discounts and commissions).
 - (4) Adjusted to give effect to the sale of 2,200,000 shares of Common Stock offered hereby at an assumed price of \$15.00 per share, after deducting underwriting discounts and estimated offering expenses, and the application of the net proceeds thereof to repay indebtedness. Also adjusted to give effect to the sale to existing stockholders of 466,667 shares of Common Stock at a price equal to the public offering price (less underwriting discounts and commissions). See "Capitalization."

THE COMPANY

The Holson Burnes Group is the largest designer, manufacturer and distributor of photo albums in the United States and the second largest designer and distributor of photo frames. The Company is the only supplier in the U.S. with a substantial market presence in both albums and frames and which serves all major retail distribution channels. Holson Burnes' products are sold to approximately 25,000 retailers, including mass merchants (such as Wal-Mart, Kmart, Costco, Target, Eckerd, Walgreen and Staples), department stores (including J. C. Penney, Federated Department Stores, May Department Stores and Dayton Hudson) and specialty stores (such as Michael's Stores, Moto Foto and Bed and Bath).

Since 1986, the Company has acquired and integrated three leading participants in the photo-storage and display business.

- Holson, established in 1942 and acquired in 1986, was an originator of the modern photo album and is the leading supplier of such products to mass merchants.
- Burnes, established in 1917 and the leading supplier of photo frames to department and specialty stores, was acquired in 1987.
- Terragraphics, purchased in 1990, is a design-driven supplier of fashion-oriented frames to specialty stores.

Holson Burnes consolidated the acquired businesses, eliminated redundant operations and improved efficiencies. The consolidation has allowed the Company to pursue new marketing opportunities which the acquired businesses individually could not have capitalized on as effectively because of their smaller size, and differing products and distribution channels.

The frame and album industry has grown in recent years in part due to favorable trends in the photographic industry. The popularity of easy-to-use 35mm cameras for amateurs with features such as automatic focus and flash, the increased use of special film processing promotions such as 2-for-1 print offers, and faster, more accessible and affordable film processing through 60-minute photo outlets and other retail locations have all contributed to the growth in the number of prints processed, which totalled 16.8 billion in 1990. The Company believes that the vast majority of the prints processed are not placed into frames and albums, thus creating an opportunity for market expansion. New fashion looks, materials and designs for both frames and albums have contributed to the increased use of photo storage and display products by consumers. The market for frames has further expanded due to an almost tripling of sales of photo enlargements from 1985 through 1990. Approximately 70% of the frames sold by the Company are used to display enlarged photos.

The Company has increased its market share in both frames and albums through the growth of its largest customers and the consolidation of suppliers by these customers. The Company is the largest album supplier to Wal-Mart, Kmart and Target and the largest supplier of both albums and frames to J.C. Penney, May Department Stores and Federated Department Stores. As the retail industry continues to streamline sourcing in order to improve efficiency and reduce costs, these retailers, along with numerous others, have been consolidating vendors. The Company has benefited from this trend by becoming the primary supplier to many of its larger customers, thereby increasing

its share of retail shelf space. The Company has built these strong relationships by offering a broad product line at competitive prices, employing sophisticated marketing information systems and providing reliable product delivery.

The Company has expanded its business by introducing new products under its established brand names, BURNES™, HOLSON® and TERRAGRAFICS®, and cross-marketing these new products to all retail distribution channels. This effort commenced in 1989 with the introduction of a new line of photo albums under the Burnes brand to the Burnes traditional customer base of department and specialty stores (prior to which only frames had been sold by Burnes). The Company believes that the Burnes albums have since become the market share leader to such customers. Similarly, in late 1990 and 1991 the Company successfully introduced a new line of photo frames under the Holson brand to mass merchants (prior to which only albums had been sold by Holson). The mass merchant frame business is approximately \$500 million at wholesale and is fragmented among numerous competitors. The Company plans to introduce the SHOWBOX® photo viewer, a new product category which has been sold in Switzerland since 1987. Although shipments are not planned until the third quarter of 1992, the Company had orders for approximately \$_____ of the Showbox photo viewers as of _____, 1992.⁽¹⁾

Holson Burnes offers the broadest line of frames and albums in the industry, representing approximately 1,800 stock-keeping units ("SKUs"). In addition to offering traditional frame and album designs, the Company continually updates its product line to offer fashion-oriented items that follow home decor and other consumer trends. For example, the Company sells a line of albums with cover designs from popular wallpaper and fabric patterns offered by Schumacher and Sanderson, wood frames which follow the theme "America at Home" and albums and frames with Walt Disney characters. The Company believes that its innovative use of fashion in photo display products has been a driving factor in the growth of the industry.

The Company's sourcing and manufacturing operations as well as its marketing information systems all contribute to Holson Burnes' position as a leading supplier of photo display devices. The Company maintains an extensive global sourcing network, with over 20 production arrangements in the Far East. The Company manufactures over 75% of its albums domestically in what it believes to be one of the largest and lowest cost facilities in the world. The Company has invested in marketing information systems designed to insure retail in-stock positions, improve inventory management and lower purchase costs for its customers.

The Company was incorporated in Delaware on May 1, 1989. The Company's executive offices are located at 582 Great Road, North Smithfield, Rhode Island 02895 and its telephone number is (401) 769-8000.

(1) BURNES™, HOLSON® and TERRAGRAFICS® are trademarks of the Company. SHOWBOX® is a trademark of Showbox-System AG.

INVESTMENT CONSIDERATIONS

In addition to the other information contained in this Prospectus, the following factors should be considered by investors in evaluating the Company and its business.

Seasonality. Typically over 30% of the Company's net sales and over 50% of its operating income are realized in the fourth quarter, and the Company has a net loss in each of the first two quarters. As a result, the Company's working capital requirements are highest in September, October and November. The Company expects this seasonal pattern to continue in 1992 and thereafter. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Seasonality."

Retail Industry. The Company sells its products to retailers, including mass merchants, department stores and specialty stores. Many of the Company's customers are well-established, investment grade companies, including its largest customer which accounted for 13.1% of the Company's gross revenues in 1991. There are, however, certain customers which have engaged in leveraged buy-outs or other transactions in which they incurred a significant amount of debt, and a few are currently operating under the protection of bankruptcy laws. As a result of the difficulties experienced by retailers in recent years, the Company suffered credit losses of 0.6% of sales in 1989, 1.2% in 1990 and 0.7% in 1991, as compared to an average of 0.2% of sales in 1987 and 1988. Although the Company actively manages its credit exposure, a deterioration in the financial condition of the Company's major customers could have a material adverse effect on the Company's results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Foreign Sourcing. As is customary in the industry, the Company sources frame and albums in the Far East. The Company obtains approximately 38% of its frame and album products in Far Eastern countries, such as China (18% of its frame and album products), Taiwan, Thailand, Malaysia, Indonesia and Korea. Although there are sufficient alternate sources for these products, to the extent there is a disruption in any of the countries where the Company sources its products, the Company could experience delays and/or increased costs as a result of having to move production to another country. See "Business--Manufacturing and Sourcing."

New Product Category. The Company plans to introduce the Showbox photo viewer, a new product category, in the Fall of 1992 pursuant to an exclusive license arrangement. The Company incurred and expensed in 1990 and 1991 a major portion of the marketing expenses for this product introduction and as a result the remaining expenses will be largely variable. However, the Company has entered into contractual commitments to purchase approximately \$19.7 million of such products through 1993. In addition, the Company must rely on one supplier for this product and there can be no assurance that unforeseen delays or quality control problems of this supplier would not delay product deliveries or otherwise result in a loss of revenues. Although there are U.S. and Canadian patents covering the Showbox photo viewer, the Company must rely on the supplier to enforce these patents and there can be no assurance that these patents will prevent the introduction of competitive products. The Company's right to sell the Showbox photo viewer may be made non-exclusive or terminated by the supplier if the Company's sales of the Showbox photo viewer do not achieve certain specified levels. See "Business--Manufacturing and Sourcing--Showbox Photo Viewer."

Control by Certain Stockholders. After the sale of the shares of Common Stock offered hereby, Bain and its affiliates, and the Company's existing stockholders as a group, will control approximately 51% and 54% of the Common Stock, respectively, and thereby will continue to control the election of the Board of Directors and will be able to direct the affairs of the Company. See "Principal Stockholders."

No Prior Public Market for Common Stock; Dilution. Prior to this offering, there has been no public market for the Common Stock. Although the Company intends to apply for quotation on the NASDAQ National Market System, there is no guarantee that a public market for the Common Stock will develop or be sustained after this public offering. The initial public offering price of the Common Stock is determined solely by negotiations among the Company and representatives of the Underwriters based on several factors, including prevailing market conditions, the Company's historical performance, capital structure, estimates of business potential and earnings prospects of the Company, an assessment of the Company's management and the consideration of the above factors in relation to market valuation of companies in related businesses. The initial public offering price does not necessarily reflect the market price of the Common Stock after this offering. See "Underwriting." In addition, the initial public offering price is higher than the book value per share of Common Stock and higher than the average price per share paid by existing stockholders. Investors purchasing shares of Common Stock in this offering, therefore, will incur immediate and substantial dilution. See "Dilution."

Shares Eligible for Future Sale. Future sales under Rule 144 of the Securities Act of 1933, as amended (the "Securities Act"), of the shares of Common Stock held by existing stockholders could have an adverse effect on the price of the Common Stock. Approximately 2,870,750 shares of Common Stock will be eligible for sale 180 days after the date of this offering, subject to the volume limitations and other restrictions set forth in Rule 144. See "Shares Eligible for Future Sale."

RECAPITALIZATION

Upon the effectiveness of this offering, the Company will have completed a recapitalization (the "Recapitalization") whereby the Company's Class B Common Stock and its Preferred Stock will be converted into shares of Common Stock. See "Principal Stockholders" for a description of the ownership of certain shares of Common Stock following the Recapitalization and the sale of the shares of Common Stock offered hereby.

Information in this Prospectus presented as giving effect to the Recapitalization assumes that (i) the initial public offering price will be \$15.00 per share of Common Stock (the midpoint of the range stated on the cover page hereof), (ii) the Recapitalization will occur on April 30, 1992, (iii) an aggregate of approximately 1,374,514 shares of Common Stock will be issued in exchange for outstanding Preferred Stock and (iv) all outstanding warrants are exercised by cancellation of principal amount of Promissory Notes equal to the exercise price of such warrants. There can be no assurance that such assumptions will prove to be correct.

USE OF PROCEEDS

Based on an assumed public offering price of \$15.00 per share, the midpoint of the range stated on the cover page hereof, the Company will receive approximately \$29.7 million from the sale of the 2,200,000 shares of Common Stock offered hereby after deduction of underwriting discounts and commissions and estimated expenses payable by the Company in connection with this offering (approximately \$32.8 million if the Underwriters' over-allotment option is exercised in full). The Company intends to use approximately \$23.5 million of the net proceeds from this offering to retire amounts outstanding under an Amended and Restated Revolving Credit Agreement (the "Credit Agreement") between a subsidiary of the Company and The First National Bank of Boston ("FNBB") which the Company borrowed for working capital and capital expenditure purposes. Loans under the Credit Agreement accrue interest at variable rates based on FNBB's prime rate, the overnight federal funds effective rate or the rate FNBB is offered on eurodollar deposits. As of February 29, 1992, the Company had outstanding borrowings of \$39.1 million pursuant to the Credit Agreement. Borrowings under the Credit Agreement are scheduled to mature on June 30, 1994.

The Company intends to use approximately \$6.2 million of the net proceeds from this offering to retire promissory notes issued to certain management stockholders, Bain and certain affiliates of Bain (the "Promissory Notes"). The Promissory Notes will be retired at a price equal to the outstanding principal amount thereof plus accrued interest thereon and a prepayment penalty equal to 20% of the principal amount and accrued interest being prepaid. The Promissory Notes were issued to raise funds for working capital purposes, accrue interest at 26%, compound quarterly, are payable in-kind, and become due on July 31, 1996. After application of the proceeds in the manner described above, no Promissory Notes will remain outstanding.

CAPITALIZATION

The following table sets forth the capitalization of the Company at December 31, 1991, and as adjusted to reflect the Recapitalization, the sale by the Company of the 2,200,000 shares of Common Stock being offered hereby (assuming an initial public offering price of \$15.00), the sale by the Company of 466,667 shares of Common Stock to existing stockholders and the application of the net proceeds (which are assumed to be \$29.7 million from this offering and \$6.5 million from the offering to existing stockholders) to reduce debt. See "Use of Proceeds."

	December 31, 1991	
	Actual	As Adjusted
	(In thousands)	
Current portion of long-term debt and capital lease obligations	<u>\$ 3,477</u>	<u>\$ 3,477</u>
Long-term debt and capital lease obligations, excluding current portion	38,947	9,935
Promissory Notes	<u>7,988</u>	<u>-</u>
Total long-term obligations	46,935	9,935
Stockholders' equity:		
Preferred stock, \$1.00 par value, 1,000,000 shares authorized; none outstanding	-	-
Common stock, \$.01 par value, 13,000,000 shares authorized; 2,838,742 shares outstanding; 6,000,000 shares outstanding as adjusted ⁽¹⁾	29	84
Additional paid-in capital	3,836	40,781
Retained earnings	801	801
Deferred compensation, treasury stock and notes receivable from stockholders	<u>(1,251)</u>	<u>(1,251)</u>
Total stockholders' equity	<u>3,415</u>	<u>40,415</u>
Total capitalization	<u>\$53,827</u>	<u>\$53,827</u>

(1) Excludes 351,361 shares issuable upon the exercise of stock options. See "Management--Stock Option Plans."

DIVIDEND POLICY

The Company has never declared or paid any cash dividends on its Common Stock. The Company currently intends to retain earnings to support its growth strategy and does not anticipate paying dividends in the foreseeable future. Any future payment of dividends is within the discretion of the Company's Board of Directors and will depend upon, among other factors, the capital requirements, operating results and financial condition of the Company from time to time. The Company's outstanding indebtedness prohibits dividends from being paid.

DILUTION

The net tangible book value of the Company at December 31, 1991, after giving effect to the Recapitalization, was \$13,727,000 million or \$3.66 per share. After giving effect to the sale of the shares of Common Stock offered hereby (assuming an offering price of \$15.00 per share, the midpoint of the range stated on the cover page hereof) and after deducting anticipated offering expenses and the underwriting discounts and commissions, the pro forma net tangible book value of the Company at December 31, 1991 would have been \$43,417,000 million or \$7.29 per share, representing an immediate \$7.71 per share dilution to new investors purchasing shares at the initial public offering price. This is illustrated in the following table:

Assumed public offering price per share		\$15.00
Net tangible book value per share before this offering ⁽¹⁾ ..	\$ 3.66	
Increase per share attributable to new investors	<u>3.63</u>	
Pro forma net tangible book value per share after this offering		7.29
Dilution per share to new investors ⁽²⁾		\$ 7.71

(1) Net tangible book value per share is determined by dividing the net tangible book value of the Company (tangible assets less liabilities) by the number of shares of Common Stock outstanding, which includes shares issuable in connection with the Recapitalization.

(2) Dilution is determined by subtracting pro forma net tangible book value per share after giving effect to this offering from the initial public offering price paid by a new investor for a share of Common Stock.

The following table summarizes the difference between the existing stockholders and new stockholders with respect to the number of shares of Common Stock purchased from the Company (assuming an initial public offering price of \$15.00 per share), the total consideration paid and the average price paid per share.

	<u>Shares Purchased</u>		<u>Total Consideration</u>		<u>Average Price</u>
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Per Share</u>
Existing Stockholders	3,800,000	63.3%	\$1,909,000	5.5%	\$0.50
New Stockholders	2,200,000	36.7	33,000,000	94.5	15.00
Total	<u>6,000,000</u>	<u>100.0%</u>	<u>\$34,909,000</u>	<u>100.0%</u>	<u>\$5.82</u>

SELECTED FINANCIAL DATA

The following data, insofar as it relates to each of the years 1989, 1990 and 1991, has been derived from financial statements audited by Price Waterhouse, independent accountants. The consolidated balance sheet at December 31, 1990 and 1991 and the related consolidated statement of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1991 and notes thereto appear elsewhere in this Prospectus. The following data, insofar as it relates to each of the years 1987 and 1988, has been derived from unaudited financial statements which, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the unaudited periods. The data set forth below should be read in conjunction with the audited financial statements and notes thereto included elsewhere herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended December 31,				
	<u>1987⁽¹⁾</u>	<u>1988</u>	<u>1989</u>	<u>1990⁽¹⁾</u>	<u>1991</u>
	(In thousands, except per share data)				
Statement of Operations Data:					
Net sales	\$58,132	\$75,084	\$ 90,015	\$ 88,316	\$111,545
Cost of sales:					
Purchase accounting adjustment ⁽²⁾	-	-	-	917	496
California plant start up ⁽³⁾	-	-	-	-	700
Other cost of sales	<u>38,765</u>	<u>51,177</u>	<u>61,757</u>	<u>58,916</u>	<u>76,145</u>
Total cost of sales	<u>38,765</u>	<u>51,177</u>	<u>61,757</u>	<u>59,833</u>	<u>77,341</u>
Gross profit	<u>19,367</u>	<u>23,907</u>	<u>28,258</u>	<u>28,483</u>	<u>34,204</u>
Variable selling expenses ⁽⁴⁾	<u>5,116</u>	<u>6,007</u>	<u>7,956</u>	<u>9,229</u>	<u>11,116</u>
Net contribution ⁽⁵⁾	14,251	17,900	20,302	19,254	23,088
General and administrative:					
Showbox startup ⁽⁶⁾	-	-	-	393	948
Bad debt expense	125	140	576	1,012	830
Other general and administrative	<u>11,343</u>	<u>13,032</u>	<u>11,295</u>	<u>12,846</u>	<u>15,481</u>
Total general and administrative	<u>11,468</u>	<u>13,172</u>	<u>11,871</u>	<u>14,251</u>	<u>17,259</u>
Consolidation costs ⁽⁷⁾	-	-	-	1,000	529
Operating income	2,783	4,728	8,431	4,003	5,300
Interest expense	<u>1,167</u>	<u>1,628</u>	<u>2,959</u>	<u>3,682</u>	<u>4,168</u>
Income from continuing operations before taxes	1,616	3,100	5,472	321	1,132
Provision (credit) for income taxes	<u>557</u>	<u>1,749</u>	<u>2,446</u>	<u>(292)</u>	<u>322</u>
Income from continuing operations	1,059	1,351	3,026	613	810
Loss from discontinued operations and disposal, net of taxes	<u>(468)</u>	<u>(1,239)</u>	<u>(603)</u>	<u>(756)</u>	<u>(4,656)</u>
Net income (loss)	<u>\$ 591</u>	<u>\$ 112</u>	<u>\$ 2,423</u>	<u>\$ (143)</u>	<u>\$(3,846)</u>
Income from continuing operations per common share	<u>\$ 0.28</u>	<u>\$ 0.36</u>	<u>\$ 0.80</u>	<u>\$ 0.16</u>	<u>\$ 0.21</u>
Net income (loss) per common share	<u>\$ 0.16</u>	<u>\$ 0.03</u>	<u>\$ 0.64</u>	<u>\$ (0.04)</u>	<u>\$ (1.00)</u>
Pro Forma Operating Results, As Adjusted for the Offering:⁽⁸⁾					
Interest expense					\$434
Income from continuing operations					<u>3,142</u>
Income per Common Share from continuing operations					<u>\$0.48</u>

December 31,

	<u>1987</u>	<u>1988</u>	<u>1989</u> (In thousands)	<u>1990</u>	<u>1991</u>
Balance Sheet Data:					
Working capital	\$11,515	\$20,593	\$27,879	\$23,848	\$40,045
Total assets	34,970	36,785	47,216	55,975	67,486
Long-term debt and capital lease obligations (excluding current portion)	22,079	25,314	23,170	23,572	46,939
Stockholders' equity	4,440	4,518	6,994	7,304	3,415

- (1) Includes results of operations of Burnes from its acquisition in May 1987 and of Terragrafics from its acquisition in September 1990.
- (2) Includes cost of sales related to Terragrafics inventory which was written up in connection with its acquisition.
- (3) Startup costs associated with a manufacturing facility which was later converted to a distribution center.
- (4) Includes commissions, advertising, freight, displays and royalties.
- (5) Reflects gross profit less variable selling expenses.
- (6) Startup costs associated with the introduction of the Showbox photo viewer.
- (7) Such costs relate primarily to the transfer of Terragrafics' and Burnes' marketing and sales offices to the Company's Rhode Island headquarters and the consolidation of certain management functions.
- (8) Pro forma operating results, as adjusted, reflect the consummation of the Sale of Common Stock offered hereby and the application of the estimated net proceeds thereof to repay indebtedness as described under "Use of Proceeds," as if such transactions had occurred at January 1, 1991. Also adjusted to give affect to the sale to existing stockholders of 466,667 shares of Common Stock at a price equal to the public offering price (less underwriting discounts and commissions).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The Company's businesses were acquired in three separate leveraged transactions (the "Acquisitions"), Holson in October 1986, Burnes in May 1987 and Terragrafics in September 1990. Accordingly, the Company's results of operations and financial condition over the last five years have been affected by the debt and related interest expense incurred as a result of the Acquisitions and, in connection with the Terragrafics acquisition, an accounting requirement to write up the value of Terragrafics' inventory which reduced gross profit by \$1.4 million in 1990 and 1991 on sales of this inventory.

The Company's results of operations and financial condition were also affected by the consolidation of the acquired businesses which was largely completed in 1990 and 1991. This resulted in reduced operating income and net income due to substantial costs relating to severance, relocation and closing of various facilities. Management believes that as a result of the consolidation the Company is now more efficient and better positioned to implement its business strategy.

The consolidation has also allowed the Company to pursue new marketing opportunities which the acquired businesses individually could not have capitalized on as effectively because of their smaller size, and differing products and distribution channels. The sales forces of Burnes and Holson have been reorganized by distribution channel, with the Burnes sales force responsible for department and specialty stores and the Holson sales force responsible for mass merchants. As shown in the table below, in 1989 department and specialty store sales of Holson brand albums were transferred to the Burnes brand to take advantage of Burnes' strength in that channel. Similarly, in late 1990 and 1991 a new line of Holson frames was introduced to Holson's mass merchant channel of distribution, using the expertise of Burnes and Terragrafics in frames and Holson's knowledge of and reputation with that channel. The Company believes that the mass merchant frame market is

approximately \$500 million at wholesale per year. Because of the strength of the Company's combined businesses in the photo storage and display markets, the Company has received the exclusive U.S. and Canadian licenses for the Showbox photo viewer.

As the businesses have been combined, the Company has expanded sales to mass merchants as a result of the growth of the leading mass merchants, Holson's relationship with such retailers, their pattern of consolidation of suppliers and the ability to introduce Holson frames into this channel. Although sales to mass merchants are generally at lower gross profit margins than those to department and specialty stores, they have comparable net contribution margins due to lower variable selling expenses.

The following chart sets forth the Company's sales of each brand in each product line over the last five years:

	<u>Year Ended December 31,</u>				
	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
	(In millions)				
Branded Frames⁽¹⁾					
Burnes ⁽²⁾	\$ 21.3	\$ 36.5	\$ 41.6	\$ 43.7	\$ 45.0
Terragraphics ⁽²⁾	-	-	-	2.4	6.6
Holson	-	-	-	1.4	4.8
Total	<u>21.3</u>	<u>36.5</u>	<u>41.6</u>	<u>47.5</u>	<u>56.4</u>
Albums⁽³⁾					
Holson	29.9	31.2	34.9	27.8	35.6
Burnes	-	-	4.5	10.0	18.1
Total	<u>29.9</u>	<u>31.2</u>	<u>39.4</u>	<u>37.8</u>	<u>53.7</u>
Total Branded Frames and Albums	<u>51.2</u>	<u>67.7</u>	<u>81.0</u>	<u>85.3</u>	<u>110.1</u>
Supply Agreement⁽⁴⁾	<u>6.9</u>	<u>7.4</u>	<u>9.0</u>	<u>3.0</u>	<u>1.4</u>
Company Total	<u>\$ 58.1</u>	<u>\$ 75.1</u>	<u>\$ 90.0</u>	<u>\$ 88.3</u>	<u>\$ 111.5</u>

(1) Includes all frame sales other than sales pursuant to the supply agreement referred to in (4) below.

(2) Includes revenues of Burnes from its acquisition in May 1987 and Terragraphics from its acquisition in September 1990.

(3) In July 1989, department and specialty store sales of Holson brand albums were transferred to the Burnes brand.

(4) Represents sales of frames pursuant to a supply agreement entered into in connection with the acquisition of Burnes in 1987.

Results of Operations

The following table sets forth selected operating data of the Company as a percentage of net sales for the periods indicated. The calculation of net contribution is included because the Company uses this measure to compare the contribution of each of its product categories in each distribution channel.

	<u>Year Ended December 31,</u>		
	<u>1989</u>	<u>1990</u>	<u>1991</u>
Net sales	100.0%	100.0%	100.0%
Cost of sales:			
Purchase accounting adjustments	-	1.0	0.4
California plant start up	-	-	0.6
Other cost of sales	<u>68.6</u>	<u>66.7</u>	<u>68.3</u>
Total cost of sales	<u>68.6</u>	<u>67.7</u>	<u>69.3</u>
Gross profit	31.4	32.3	30.7
Variable selling expenses	<u>8.8</u>	<u>10.5</u>	<u>10.0</u>
Net contribution	22.6	21.8	20.7
General and administrative:			
Showbox startup	-	0.4	0.9
Bad debt expense	0.6	1.2	0.7
Other general and administrative expenses	<u>12.6</u>	<u>14.6</u>	<u>13.9</u>
Total general and administrative	13.2	16.2	15.5
Consolidation costs	-	<u>1.1</u>	<u>0.5</u>
Operating income	9.4	4.5	4.7
Interest expense	<u>3.3</u>	<u>4.1</u>	<u>3.7</u>
Income from continuing operations before taxes	6.1	0.4	1.0
Provision (credit) for income taxes	<u>2.7</u>	<u>(0.3)</u>	<u>0.3</u>
Income from continuing operations	3.4%	0.7%	0.7%

1991 Compared to 1990

Net sales increased from \$88.3 million in 1990 to \$111.5 million in 1991, or 26%, as a result of a 19% increase in branded frame sales and a 42% increase in album sales. This increase more than offset a decrease of \$1.6 million as the supply agreement which had been entered into in connection with the acquisition of Burnes was phased out. The growth in branded frame sales was the result of increased sales of Burnes frames due to greater market share and of the inclusion of Terragrafics and Holson sales for the first full year. The growth in album sales is attributable to an 81% increase in sales of Burnes albums to department and specialty stores resulting from increased market share and a 28% increase in sales of Holson albums because of the growth of the Company's largest mass merchant customers, consolidation of suppliers by these retailers and an increase in the breadth of Holson's product line.

Gross profit increased by \$5.7 million in 1991 as a result of the sales increase, but declined as a percentage of sales because of (i) a higher proportion of sales to mass merchants, (ii) a shift in consumer purchasing patterns towards lower priced and lower margin items in all retail channels as a result of the recession, (iii) \$0.7 million of startup costs associated with a manufacturing facility in California which was later converted to a distribution center, and (iv) \$0.5 million higher cost of sales as a result of the sale of Terragrafics inventory which was written up due to accounting requirements in connection with the 1990 acquisition. These factors were partially offset by lower album manufacturing costs resulting from longer production runs and increased automation.

Variable selling expenses were lower as a percentage of sales in 1991 because of the higher proportion of sales to mass merchants, partially offset by a \$0.7 million increase in variable selling expenses from a full year of Terragrafics' results.

Net contribution increased 20% to \$23.1 million, but represented a lower percentage of sales for the reasons discussed above with respect to gross profit, particularly the effect of the recession on consumer purchasing patterns.

General and administrative expenses increased by \$3.0 million, but decreased as a percentage of sales from 16.2% in 1990 to 15.5% in 1991 due to improved efficiencies from the Company's consolidation program and lower bad debt expense. This reduction as a percentage of sales was partially offset by an increase in Showbox photo viewer startup expenses.

The \$0.5 million of consolidation costs in 1991 primarily related to the planned transfer of Terragrafics' marketing and sales office to the Company's Rhode Island headquarters.

Interest expense increased by approximately \$0.5 million in 1991 because of interest accrued on the Promissory Notes issued in September 1991 and the incurrence of additional debt to meet working capital needs associated with the sales increase. This was offset in part by lower interest rates under the Credit Agreement.

The Company's effective tax rates in 1991 and 1990 were favorably affected by the amortization of the deferred credit related to the Burnes acquisition which is not subject to federal or state income tax. This benefit was partially offset in 1991 by state taxes and federal alternative minimum tax. In addition, the Company benefited in 1990 from the utilization of net operating loss carryforwards.

1990 Compared to 1989

Net sales in 1990 declined by \$1.7 million, or 2%, from 1989 primarily because of the \$6.0 million reduction in supply agreement sales and a \$1.6 million reduction in album sales due to certain large album promotions by two customers in November and December 1989 that were not repeated in 1990. Because promotions by the Company's larger mass merchant customers have become smaller and more frequent, the Company does not expect promotions to affect the comparability of its sales from period to period in the future as materially as they did in 1989 and 1990. Branded frame sales increased by \$5.9 million, or 14%, because of \$2.4 million in Terragrafics sales after its acquisition in September 1990, a \$2.1 million increase in Burnes frame sales resulting from greater market share and \$1.4 million in sales of Holson frames introduced late in that year.

Gross profit increased, both in dollars and as a percentage of sales, primarily as a result of replacing lower priced supply agreement sales with sales of Burnes and Terragrafics products, despite a \$0.9 million negative impact resulting from 1990 sales of Terragrafics inventory which was written up in connection with accounting for the acquisition.

Variable selling expenses increased as a percentage of sales primarily due to additional expenses associated with Burnes and Terragrafics sales which replaced supply agreement frame sales.

Net contribution, both in dollars and as a percentage of sales, was down slightly primarily because of the Terragraphics purchase accounting adjustment.

General and administrative expenses increased by \$2.4 million in part as a result of the inclusion of \$0.9 million in Terragraphics' expenses, \$0.4 million of Showbox photo viewer startup expenses and a \$0.4 million increase in bad debt expense.

Severance and other expenses attributable to relocating the Burnes sales and marketing offices from Norwood, Massachusetts, to Rhode Island and the consolidation of certain general management and administrative functions resulted in consolidation costs of \$1.0 million in 1990.

Interest expense increased in 1990 by \$0.7 million due to higher debt levels attributable to an increase in working capital needs and to the Terragraphics acquisition.

The decrease in income from continuing operations was partially offset by \$0.2 million due to the utilization of net operating loss carryforwards.

Liquidity and Capital Resources

The Company has principally financed its operations, capital expenditures and acquisitions through cash flows from operations, borrowings under its Credit Agreement with FNBB and the sale of Promissory Notes (described in "Use of Proceeds") and capital stock.

Under the Credit Agreement, borrowings (i) are secured by substantially all of the Company's assets, (ii) may be made in the form of revolving loans and letters of credit and (iii) bear interest at variable rates based on FNBB's prime rate, the overnight federal funds effective rate or the rate FNBB is offered on eurodollar deposits. See Note 7 to Consolidated Financial Statements. The average rate on such borrowings during 1991 was 9.77% and the average rate during the month of February 1992 was 7.39%. All Credit Agreement loans mature on June 30, 1994. During 1991, FNBB asserted that one of the Company's subsidiaries was in default on certain covenants under the Credit Agreement, primarily regarding intercompany transfers and investments. FNBB waived the claimed breaches when the Credit Agreement was amended in connection with the Promissory Note financing.

Pursuant to a commitment obtained on September 30, 1991, the Company issued the Promissory Notes described in "Use of Proceeds" in the principal amounts of \$7.5 million on September 30, 1991 and \$2.5 million on March 24, 1992 to further fund working capital and capital expenditure investments. See "Certain Transactions."

The Company also has a mortgage on its Claremont, New Hampshire album manufacturing and distribution facility, the principal amount of which on February 29, 1992 was approximately \$2.0 million. The debt matures in 2012, bears interest at 1.25% per annum above FNBB's prime rate and requires monthly payments of principal and interest which are currently approximately \$21,000.

The Company also had outstanding debt as of February 29, 1992 of approximately \$5.7 million relating to clock and professional photo album businesses which are to be discontinued. See Note 3 to Consolidated Financial Statements.

The Company is considering various alternative sources of additional funding including amending the Credit Agreement or replacing it with a facility with another bank and issuing senior or subordinated debt securities to fund its future growth.

Over the last three years, the Company invested approximately \$7.6 million for capital expenditures primarily relating to a \$2.9 million addition to the Claremont, New Hampshire manufacturing facility, \$1.5 million for leasehold improvements to its Rhode Island facility resulting from the consolidation of corporate offices and \$3.2 million for machinery and equipment. The Company anticipates capital expenditures of approximately \$2 million in each of 1992 and 1993, principally for machinery and equipment.

Seasonality

The Company's business is seasonal because more products are shipped in the later part of the year for the holiday season. Typically over 30% of its sales and over 50% of its operating income are realized in the fourth quarter and the Company has net losses in each of the first two quarters. As a result, the Company's working capital requirements are typically highest in September, October and November. The Company expects that this seasonal pattern will continue in 1992 and thereafter.

Backlog

As of March 13, 1992, the Company's backlog (excluding \$_____ for the Showbox photo viewer) was approximately \$13.3 million, as compared to approximately \$8.0 million as of March 13, 1991. The Company believes that this backlog will be substantially filled by May 1, 1992.

Impact of Inflation and Foreign Currency Exchange

The results of operations of the Company for the periods discussed have not been significantly affected by inflation or foreign currency fluctuation. With the exception of the Showbox photo viewer orders from its Swiss supplier, the Company negotiates substantially all of its purchase orders, with its foreign manufacturers in United States dollars. Thus, notwithstanding any fluctuation in foreign currencies, the Company's cost for any purchase order is generally not subject to change after the time the order is placed. However, the weakening of the United States dollar against local currencies could lead certain manufacturers to increase their United States dollar prices for products. The Company believes it would be able to compensate for any such price increase since many of the Company's competitors import products from the same countries. Upon completion of this offering, the Company intends to hedge its Swiss franc exposure on Showbox orders.

Accounting for Income Taxes

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109), which will supersede FAS 96. The standard has a required adoption date of no later than January 1, 1993 and will change many of the requirements of FAS 96, particularly with respect to the recognition of the tax benefit of deductible timing differences and tax credits and loss carryforwards to be utilized in future years for income tax purposes. Deferred tax assets are recognized, net of any valuation allowance, for deductible temporary differences and loss carryforwards. The Company is in the process of reviewing

the impact and approach to implementing FAS 109, but does not expect it will have a material adverse effect on the Company's financial position or results of operations.

BUSINESS

General

The Holson Burnes Group is the largest designer, manufacturer and distributor of photo albums in the United States and the second largest designer and distributor of photo frames. The Company is the only supplier in the U.S. with a substantial market presence in both albums and frames and which serves all major retail distribution channels. Holson Burnes products are sold to approximately 25,000 retailers, including mass merchants (such as Wal-Mart, Kmart, Costco, Target, Eckerd, Walgreen and Staples), department stores (including J. C. Penney, Federated Department Stores, May Department Stores and Dayton Hudson) and specialty stores (such as Michael's Stores, Moto Foto and Bed and Bath). Holson Burnes offers the broadest line of frames and albums in the industry, representing approximately 1,800 SKUs. Each of the Company's well-established brands has its strength in a particular retail channel and is supported by the Company's large, experienced sales force and its reputation as a leader in design.

Since 1986, the Company has acquired and integrated three leading participants in the photo-storage and display business.

- Holson, acquired in 1986, was founded in 1942 by Abraham Holson, an immigrant bookbinder who was an originator of the modern photo album. Holson is regarded as a product innovator, having introduced the magnetic page and pocket page to the photo album market.
- Burnes, acquired in 1987, was founded in 1917 by Charles D. Burnes. Burnes' achievements have included the introduction of the clear plexiglas photo cube and the collage frame (displaying several photographs in one frame with a multiple cut-out matte).
- Terragrafics, purchased in 1990, is a design-driven supplier of fashion-oriented frames to specialty stores.

Holson Burnes consolidated the acquired businesses, eliminated redundant operations, improved efficiencies and built on the competitive strengths of each business. The consolidation has allowed the Company to pursue new marketing opportunities which the acquired businesses individually could not have capitalized on as effectively because of their smaller size, and differing products and distribution channels. The Company has successfully introduced new products, such as Burnes albums to department and specialty stores in 1989 and Holson frames to mass merchants in late 1990 and 1991. The Company intends to introduce the Showbox photo viewer, a new product category for which the Company has the exclusive U.S. and Canadian licenses, to department and specialty stores through its Burnes sales force in the Fall of 1992, and intends to begin marketing the Showbox photo viewer through its Holson sales force to its mass merchant customers in 1993.

The diagram below illustrates the retail channels in which each of the Company's brand names is primarily marketed.

<u>Channel</u>	<u>Frames</u>	<u>Albums</u>	<u>Showbox</u>
Mass Merchants	Holson	Holson	Holson
Department Stores	Burnes/Terragrafics	Burnes	Burnes
Specialty Stores	Terragrafics/Burnes	Burnes	Burnes

The Photo Frame and Album Industry

The frame and album industries have annual sales of over \$750 million and \$250 million, respectively, at wholesale, and have increased in recent years in part due to several favorable trends in the photographic industry. The popularity of easy-to-use 35 mm cameras for amateurs and the ease, affordability and marketing of film processing have contributed to growth in prints processed to 16.8 billion in 1990. Camera manufacturers continue to improve the technology of 35 mm cameras by adding features such as automatic focus, exposure, flash, film loading and winding, and zoom lenses. These features make 35mm cameras easier to use and allow the amateur photographer to take better quality pictures. Marketing of film processing, such as frequent photo memberships, free film with each roll processed and 2-for-1 print offers, has also contributed to the increased volume of photos processed, as has the increased number of reasonably priced processing locations, including 60-minute photo labs, grocery stores, drug stores, drive-through kiosks and other retail outlets.

The Company believes that a vast majority of the prints processed are not placed in frames or albums, thus creating an opportunity for market expansion. New fashion looks for both albums and frames have contributed to the increased use of photo storage and display products. This has been achieved through the use of new materials, such as mixed metals, crystal, exotic woods, faux stone and fabric for frames and the use of decorative designs such as Old World, Romantic/Victorian, Art Deco and Southwest for both frames and albums.

Management believes that another factor in the growth of frame sales has been the increase in sales of enlargements, which almost tripled from 1985 to 1990. A higher percentage of enlargements than standard-sized photo prints are placed in frames, with approximately 70% of the Company's frame products being sold for use with enlarged prints. The Company believes this trend is likely to continue as new technologies make it easier, faster and less expensive to produce enlargements. Finally, because picture taking is a family-oriented activity, the Company believes that the increased emphasis on family and the growing birth rate will result in more photos being taken and placed in frames and albums.

Price ranges and product designs vary among the retail channels, with the highest prices and the most fashionable designs generally being found in department and specialty stores. Many department stores and mass merchant retailers continue to consolidate their suppliers, thereby creating a new class of preferred vendors, in an effort to reduce costs and streamline operations. For example, certain mass merchant retailers have linked their computers with suppliers to facilitate order processing, thus insuring in-stock positions, improving inventory management and sales forecasting and lowering purchasing costs. Holson Burnes has such a relationship with 19 of its largest customers including Wal-Mart, Kmart and Target.

Business Strategy

The Company's goal is to be the leading supplier of photo frames, albums and other photo storage and display products to all channels of retail distribution. To accomplish this goal, the Company is pursuing a growth strategy that is based on expanding its business with the fastest-growing mass merchant customers, introducing new product categories, and increasing its penetration in all retail channels, particularly the specialty store segment. In addition, the Company will consider acquisition opportunities consistent with its strategic plan, although the Company is not presently considering any specific proposals.

Mass Merchant Growth

The Company is the largest album supplier to many of the leading and fastest-growing mass merchants, including Wal-Mart, Kmart, Target, Costco and Staples. The Company expects its business with mass merchants to grow due to:

- *Customer Growth.* The Company has developed strong relations with the leading mass merchants and also strives to establish ties with emerging operators.
- *Vendor Consolidation.* The Company expects to continue benefiting from the consolidation of vendors.
- *Frame Sales.* The Company successfully introduced a line of Holson frames in late 1990 and 1991, and currently has less than 1% of this \$500 million fragmented market.

New Product Innovations

The Company believes it can grow its business through product innovations, such as the Showbox photo viewer, which increase the use of photo storage and display products. Holson Burnes is the only company with a substantial market presence in both albums and frames, with separate sales organizations, brand names and products specific to all channels of distribution (mass merchants, department stores and specialty stores). Due to these competitive advantages, the Company was able to obtain the exclusive U.S. and Canadian distribution rights to the Showbox photo viewer and is well positioned to introduce other product innovations in the photo storage and display market.

Specialty Store Penetration

The Company plans to increase its market share in all channels of retail distribution, particularly the specialty store segment. The Company acquired Terragrafics in 1990 to give it a strong brand name and design oriented products for the specialty store segment, where its market share was well below Burnes' share in the department store channel. Beginning in 1991, Burnes took responsibility for selling, marketing and sourcing Terragrafics products, just as it did with the Holson department store album business, transferred to Burnes in 1989 and which has since become the market share leader. The Company believes it can increase its specialty store business by selling to new accounts and by increasing its share of shelf space with existing specialty store customers. The

Company believes that as Terragrafics products grow in this segment, the Company will also sell more of its broader line of Burnes products to such customers.

The Company believes the following competitive advantages support the successful implementation of its business strategy:

Brand Recognition. Burnes and Terragrafics brand products are primarily offered through department and specialty stores and are generally not available through mass merchants. The Company believes this is important to department and specialty stores which differentiate themselves from mass merchants through unique products and exclusive brands. In addition, the Holson brand is well recognized by mass merchants for quality products which offer value to the consumer.

Design Leadership. The Company strives to continue to be a design leader in the industry in order to strengthen its market position. The Company's in-house staff of designers introduces numerous new products each season. The Company's newest and most innovative designs are generally first offered by Terragrafics and Burnes through specialty and department stores. The most successful of these designs are then offered to the Company's mass merchant customers under the Holson brand.

Product Line Breadth. The Company offers its customers the industry's broadest variety of both frames and albums at a wide range of price points. This enables retailers which are competitors to choose similar products and to offer a broad assortment of products with a wide range of price points without competing on identical items.

Low-Cost Supplier. The Company's experience allows it to select the lowest cost and best quality source for a product, whether it be in-house manufacturing or sourced from third parties, domestically or abroad. This enables the Company to provide its customers with a quality product which can be sold to the consumer as a good value, a concept which is particularly important to the mass merchants.

Customer Support. The Company differentiates itself from its competitors through innovative marketing and sales support programs and its investment in marketing information systems. The Company also supports its customers through reliable product delivery and flexibility in production and sourcing to meet current demand.

Products

Holson Burnes offers the broadest line of frames and albums in the industry, representing more than 1,800 SKUs. The Company's frames and albums sell at retail prices between \$0.99 and \$120.00 per unit, with a concentration of products in the \$4.99 to \$19.99 retail price range. The Company plans to extend its product line with the Showbox photo viewer, a new product category, in the Fall of 1992.

Photo Frames

The Company designs and sells a broad line of photo frames under its Burnes, Terragrafics and Holson brands. The Burnes and Holson brands are comprised of basic, fashion and promotional

products and the Terragrafics brand frames are principally fashion products. Basic lines consist of photo frames which appeal to broad markets, have few design changes in each year, have predictable retail sales and have a relatively long product life. The Company's fashion frames change designs more frequently in line with current fashion trends, have a shorter product life (two or three years) and sell at a relatively high margin. These frames are often designed to coordinate with current home furnishing designs and consumer trends, such as Babies, Victorian, and America at Home. Burnes and Holson also sell promotional photo frames, which are their photo frames with the broadest market appeal sold at discounts or through other promotions.

The Burnes brand product line consists of over 800 SKUs selling at retail prices between \$2.00 and \$40.00. Burnes frames are made of metal (brass or silverplate), wood, ceramic or acrylic.

The Terragrafics brand product line consists of over 215 SKUs selling at retail prices up to \$120.00. The Terragrafics brand products are principally fashion frames which are sold into the department and specialty store channel. Terragrafics photo frames are made of wood, ceramic or acrylic.

The Holson brand product line, which was introduced in 1990, consists of over 325 SKUs selling at retail prices between \$0.99 and \$29.99. Photo frames previously sold under the Burnes or Terragrafics brand are sold under the Holson brand name to mass merchants with minor design and material modifications which reduce costs.

Photo Albums

The Company's photo album product line is comprised of both basic and fashion items and is sold under the Holson and Burnes brands. Basic albums have traditional styles, colors and page types and, as a result, undergo few product changes each year. Basic albums also have a highly predictable level of demand and broad market appeal. Fashion photo albums are constructed with essentially the same materials used for basic products. The covers, however, are designed with current fashion looks. The Company has license agreements for many of these cover designs with Walt Disney, the Boston Museum of Fine Arts, various designers of wallpaper and fabrics, including Schumacher and Sanderson, and others. Fashion photo albums have relatively higher retail prices and a shorter average product life (one to two years) than basic albums.

Holson has sold albums since 1942 and currently offers over 375 SKUs selling at retail prices between \$1.49 and \$19.99. Introduced in 1989, the Burnes photo album product line consists of over 115 SKUs with most selling at retail prices between \$4.99 and \$19.99. Burnes' basic and fashion albums are typically considered more fashionable than are the Holson albums. The Company believes that the Burnes brand has become the market leader in albums sold to the department and specialty store channels since its introduction in 1989.

Showbox Photo Viewer

The Company has been granted the exclusive licenses to sell the Showbox photo viewer in the United States and Canada. To date, this product has only been sold in Switzerland where it was introduced in 1987. The Company introduced the Showbox photo viewer at trade shows in 1991 and early 1992, has orders for \$ _____ as of _____, 1992 and is planning a national product launch in the third quarter of 1992. The Showbox photo viewer is a highly engineered, sophisticated new system for photo storage and display. Each Showbox photo viewer displays a photo in a framed window, and stores up to 40 photo prints in a small drawer behind the window. The product's unique feature is its ability to rotate the photos displayed in the window automatically with the in and out movement of the drawer. In 1991, the Showbox photo viewer won a *Popular Science* award for best product in the photography category. In the U.S. and Canada, various aspects of the Showbox photo viewer are protected by patents.

Discontinued Operations

In addition to its primary industry segment of photo albums and photo frames, the Company has operated in two other separate lines of business, the marketing and distribution of clocks and gift items and the manufacturing, marketing and distribution of wedding albums for professional photographers. The Company has determined that these lines of business do not fit within its strategic plan and is in the process of divesting them. Provisions for estimated costs of disposal and losses during the phase-out period have been made in the 1991 Consolidated Financial Statements and the Company believes no additional losses will be incurred. See Note 3 to the Consolidated Financial Statements.

Sales and Marketing

The Company's sales and marketing efforts are organized to focus on each of its separate channels of distribution: mass merchants, department stores and specialty stores. Mass merchants order in large quantities and require less service and sales support due to their centralized purchasing and distribution. Department and specialty stores are typically sold and serviced by the Burnes sales representatives because of these retailers' similar needs: smaller orders, greater customer service and greater marketing support. In 1991, the Company's top ten customers accounted for less than 28% of gross revenues and Wal-Mart and its affiliates accounted for 13.1%.

Mass Merchants

The Company employs seven full-time sales people which service and sell Holson albums and frames to approximately 110 mass merchants. The sales people are assigned to certain national accounts and are paid a salary and a bonus based on performance. The Company believes its innovative use of packaging, product design and promotional programs have contributed to its success with mass merchants. For example, the Company was the first supplier to introduce bulk packaging for albums, and as a result Holson has become the leading supplier of these products to warehouse clubs since the products' introduction in 1988.

Department and Specialty Stores

The Company sells its Burnes frames and albums and Terragrafics frames to department and specialty stores. The Company uses approximately 160 outside representatives who are compensated on an incentive basis. These representatives do not sell products which directly compete with the Company's frames and albums. The Company's representatives track store inventories, check displays, take orders and work with the stores in setting up merchandising and marketing programs such as co-operative advertising.

Showbox Photo Viewer

The Company expects to introduce the Showbox photo viewer to department and specialty stores in the Fall of 1992. The Company plans to modify the Showbox photo viewers' design, packaging and marketing support systems to ensure product differentiation among retail channels in 1993, when it is introduced to mass merchants through the Holson sales force. The Company's pre-marketing efforts for the Showbox photo viewer have included redesigning the product and its packaging, preparing advertising and public relations programs and obtaining commitments for orders and additional retail shelf space.

Marketing Information Systems

The Company's marketing information systems currently focuses on expediting the receipt and fulfillment of retail orders. The Company uses this information to insure in-stock positions, improve inventory management and lower purchasing costs, all of which increase retailers' profitability. The Company has implemented an electronic data interchange system ("EDI") which allows its larger retailers (19 at present, including Wal-Mart, Kmart and Target) to place orders via computers linked directly to the Company eliminating the need for the day-to-day involvement of sales representatives.

The Company is in the process of implementing a more advanced EDI with Wal-Mart which is designed to provide the Company with information about sales of its products through links to point-of-purchase UPC scanners. The information should allow the Company to meet current customer demand and forecast future demand more quickly and accurately. In addition, when this advanced EDI is implemented with more retailers, the Company should be able to gather some of the most current industry information for itself and its retailers, such as geographic trends, the most efficient displays for products and the most profitable price points.

For specialty stores, certain of the Company's sales representatives use Telxon® units (portable devices which provide and transmit information by telephone between the Telxon user and the Company) to place retailers' orders at the touch of a button.⁽¹⁾ The Telxon units also provide a convenient method for sales representatives to determine inventory levels at a store. Finally, the Company has developed a new pre-ticketing system which is designed to eliminate substantial retail ticketing and pricing work which in turn moves the products onto the store shelves more quickly.

(1) Telxon® is a registered trademark of Telxon Corporation.

Manufacturing and Sourcing

Photo Frames

The Company outsources about 78% of its photo frames and fabricates and assembles the balance in its Rhode Island facility. The Company maintains foreign production arrangements with over 20 suppliers located in Far Eastern countries including China, Taiwan, Thailand, Indonesia, Malaysia and Korea. The Company has significantly strengthened its relationships with these sources in recent years by establishing sourcing offices in both Taiwan and Hong Kong. These offices are staffed by experienced nationals who monitor production and quality and develop next-generation sources.

Photo Albums

The Company believes that it is one of the largest and lowest cost producers of photo albums in the world. The Company has increased productivity over the last three years through automation, longer production runs and a more level-loaded production schedule (although sales are cyclical, reaching a peak in November, the Company is able to eliminate downtime by manufacturing its products which have a predictable level of demand during off-peak months).

Approximately 75% of the Company's photo albums are manufactured at its Claremont, New Hampshire manufacturing facility. The Company purchases the raw materials needed to produce the photo albums from a few selected suppliers in order to obtain better quality, pricing and delivery. The principal materials purchased are paper, film (polypropylene), glue, metal rings, printed papers, leather and vinyl. The Company is not dependent upon any one supplier or group of suppliers for its raw materials. In addition, as the largest U.S. manufacturer of photo albums, the Company believes that it is able to negotiate favorable terms for the purchase of raw materials.

At December 31, 1991, the Company had commitments of approximately \$17.8 million to purchase albums through the period ended November 30, 1994.

Showbox Photo Viewer

The manufacturer of the Showbox photo viewer has completed an automated production facility in Switzerland to supply the Company. Initial capacity will be approximately 5 million units per year and is expected to double by late 1993. At the current conversion rate, the Company has agreed to purchase \$17.9 million of product for sale in the United States at any time prior to June 30, 1993 and \$1.8 million of product for sale in Canada at any time prior to December 31, 1993, in each case subject to certain maximum monthly orders. Thereafter, the Company is not committed to purchase any Showbox photo viewers, but it must meet minimum purchase and resale requirements in the U.S. and Canada in order to maintain its exclusive license in each country.

Competition

The photo display industry is fragmented with numerous competitors, including domestic and foreign frame and album manufacturers, importers and distributors. Although most of the Company's competitors are smaller, some have greater assets and resources. Design, price, quality of product, service and breadth of product line are the principal competitive factors in the industry.

Frames

The Company's Burnes brand frames compete primarily in the department store markets, where they have the largest market share, and the specialty store segment. Principal competitors in these markets are Fetco, M.W. Carr, and MTB Enterprises Inc. (Loui Michel). Terragraphics' frames compete primarily in specialty stores against many of the same competitors faced by Burnes. Competitive factors in the department and specialty store markets include design, service and breadth of product line. Holson's frames compete primarily in the mass merchant market, in which it began selling frames in 1990. Its primary competitors are Intercraft, Acme and Condecor (Decorel). The Company believes that Holson frames are well-positioned in this market due to the Company's design, quality and low-cost sourcing through Burnes.

Albums

The Company's Holson albums compete primarily in the mass merchant market, where they enjoy the largest market share. Their principal competition in this market comes from Pioneer Photo Services, Climax, MBI and Kleer-Vu. The Company's Burnes albums have the largest market share in department stores, where their main competitors are Lavie International, MBI, and C. R. Gibson. Design, quality, price, service and product line range are the principal competitive factors in these markets. Price is important in the mass merchant market, but design, service and product line range have increased in importance as these retailers have attempted to differentiate from one another.

Proprietary Rights

The Company's BURNES OF BOSTON®, HOLSON® and TERRAGRAFICS® trademarks and a number of its other significant trademarks are protected by federal registration. Certain of the Company's products are protected by copyright but others may not be protected either by patent or copyright law. However, the Company does intend to apply for proprietary rights protection on any significant new patentable products expected to have a long product life. The Company has been provided with the exclusive license to distribute the Showbox photo viewer, a patented photo display product, in the United States and Canada. The Company believes that the Showbox photo viewer license rights and the patents and trademarks relating to the Showbox photo viewer are of significant value as are the Company's other trademarks. The Company also licenses certain characters from Walt Disney for use on its products. In addition, the Company has licenses with the Boston Museum of Fine Arts as well as various fabric and wallpaper suppliers to use certain designs for the Company's album covers. Sales of these licensed products have not in the past represented a significant portion of the Company's sales.

Employees

As of February 29, 1992, the Company had 790 employees with 215 salaried (including 55 engaged in sales and marketing) and 575 hourly. None of the Company's employees are represented by a labor union. The Company has not experienced any work stoppages and considers its relations with its employees to be good.

Facilities

The following table provides certain information regarding the Company's principal facilities:

<u>Location</u>	<u>Approximate Square Footage</u>	<u>Type of Interest</u>	<u>Description of Use</u>
Claremont, New Hampshire	160,000	Owned	Manufacturing, Warehousing and Distribution
Claremont, New Hampshire	30,000	Owned	Warehousing and Distribution
North Smithfield, Rhode Island	425,000	Leased	Corporate Headquarters, Warehousing, Distribution and Assembly
Gaffney, South Carolina ⁽¹⁾	106,000	Owned	Manufacturing, Warehousing and Distribution
Cerritos, California	30,000	Leased	Warehousing and Distribution

(1) Related to discontinued operations.

The Company believes that it has sufficient capacity to meet its current and projected manufacturing and distribution needs. All of the Company's interests in its owned properties, as well as the Company's leasehold interest in its North Smithfield, Rhode Island facility, are pledged as collateral pursuant to the Company's existing financing agreements.

Environmental

The Company believes that its operations currently comply in all material respects with applicable Federal, state and local environmental laws and regulations. The Company does not anticipate any significant expenditures in order to continue to comply with such laws and regulations.

Legal Proceedings

The Company is not involved in any lawsuits which would have a material adverse effect on its business.

MANAGEMENT

Directors and Executive Officers

The following table sets forth certain information concerning each of the Company's directors and executive officers:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Charles Gordon	50	Chairman and Director
Thomas E. Hoffmeister	40	President and Director
Steven W. Barnes	32	Executive Vice President - Operations, Chief Financial Officer and Secretary
Robert Sangster	54	Executive Vice President - Sales and Marketing
Deborah Carreau	34	Vice President - Finance
Ronald L. Cippola	48	Vice President - Management Information Systems
Joshua Bekenstein	33	Director
Geoffrey S. Rehnert	34	Director

Charles Gordon has served as Chairman of the Company since 1991 and a director since March 1992. From 1967 to 1991, Mr. Gordon served as President of Charles D. Burnes Co. and since 1991 he has been Chairman of the Company's principal operating subsidiary.

Thomas E. Hoffmeister has served as President of the Company since 1991 and a director since March 1992. From August 1988 to 1991, he was the President of The Holson Company and since 1991 he has been President of the Company's principal operating subsidiary. Mr. Hoffmeister was employed with Price Waterhouse from 1983 to 1988, including as Partner-in-Charge of its Providence, Rhode Island office.

Steven W. Barnes has served in his present capacities since January 1991. From August 1989 to January 1991, he was the Vice President-Finance and Chief Financial Officer of the Company. Mr. Barnes joined The Holson Company in August 1988 and served as its Vice President-Finance and Chief Financial Officer until 1991. Mr. Barnes held various positions with Price Waterhouse from 1982 to 1988.

Robert Sangster has served in his present capacity since January 1992. He was the chief operating officer of Kilmartin Industries, a maker of coins, tokens, medallions and other products, from 1990 until 1992 and of Tanury Industries, Inc., a gold electroplater, from 1987 to 1990.

Deborah Carreau has been with the Company since 1988 and has been its Vice President-Finance since 1991. She served as the Company's Vice President-Management Information Systems until March 1992. From 1986 to 1988, Ms. Carreau was a manager at Price Waterhouse.

Ronald L. Cipolla became Vice President-Management Information Systems in March 1992. From 1991 through February 1992, he was the National Director, Channel Marketing for Imrex Computer Systems, a software supplier. He was the President of Ken Tech Systems, Inc., a technical consulting firm, from September 1989 to December 1990. Previously, he held various positions with Kendall, Inc., a manufacturer and distributor of health care products.

Joshua Bekenstein has served as a director of the Company since 1989 and of the Company's principal operating subsidiary since 1986. Mr. Bekenstein also serves on the boards of BVC Communications, Inc. (an owner of television stations), Bright Horizons Children's Centers, Specialty Retailers, Inc. (a department store chain), Tulip Holding Corporation (a fashion specialty paint distributor), Mothercare Stores, Inc. (a maternity clothing retailer) and Masland Holdings, Inc. (a manufacturer of automotive carpet products). He has been a partner of Bain Capital Partners since August 1986.

Geoffrey S. Rehnert has served as a director of the Company since March 1992 and of the Company's principal operating subsidiary since 1986. Mr. Rehnert also serves on the boards of Professional Advantage (a mortgage banking company), Closings Limited (which provides closing services for mortgage lenders) and Commercial Mortgage Corporation (a company which securitizes and services loan pools). Mr. Rehnert has been a partner of Bain Capital Partners since August 1986.

The Board of Directors has established two standing committees, an Audit Committee and a Compensation Committee, each of which is composed of Joshua Bekenstein and Geoffrey S. Rehnert. The Compensation Committee makes recommendations to the Board of Directors regarding compensation of senior executives and administers each of the stock option plans described below.

All directors hold office until the next annual meeting of stockholders of the Company and until their successors have been duly elected and qualified. Directors who are not employees receive \$_____ annual compensation for their service in that capacity, \$_____ for each Board of Directors meeting attended and \$_____ for each committee meeting attended. Board members are also reimbursed for their expenses incurred in Company-related activities. Officers serve at the discretion of the Board of Directors.

Executive Compensation

The following table sets forth the cash compensation paid or accrued by the Company to each of the Company's five most highly compensated executive officers and to all executive officers as a group for services rendered during the year ended December 31, 1991.

<u>Name of Individual or Number in Group</u>	<u>Capacities in Which Served</u>	<u>Cash Compensation</u>
Charles Gordon	Chairman	\$207,500
Thomas E. Hoffmeister	President	207,500
Steven W. Barnes	Executive Vice President - Operations, Chief Financial Officer and Secretary	173,000
James Geraghty ⁽¹⁾	Executive Vice President - Sales and Marketing	84,500
Deborah Carreau	Vice President - Finance and Assistant Secretary	161,000
All executive officers as a group (the five persons named above)		833,500

(1) Mr. Geraghty resigned in December 1991. See "Severance Agreements."

Stock Option Plans

1992 Key Employees Stock Option Plan

In March 1992, the Company adopted the 1992 Key Employees Stock Option Plan (the "1992 Option Plan"). The 1992 Option Plan is administered by a committee consisting of non-management members of the Board (the "Committee") who are appointed by the Board. Under the 1992 Option Plan, options will be granted to officers and key employees of the Company as selected by the Committee. The aggregate maximum number of shares of Common Stock available for awards under the Stock Option Plan totals 300,000 shares, subject to certain adjustments reflecting changes in the Company's capitalization. The 1992 Option Plan expires in March 2002.

Options granted under the 1992 Option Plan may be either incentive stock options ("ISOs") or such other forms of non-qualified stock options ("NQOs") as the Committee may determine. ISOs are intended to qualify as "incentive stock options" within the meaning of Section 422A of the Internal Revenue Code of 1986, as amended (the "Code"). The exercise price of the options is determined by the Committee at the time of the grant except that the exercise price is required to be at least 100% of the fair market value of a share of Common Stock on the date of the grant.

Options granted under the 1992 Option Plan may be subject to time vesting and certain other restrictions at the Committee's sole discretion. Subject to certain exceptions, the right to exercise an option generally terminates at the earlier of (i) the termination of the grantee's employment or (ii) the expiration date of the option. The Committee in its discretion may determine that an option is exercisable until one year after the date of death or disability of the grantee while the grantee is an

employee of the Company or three months after the date of termination of the grantee if the grantee is terminated for any other reason.

The Committee generally has the authority to amend the 1992 Option Plan at any time without approval of the Company's stockholders, except that the Committee may not amend the 1992 Option Plan to materially increase the benefits or number of shares or modify the eligibility requirements without the approval of the Company's stockholders.

The Company has not issued any options pursuant to the 1992 Option Plan.

1990 Key Employees Stock Option Plan

The Company also has a 1990 Key Employees Stock Option Plan (the "1990 Option Plan") which has substantially the same terms as the proposed 1992 Option Plan. Options covering the equivalent of 351,361 shares of Common Stock, including the options described below, have been granted pursuant to the 1990 Option Plan. After this offering, future option grants will only be made pursuant to the 1992 Option Plan.

Pursuant to a commitment made by the Company to Mr. Gordon in connection with the acquisition of Charles D. Burnes Co., Inc. in 1987 and pursuant to a letter agreement dated October 1988 between the Company and Mr. Geraghty, the Company granted options in December 1990 to Messrs. Gordon and Geraghty at an exercise price of \$.01 per share covering the equivalent of 78,882 and 48,524 shares of Common Stock, respectively. Also in December 1990, the Company granted options to Messrs. Hoffmeister and Barnes with an exercise price of approximately \$.12 per share covering the equivalent of 95,924 and 52,550 shares of Common Stock, respectively, and options to Ms. Carreau at an exercise price of approximately \$.12 per share covering an equivalent of 4,171 shares. The Company determined that the fair market value per share of Common Stock in December 1990 was the equivalent of approximately \$1.92. In March 1992, the Company granted additional options to Messrs. Hoffmeister and Barnes at an exercise price equal to the per share price in this offering covering an equivalent of 5,403 and 2,396 shares of Common Stock, respectively.

The foregoing options generally cannot be exercised until the first to occur of the seventh anniversary of the date of grant (or, in the case of Ms. Carreau's options, become exercisable over time and are fully exercisable on July 1, 1994) or an "acceleration event" (generally, a change in control of the Company or Bain ceasing to own at least 609,046 shares of Common Stock). In the case of options held by Messrs. Hoffmeister and Barnes, (i) options covering 55,469 and 27,735 shares, respectively, become exercisable over time and are fully exercisable on August 16, 1993, (ii) options covering 45,877 and 27,526 shares, respectively, become exercisable upon the occurrence of certain events relating to changes in the control of the Company and (iii) the options granted in March 1992 become exercisable prior to the seventh anniversary of the date of grant only in the event of both an acceleration event and the fair market value of the Common Stock being at least \$59.94 per share.

Investment Plan

The Company maintains an investment plan (the "401(k) Plan") which is intended to qualify under Sections 401(a) and 401(b) of the Code. The 401(k) Plan was adopted in its present form on

January 1, 1992 at which time the investment plan for Holson employees was merged with the investment plan for Burnes employees. All employees of the Company are eligible to participate in the 401(k) Plan.

The 401(k) Plan allows participants to agree to certain compensation reductions which the Company allocates to the participant's plan account. These amounts are subject to certain statutorily mandated annual limits. Participants are also eligible, subject to certain 401(k) Plan participation requirements, to receive Company matching contributions each year in an amount equal to the lesser of (i) the maximum amount deductible from the participant's income under the Internal Revenue Code of 1986, as amended, or (ii) 3% of the total amount of the participant's annual salary or aggregate hourly compensation. The amounts contributed by the Company vest immediately for employees once they have been employed by the Company for three years.

During 1991, the Company contributed under the 401(k) Plan the following amounts to each of the following participants: Mr. Hoffmeister (\$7,425); Mr. Gordon (\$4,068); Mr. Barnes (\$5,400); Ms. Carreau (\$2,171); Mr. Geraghty (\$5,316); and all executive officers as a group (five persons) (\$24,380).

Management and Stock Purchase Agreements

The Company and Mr. Gordon are parties to a management agreement dated as of August 12, 1988 which governs restrictions on the equivalent of 255,800 shares of Common Stock, which were issued to Mr. Gordon on July 28, 1989. Pursuant to a stock purchase agreement dated December 31, 1990, Mr. Gordon purchased from the Company an additional 30,649 shares of Common Stock. The aggregate purchase price was \$218.80 and the fair market value of such shares was approximately \$58,845 at such time. The agreements restrict the transferability of the shares. All of the shares described above will be fully vested on July 1, 1992.

As of December 31, 1990, the Company sold to Mr. Hoffmeister and Mr. Barnes the equivalent of 6,448 and 3,224 shares of Common Stock, respectively, for \$84,000 and \$42,000, respectively. Such shares are not subject to any restriction on transfer nor any repurchase rights. Messrs. Hoffmeister and Barnes paid the purchase price for such shares by delivery of their demand notes, bearing interest at 10% per annum.

Severance Agreements

Pursuant to a management agreement dated as of August 12, 1988 between Charles Gordon and the Company, the Company has agreed to pay Mr. Gordon's base salary and continued benefits for 52 weeks after termination, in the event Mr. Gordon's employment is terminated other than by resignation or for cause.

The Company has severance agreements with each of Messrs. Hoffmeister and Barnes pursuant to which, if such person's employment is terminated other than by resignation or for cause, the Company will pay such person's base salary and benefits until the earlier of (i) 39 weeks from the date of Mr. Hoffmeister's termination or 26 weeks after the date of Mr. Barnes' termination or (ii) the date such person becomes employed by another company.

Pursuant to a severance and repurchase agreement dated as of January 24, 1992 between the Company and Mr. Geraghty, the Company agreed to pay to Mr. Geraghty \$112,046 through August 1992 plus a bonus based upon the Company's performance in 1991. In addition, the Company repurchased from Mr. Geraghty an equivalent of 19,237 shares of Common Stock for an aggregate purchase price of \$100,000. Mr. Geraghty retained an equivalent of 2,085 shares of Common Stock. Mr. Geraghty agreed not to compete with the Company at any time prior to March 1, 1997.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock (and as adjusted to reflect the sale of the Common Stock offered hereby) as of the date of this Prospectus, (i) by each person who is known by the Company to own beneficially more than 5% of the Company's Common Stock, (ii) by each director of the Company and (iii) by all officers and directors of the Company as a group. Except as otherwise indicated below, each of the persons named in the table has sole voting and investment power with respect to the securities beneficially owned by such person as set forth opposite such person's name.

<u>Beneficial Owner</u>	<u>Shares Beneficially Owned</u>		
	<u>Number</u>	<u>Percent Prior to the Offering</u>	<u>Percent After the Offering</u>
Bain Capital Fund Limited Partnership ⁽¹⁾	2,316,579	60.96%	38.61%
Bain Capital Fund Limited Partnership II ⁽²⁾	255,679	6.73	4.26
Charles Gordon ⁽²⁾	308,789	8.13	5.15
Thomas E. Hoffmeister ⁽²⁾	65,778 ⁽³⁾	1.72	1.09
Joshua Bekenstein ⁽¹⁾⁽⁴⁾	3,047,616	80.20	50.79
Geoffrey S. Rehnert ⁽¹⁾⁽⁴⁾	3,047,616	80.20	50.79
All Directors and executive officers as a group (8 persons) ⁽⁵⁾	3,259,996	84.62%	53.86%

(1) The address for these entities and individuals is c/o Bain Capital, Two Copley Place, Boston, Massachusetts 02116.

(2) The address for these individuals is c/o The Holson Burnes Group, Inc., 582 Great Road, North Smithfield, Rhode Island 02895.

(3) Includes 33,281 shares issuable upon the exercise of outstanding stock options exercisable within 60 days of the date of this Prospectus.

(4) 3,009,013 of such shares are held by Bain, Tyler Capital Fund, L.P., Tyler Massachusetts, L.P., Tyler International, L.P.-II, BCIP Associates, and BCIP Trust Associates, L.P. Bain Capital Partners is the general partner of Bain. Bain Venture Capital is the general partner of Tyler Capital Fund, L.P., Tyler Massachusetts, L.P. and Tyler International, L.P.-II. Mr. Bekenstein and Mr. Rehnert are general partners of Bain Capital Partners, Bain Venture Capital, BCIP Associates and BCIP Trust Associates, L.P., but disclaim beneficial ownership of any shares of Common Stock held by such parties.

(5) Includes 52,424 shares issuable upon the exercise of outstanding stock options exercisable within 60 days of the date of this Prospectus.

CERTAIN TRANSACTIONS

In connection with the formation of the Company in 1989, the Company exchanged for Bain's shares of stock of Charles D. Burnes Co., Inc. and The Holson Company approximately the equivalent of 2,306,255 shares of Common Stock. In December 1990 the Company repurchased from Bain the equivalent of 103,575 shares of Common Stock for an aggregate purchase price of \$165,000, of which \$135,000 was paid by the Company's demand note, bearing interest at 8% per annum. Bain purchased Promissory Notes in the aggregate principal amount of \$2,627,640 and warrants to acquire the equivalent of 109,588 shares of Common Stock in September 1991 and Promissory Notes in the aggregate principal amount of \$817,200 and warrants to acquire the equivalent of 34,082 shares of Common Stock in March 1992. The exercise price of these warrants is approximately the equivalent of \$1.92 per share. Messrs. Bekenstein and Rehnert are general partners of the general partner of Bain. Bain and certain other stockholders have agreed to purchase simultaneously with the closing of this public offering 466,667 shares of Common Stock at the public offering price per share (less underwriting discounts and commissions).

Tyler Capital Fund, L.P., Tyler Massachusetts, L.P., Tyler International L.P.-II, BCIP Associates and BCIP Trust Associates, L.P. purchased from the Company Promissory Notes in an aggregate principal amount of \$4,302,360 and warrants to acquire an equivalent of 179,434 shares of Common Stock in September 1991 and Promissory Notes in the aggregate principal amount of \$1,390,800 and warrants to acquire an equivalent of 58,005 shares of Common Stock in March 1992. The exercise price of these warrants is approximately \$1.92 per share. Messrs. Bekenstein and Rehnert are general partners of the general partner of each of Tyler Capital Fund, L.P., Tyler Massachusetts, L.P. and Tyler International L.P.-II and are general partners of the general partner of each of BCIP Associates and BCIP Trust Associates, L.P.

Messrs. Gordon, Hoffmeister and Barnes purchased from the Company Promissory Notes in the aggregate principal amount of \$520,000 and warrants to acquire the equivalent of 31,171 shares of Common Stock in September 1991, and Promissory Notes in the aggregate principal amount of \$225,000 and warrants to acquire the equivalent of 13,487 shares of Common Stock in March 1992. The exercise price of these warrants was \$1.92 per share. In connection with the purchase of the Promissory Notes, Messrs. Hoffmeister and Barnes paid for a portion of the Promissory Notes by delivery of demand notes in the aggregate principal amount of \$147,500 and \$50,000, respectively. In March 1992, Mr. Sangster purchased Promissory Notes in the aggregate principal amount of \$50,000 and warrants to acquire the equivalent of 2,085 shares of Common Stock.

Pursuant to the Recapitalization, all of the Company's outstanding warrants held by Bain, Tyler Capital Fund, L.P., Tyler Massachusetts, L.P., Tyler International, L.P.-II, BCIP Associates, BCIP Trust Associates, L.P. and Messrs. Gordon, Hoffmeister, Barnes and Sangster will be exercised and payment therefor will be made by cancellation of the principal amount of Promissory Notes held by them which is equal to the exercise price of such warrants. An aggregate of 417,060 shares of Common Stock will be issued upon exercise of such warrants.

The Company and Bain Capital Partners entered into a Professional Services Agreement dated as of December 31, 1991 whereby Bain Capital Partners will provide consulting, advisory and financial and other services at the Company's request. Bain Capital Partners will receive a fee based upon actual services rendered to the Company; provided that Bain Capital Partners will not receive a management fee for 1992, and thereafter will receive no more than \$200,000 in fees per year

without the approval of a majority of the non-management directors who are not affiliated with Bain. This agreement is terminable at any time at the discretion of the Company's board of directors. In connection with the placement of the Promissory Notes on September 30, 1991, the Company agreed to pay Bain Capital Partners a \$450,000 fee. The Company also agreed to pay Bain Capital Partners a fee of \$100,000 in 1991 in connection with the debt refinancing of a subsidiary which is currently being divested. The Company has agreed to pay Bain Capital Partners a fee of \$450,000 in 1992 for facilitating the placement of additional debt securities currently being considered by the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

DESCRIPTION OF CAPITAL STOCK

Upon completion of this offering, the total amount of authorized capital stock of the Company will be 13,000,000 shares of Common Stock, \$.01 par value per share, and 1,000,000 shares of Preferred Stock, par value \$1.00 per share (the "Preferred Stock"). After completion of this offering, 6,000,000 shares of Common Stock will be issued and outstanding, assuming no exercise of the Underwriters' over-allotment option, and no shares of Preferred Stock will be outstanding.

Preferred Stock

The Preferred Stock may be issued in one or more classes or series. The Board of Directors is authorized to determine the designations, preferences, qualifications, limitations, and restrictions of any class or series with respect to, among other things, the rate and nature of dividends, the price and terms, voting rights, the amount payable in the event of liquidation and the terms and conditions for conversion or exchange into any other class or series of stock. The issuance of Preferred Stock may adversely affect the rights of holders of the Common Stock.

Common Stock

As of the date of this Prospectus, there are the equivalent of 351,361 shares of Common Stock outstanding held by 24 holders of record. In addition, as of March 15, 1992, the equivalent of 351,361 shares of Common Stock were reserved for issuance upon exercise of outstanding stock options. The issued and outstanding shares of Common Stock are, and the shares being offered will be, upon payment therefor, validly issued, fully paid and nonassessable. The holders of outstanding shares of Common Stock are entitled to receive dividends out of assets legally available therefor at such times and in such amounts as the Board of Directors may from time to time determine. The shares of Common Stock are neither redeemable nor convertible, and the holders thereof have no preemptive or subscription rights to purchase any securities of the Company. Upon liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to receive pro rata the assets of the Company which are legally available for distribution, after payment of all debts and other liabilities and subject to the prior rights of any holders of Preferred Stock then outstanding. Each outstanding share of Common Stock is entitled to one vote on all matters submitted to a vote of stockholders.

Certain Effects Of Authorized But Unissued Stock

Upon completion of this offering there will be approximately 6,648,639 shares of Common Stock and 1,000,000 shares of Preferred Stock authorized under the Company's Certificate of Incorporation for future issuance without stockholder approval. These additional shares may be used for a variety of corporate purposes including future public offerings to raise additional capital or to facilitate corporate acquisitions.

One of the effects of the existence of unissued and unreserved Common Stock and Preferred Stock may be to enable the Board of Directors to issue shares to persons friendly to current management which could render more difficult or discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of the Company's management. Such additional shares also could be used to dilute the stock ownership of persons seeking to obtain control of the Company.

The Board of Directors is authorized without any further action by the stockholders to determine the rights, preferences, privileges and restrictions of the unissued Preferred Stock. The purpose of authorizing the Board of Directors to determine such rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The Board of Directors may issue Preferred Stock with voting and conversion rights which could adversely affect the voting power of the holders of Common Stock, and which could, among other things, have the effect of delaying, deferring or preventing a change in control of the Company.

The Company does not currently have any plans to issue additional shares of Common Stock or Preferred Stock other than shares of Common Stock which may be issued upon the exercise of options which have been granted or which may be granted in the future to the Company's employees.

Certain Provisions of the Certificate of Incorporation and By-laws

The Company's Certificate of Incorporation provides that, to the fullest extent permitted by Delaware law a director shall not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty. The Company's bylaws provide that the Company shall indemnify each officer and director to the fullest extent permitted by applicable law.

Transfer Agent and Registrar

The Transfer Agent and Registrar for the Common Stock will be The First National Bank of Boston.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, the Company expects to have 6,000,000 shares of Common Stock outstanding (assuming the Underwriters' over-allotment option is not exercised). Of these shares, the 2,200,000 shares of Common Stock sold in this offering will be freely tradeable without restriction under the Securities Act, except for any such shares which may be acquired by an "affiliate"

of the Company (an "Affiliate") as that term is defined in Rule 144 under the Securities Act ("Rule 144"), which shares will be subject to the resale limitations of Rule 144.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this Prospectus, if a period of at least two years has elapsed since the later of the date the "restricted shares" (as that phrase is defined in Rule 144) were acquired from the Company and the date they were acquired from an Affiliate, then the holder of such restricted shares (including an Affiliate) is entitled to sell a number of shares within any three-month period that does not exceed the greater of 1% of the then outstanding shares of the Common Stock (approximately 60,000 shares immediately after this offering) or the average weekly reported volume of trading of the Common Stock on NASDAQ during the four calendar weeks preceding such sale. The holder may only sell such shares through unsolicited brokers' transactions. Sales under Rule 144 are also subject to certain requirements pertaining to the manner of such sales, notices of such sales and the availability of current public information concerning the Company. Affiliates may sell shares not constituting restricted shares in accordance with the foregoing volume limitations and other requirements but without regard to the two-year holding period. Ninety days after the date of this Prospectus, approximately 2,870,750 shares of Common Stock will be eligible for sale in the public market under Rule 144, subject to the volume limitations and other requirements described above. However, each of the existing stockholders have agreed with the underwriters that such stockholders will not sell any shares within 180 days after the date of this Prospectus. See "Underwriting."

Under Rule 144(k), if a period of at least three years has elapsed between the later of the date restricted shares were acquired from the Company and the date they were acquired from an Affiliate, as applicable, a holder of such restricted shares who is not an Affiliate at the time of the sale and has not been an Affiliate for at least three months prior to the sale would be entitled to sell the shares immediately without regard to the volume limitations and other conditions described above. Ninety days after the date of this Prospectus, approximately 38,323 shares of Common Stock will be eligible for sale without restriction under Rule 144(k), subject to the agreements of the existing holders to not sell shares within 180 days after the date of this prospectus.

Prior to this offering there has been no market for the Common Stock of the Company. The Company can make no predictions as to the effect, if any, that sales of shares or the availability of shares for sale will have on the market price prevailing from time to time. Nevertheless, sales of significant amounts of the Common Stock in the public market, or the perception that such sales may occur, could adversely affect prevailing market prices. See "Investment Considerations--Shares Eligible for Future Sale."

Registration Agreements

In connection with the acquisitions of Charles D. Burnes Co., Inc. and The Holson Company, each such company entered into registration agreements with their respective stockholders which gave such stockholders the right to register their shares of common stock under the Securities Act. Pursuant to the Exchange, the Company and the stockholders agreed that the rights granted to such stockholders (or any subsequent holders of such stockholders' shares) pursuant to the Registration Agreements continue to apply to the shares of Common Stock of the Company that the stockholders received in 1989 (the "Registrable Securities"). The registration agreements have been amended and restated into one single registration agreement (the "Registration Agreement"). Under the

Registration Agreement, the holders of a majority of the Registrable Securities can require the Company, subject to certain limitations, to file registration statements on Form S-1, and the holders of a majority of the Registrable Securities can require the Company, subject to certain limitations, to file registration statements on Form S-2 or S-3, covering all or any portion of their Registrable Securities.

In addition, whenever the Company proposes to register any of its securities under the Securities Act, other than pursuant to registrations requested by holders of Registrable Securities, the holders of Registrable Securities may require the Company, subject to certain limitations, to include all or any portion of the Registrable Securities in such registration ("Piggyback Registration") at the Company's expense. All of the stockholders have waived their rights to a Piggyback Registration in connection with this offering. No rights under the Registration Agreement may be exercised for a period of 180 days after the date of this Prospectus.

date of this Prospectus. To the extent that the Underwriters exercise such option, the Underwriters will become committed, subject to certain conditions, to purchase the same number of additional shares proportionate to each Underwriter's initial commitment.

The Company, its current stockholders and directors and officers have agreed that they will not sell or otherwise dispose of any shares of Common Stock for a period of 180 days from the date of this Prospectus without the prior written consent of the Representatives.

The Representatives have informed the Company that they do not expect sales to discretionary accounts by the Underwriters to exceed five percent of the total number of shares of Common Stock offered by them and that sales to discretionary accounts by the Representatives will be less than one percent of the total number of shares of Common Stock offered by them.

The Company has agreed in the Underwriting Agreement to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act.

Application has been made to have the Common Stock approved for quotation on the NASDAQ National Market System under the symbol "HBGI."

Prior to the offering of Common Stock contemplated hereby, there has been no public market for the Common Stock. The initial public offering price has been negotiated between the Company and the Representatives. Among the factors considered in determining the initial public offering price of the Common Stock, in addition to prevailing market conditions, were the Company's historical performance, capital structure, estimates of the business potential and earnings prospects of the Company, an assessment of the Company's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon for the Company by Kirkland & Ellis, Chicago, Illinois. Karl E. Lutz, a partner at Kirkland & Ellis, beneficially owns the equivalent of 43,801 shares of the Common Stock. Certain legal matters will be passed upon for the Underwriters by Parker Chapin Flattau & Klimpl.

EXPERTS

The financial statements as of December 31, 1991 and 1990 and for each of the three years ended December 31, 1991 included in this Prospectus have been so included in reliance on the report of Price Waterhouse, independent accountants, given on the authority of said firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") under the Securities Act a Registration Statement with respect to the Common Stock offered hereby. This Prospectus does not contain all the information set forth in the Registration Statement, certain items of which are omitted in accordance with the rules and regulations of the Commission. The Registration Statement may be inspected and copied at the public reference facilities maintained by

the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549; at its Chicago Regional Office 500 West Madison Street, Suite 1400, Chicago, Illinois 60606; and at its New York Regional Office, 75 Park Place, 14th Floor, New York, New York 10007. Copies of such material can be obtained from the public reference section of the Commission, Washington, D.C. 20549, at prescribed rates. For further information pertaining to the Company and the Common Stock offered hereby, reference is made to the Registration Statement, including the exhibits thereto and the financial statements, notes and schedules filed as a part thereof.

THE HOLSON BURNES GROUP, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Report of independent accountants	F-2
Audited financial statements:	
Consolidated balance sheet at December 31, 1991 and 1990	F-3
Consolidated statement of operations for the three years ended December 31, 1991	F-4
Consolidated statement of stockholders' equity for the three years ended December 31, 1991	F-5
Consolidated statements of cash flows for the three years ended December 31, 1991	F-6
Notes to consolidated financial statements	F-7

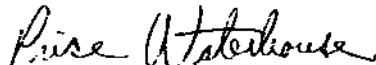
Report of Independent Accountants

To the Board of Directors and Stockholders of
The Holson Burnes Group, Inc.

The recapitalization referred to in Note 9 to the consolidated financial statements has not been consummated at March 25, 1992. When it has been consummated, we will be in a position to furnish the following report:

"In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of The Holson Burnes Group, Inc. and its subsidiaries at December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above."

Price Waterhouse



Providence, Rhode Island
March 25, 1992

The Holson Burnes Group, Inc.

Consolidated Balance Sheet

	December 31,	
	1990	1991
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,386,000	\$ 1,725,000
Accounts receivable, net	15,979,000	19,910,000
Inventories	23,847,000	28,114,000
Refundable income taxes	1,452,000	508,000
Deferred income taxes	340,000	992,000
Other current assets	1,111,000	1,535,000
	<hr/>	<hr/>
Total current assets	44,115,000	52,784,000
Fixed assets, net	9,310,000	12,526,000
Deferred debt issuance costs, net	660,000	1,195,000
Other assets	959,000	981,000
Investment in net assets of discontinued operations	931,000	-
	<hr/>	<hr/>
	\$ 55,975,000	\$ 67,486,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 2,123,000	\$ 3,340,000
Notes payable (including \$1,500,000 due to principal stockholder)	9,000,000	-
Current portion of obligations under capital leases	-	137,000
Accounts payable	3,634,000	4,571,000
Accrued expenses (including \$450,000 due to principal stockholder)	3,118,000	1,753,000
Accrued compensation and employee benefits	2,001,000	2,718,000
Net liabilities of discontinued operations	-	220,000
	<hr/>	<hr/>
Total current liabilities	19,876,000	12,739,000
Long-term debt	23,572,000	38,497,000
Obligations under capital leases	-	449,000
Notes payable to stockholders and officers	-	7,988,000
	<hr/>	<hr/>
Total liabilities	43,448,000	59,673,000
Deferred credit, net	5,223,000	4,398,000
	<hr/>	<hr/>
Stockholders' equity:		
Common stock, \$.01 par value 13,000,000 shares authorized; 3,002,334 shares issued; 3,002,334 and 2,862,720 shares outstanding in 1990 and 1991, respectively	29,000	29,000
Additional paid-in capital	3,737,000	3,836,000
Retained earnings	4,647,000	801,000
	<hr/>	<hr/>
	8,413,000	4,666,000
Less: Deferred compensation	(983,000)	(713,000)
Notes receivable from stockholders	(126,000)	(126,000)
Cost of common stock in treasury: 139,614 shares in 1991	-	(412,000)
	<hr/>	<hr/>
	7,304,000	3,415,000
Commitments and contingencies (Note 14)	<hr/>	<hr/>
	\$ 55,975,000	\$ 67,486,000

The accompanying notes are an integral part of these consolidated financial statements.

The Holson Burnes Group, Inc.

Consolidated Statement of Operations

	Year ended December 31,		
	1989	1990	1991
Net sales	\$ 90,015,000	\$ 88,316,000	\$ 111,545,000
Costs and expenses:			
Cost of sales	61,757,000	59,833,000	77,341,000
Selling, general and administrative	19,377,000	23,030,000	28,375,000
Management and financial advisory fees to principal stockholders	450,000	450,000	-
Consolidation costs	-	1,000,000	529,000
	<u>81,584,000</u>	<u>84,313,000</u>	<u>106,245,000</u>
Operating income	<u>8,431,000</u>	<u>4,003,000</u>	<u>5,300,000</u>
Interest expense	2,959,000	3,615,000	3,639,000
Interest expense on notes payable to stockholder and officers	-	67,000	529,000
	<u>2,959,000</u>	<u>3,682,000</u>	<u>4,168,000</u>
Income from continuing operations before provision (credit) for income taxes	5,472,000	321,000	1,132,000
Provision (credit) for income taxes	2,446,000	(292,000)	322,000
Income from continuing operations	<u>3,026,000</u>	<u>613,000</u>	<u>810,000</u>
Discontinued operations:			
Loss from discontinued operations (net of applicable income tax benefit of \$234,000, \$101,000 and \$194,000 in 1989, 1990 and 1991, respectively)	(603,000)	(756,000)	(609,000)
Loss on disposal of discontinued operations, including provision of \$865,000 for operating losses during phase-out period (net of applicable income tax benefit of \$1,292,000)	-	-	(4,047,000)
	<u>(603,000)</u>	<u>(756,000)</u>	<u>(4,656,000)</u>
Net income (loss)	\$ <u>2,423,000</u>	\$ <u>(143,000)</u>	\$ <u>(3,846,000)</u>
Income per share from continuing operations	\$.80	\$.16	\$.21
Loss per share from discontinued operations	<u>(.16)</u>	<u>(.20)</u>	<u>(1.21)</u>
Net income (loss) per share	\$ <u>.64</u>	\$ <u>(.04)</u>	\$ <u>(1.00)</u>
Weighted average shares outstanding	<u>3,776,265</u>	<u>3,752,731</u>	<u>3,835,098</u>

The accompanying notes are an integral part of these consolidated financial statements.

The Holson Burnes Group, Inc.

Consolidated Statement of Stockholders' Equity For the Three Years Ended December 31, 1991

	<u>Common Stock</u>				Treasury stock & notes receivable	Total stockholders' equity
	Par value	Additional paid-in capital	Retained earnings	Deferred compensation		
Balance, December 31, 1988	\$ 31,000	\$ 2,310,000	\$ 2,367,000	\$ (190,000)		\$ 4,518,000
Deferred compensation related to stock options		773,000		(773,000)		-
Compensation expense related to stock purchase and option plans		36,000		114,000		150,000
Net income			2,423,000			2,423,000
Balance, December 31, 1989	31,000	3,119,000	4,790,000	(849,000)		7,091,000
Repurchase of 130,526 shares of common stock, reissuance of 25,024 shares of common stock, issuance of 11,382 shares of common stock and retirement of 66,730 shares of common stock	(2,000)	262,000		(299,000)	\$ (126,000)	(165,000)
Deferred compensation related to common stock options granted		267,000		(267,000)		-
Compensation expense related to stock purchase and option plans		89,000		432,000		521,000
Net loss			(143,000)			(143,000)
Balance, December 31, 1990	29,000	3,737,000	4,647,000	(983,000)	(126,000)	7,304,000
Repurchase of 139,614 shares of common stock					(412,000)	(412,000)
Compensation expense related to stock purchase and option plans		89,000		270,000		369,000
Net loss			(3,846,000)			(3,846,000)
Balance, December 31, 1991	\$ 29,000	\$ 3,836,000	\$ 801,000	\$ (713,000)	\$ (538,000)	\$ 3,415,000

The accompanying notes are an integral
part of these consolidated financial statements.

The Holson Burnes Group, Inc.

Consolidated Statement of Cash Flows

	Year ended December 31,		
	1989	1990	1991
Cash flows from operating activities:			
Net income (loss)	\$ 2,423,000	\$ (143,000)	\$ (3,846,000)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Amortization of deferred credit	(825,000)	(825,000)	(825,000)
Amortization of deferred compensation	150,000	521,000	369,000
Depreciation and other amortization	926,000	1,176,000	1,739,000
Deferred income taxes	715,000	633,000	(652,000)
Losses from discontinued operations	603,000	756,000	4,656,000
Change in assets and liabilities, net of effects from purchase of Terragrifics, Inc. in 1990:			
Increase in accounts receivable	(369,000)	(926,000)	(3,931,000)
(Increase) decrease in inventories	(8,281,000)	1,326,000	(4,267,000)
(Increase) decrease in refundable income taxes	-	(1,452,000)	944,000
Increase in other assets	(721,000)	(685,000)	(510,000)
(Decrease) increase in accounts payable	(1,456,000)	279,000	937,000
Decrease in accrued expenses	(115,000)	(947,000)	(1,815,000)
Accrued interest on borrowings from stockholders	-	-	488,000
Increase (decrease) in accrued compensation and employee benefits	407,000	(827,000)	717,000
Net cash used in continuing operations	(6,543,000)	(1,114,000)	(5,996,000)
Cash flows from investing activities:			
Purchases of fixed assets	(1,278,000)	(2,316,000)	(3,988,000)
Cash paid for net assets of Terragrifics, Inc.	-	(2,500,000)	-
Changes in assets and liabilities of discontinued operations	(1,117,000)	(1,298,000)	(3,505,000)
Net cash used in investing activities	(2,395,000)	(6,114,000)	(7,493,000)
Cash flows from financing activities:			
Borrowings under revolving credit and working capital loans	40,500,000	33,595,000	84,171,000
Repayments under revolving credit and working capital loans	(30,877,000)	(26,440,000)	(75,503,000)
Borrowings from stockholders and officers	-	1,500,000	6,000,000
Repurchase of stock	-	-	(412,000)
Repayments of other borrowings	(16,000)	(19,000)	(26,000)
Payments for debt issuance costs	(629,000)	(98,000)	(402,000)
Net cash provided by financing activities	8,978,000	8,538,000	13,828,000
Net increase in cash and cash equivalents	40,000	1,310,000	339,000
Cash and cash equivalents, beginning of year	36,000	76,000	1,386,000
Cash and cash equivalents, end of year	\$ 76,000	\$ 1,386,000	\$ 1,725,000
Supplementary information:			
Interest paid	\$ 2,766,000	\$ 3,675,000	\$ 3,640,000
Income taxes paid	\$ 2,885,000	\$ 740,000	\$ 28,000

The accompanying notes are an integral part of these consolidated financial statements.

The Holson Burnes Group, Inc.

Notes to Consolidated Financial Statements

1. Nature of business and organization

The Holson Burnes Group, Inc. (the "Company"), a Delaware corporation, was organized on May 1, 1989 for the purpose of holding all of the outstanding shares of preferred and common stock of The Holson Company ("Holson"), and Charles D. Burnes Company, Inc. ("Burnes"), both of which are principally engaged in the manufacturing, assembly, marketing and distribution of picture frames, photo albums, and clocks and gift items.

Effective July 28, 1989, pursuant to a stock exchange agreement among the Company and the stockholders of Burnes and Holson, newly authorized preferred stock and common stock of the Company were exchanged for all the outstanding shares of preferred and common stock of Holson and Burnes (Note 9). Subsequent to the exchange the two companies were merged. Prior to the exchange, the majority of common and preferred stock of Holson and Burnes were owned by the same stockholders. Accordingly, the exchange of stock was between companies under common control and, therefore, was accounted for in a manner similar to a pooling of interests. Accordingly, the value assigned to the newly issued shares of preferred and common stock on July 28, 1989 was equal to the then historical carrying value of the stock exchanged.

2. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Statement of cash flows

The Company invests its excess cash in certificates of deposit which mature within three months of the initial investment. Accordingly, the investments are subject to minimal credit and market risk. For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Capital lease obligations of \$586,000 were incurred in 1991 when the Company entered into capitalized lease agreements for fixed assets. On December 31, 1990, the Company issued 148,473 shares of common stock in exchange for notes receivable from stockholders totaling \$126,000. In addition, on December 31, 1990 the Company issued 16,299 shares of common stock and granted options to purchase 15,220 shares of common stock in lieu of compensation totaling \$566,000.

Revenue recognition, accounts receivable and concentration of credit risks

The Company sells its products primarily to retailers. Concentration of credit risk with respect to accounts receivable is limited due to the large number of customers comprising the Company's customer base. Ongoing credit evaluations of customers' financial condition are performed, and collateral is not required. The Company maintains reserves for potential credit losses and such losses, in the aggregate, have not exceeded management's expectations.

Notes to Consolidated Financial Statements

Revenue from the sale of products is recognized upon shipment. Accounts receivable are presented net of allowances for doubtful accounts, advertising costs reimbursed to customers and price adjustments of approximately \$1,816,000 and \$3,881,000 in the aggregate at December 31, 1990 and 1991, respectively.

Inventories

Inventories are stated at the lower of cost or market, cost being determined by the first-in, first-out (FIFO) method.

Fixed assets

Fixed assets are stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets or in the case of leasehold improvements over the lesser of the useful life or the lease term. Additions and improvements, unless of relatively minor amounts, are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

Deferred debt issuance costs

Deferred debt issuance costs primarily include bank and legal fees related to loans and are amortized using the effective interest method over the terms of the related loans of approximately 7 years (Notes 7 and 8).

Deferred credit

The deferred credit represents the unamortized balance of excess fair value of net assets acquired over the purchase price of Burnes (after reducing Burnes' fixed assets to no value) determined at May 15, 1987, the date Burnes was acquired. The original amount of the deferred credit is being amortized using the straight-line method over ten years.

Income taxes

The Company utilizes the liability method of accounting for income taxes, as set forth in Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (FAS 96). Under the liability method, deferred taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Deferred tax expense represents the change in the deferred tax asset and liability balances.

Consolidation costs

Consolidation costs include provisions for estimated expenses resulting from corporate-wide reorganization and cost reduction programs. The provisions include estimated expenses for the consolidation of facilities and salary and benefit payments related to workforce reduction.

Net income (loss) per share

Income per share from continuing operations, loss per share from discontinued operations and net income (loss) per share are calculated based on the weighted average number of common shares and common share equivalents outstanding during the period. Common share equivalents consist of common stock which may be issuable upon exercise of outstanding options (Note 12) and warrants (Note 8) using the treasury stock method and the conversion of preferred stock (Note 9). Although common share equivalents resulting from common stock which may be issuable upon exercise of outstanding options and warrants are anti-dilutive in years in which the Company has incurred a net loss, they have been included in the calculation of net income (loss) per share since they are dilutive in the

The Holson Burnes Group, Inc.

Notes to Consolidated Financial Statements

calculation of income per share from continuing operations.

The weighted average number of shares has been adjusted to reflect as outstanding, for each year presented, all common share equivalents issued during the twelve month period preceding the anticipated initial public offering of the Company's common stock.

3. Discontinued operations

The Company has operated principally in three industry segments - the manufacturing, marketing and distribution of photo albums and picture frames by Holson and Burnes, the marketing and distribution of clocks and gift items by its wholly-owned subsidiary, Cuckoo Clock Mfg. Co., Inc. ("Cuckoo Clock"), and the manufacturing, marketing and distribution of wedding albums to professional photographers by Holson's Professional division.

In December 1991, management of the Company approved a formal plan to discontinue the operations of Cuckoo Clock and the Professional division of Holson. Management anticipates that the sale or liquidation of both business segments will be completed by 1993. The accompanying consolidated financial statements have been reclassified to reflect the operating results, balance sheet accounts and cash flows of the discontinued operations separately from continuing operations. Accordingly, the balance sheet accounts and operating results from continuing operations reflect information with respect to the Company's sole remaining industry segment, the manufacturing, marketing and distribution of photo albums and picture frames. Net sales of these discontinued segments were \$19,527,000, \$19,051,000 and \$19,645,000 in 1989, 1990 and 1991, respectively. Provisions totaling \$5,339,000 have been made for estimated losses during the phase-out period and for write-down of assets to estimated net realizable value. The book value before write-down to estimated net realizable value of the assets and liabilities being disposed of is as follows:

The Holson Burnes Group, Inc.

Notes to Consolidated Financial Statements

	December 31,	
	1990	1991
Assets:		
Accounts receivable	\$ 3,383,000	\$ 3,884,000
Inventory	5,340,000	5,833,000
Fixed assets	2,296,000	2,203,000
Other assets	1,095,000	681,000
	<u> </u>	<u> </u>
Total assets of discontinued operations	<u>\$12,114,000</u>	<u>\$12,601,000</u>
 Liabilities:		
Revolving credit facility	\$ 4,374,000	\$ 719,000
Accounts payable and accrued expenses	2,231,000	2,399,000
Industrial revenue bonds	2,578,000	2,364,000
Note payable	2,000,000	2,000,000
	<u> </u>	<u> </u>
Total liabilities of discontinued operations	<u>\$11,183,000</u>	<u>\$ 7,482,000</u>

The Industrial revenue bonds are due in monthly principal instalments of \$18,000 plus interest at an annual rate of 8.95% through June 1, 2003 and are secured by the facility constructed in South Carolina. The note payable of \$2,000,000 at December 31, 1990 and 1991 is due in annual instalments through October 4, 1996 and bears interest at 8%. The revolving credit facility is maintained separately by Cuckoo Clock and is secured by substantially all of its assets.

4. Acquisition

In September 1990, the Company acquired certain assets of Terragrafics, Inc., primarily inventories, for \$4.1 million. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was assigned to the net assets acquired based on the fair value of such net assets at the date of acquisition. The results of operations of Terragrafics are included in the accompanying consolidated statement of operations from the date of acquisition.

The Holson Burnes Group, Inc.

Notes to Consolidated Financial Statements

In conjunction with the acquisition, assets acquired and liabilities assumed were as follows:

Fair value of assets acquired	\$ 4,100,000
Cash paid	<u>(2,500,000)</u>
Liabilities assumed and balance due to seller	<u>\$ 1,600,000</u>

The balance due to seller was paid as of December 31, 1990.

5. Inventories

Inventories consist of:

	December 31,	
	1990	1991
Raw materials	\$ 4,796,000	\$ 5,598,000
Work-in-progress	582,000	881,000
Finished goods	<u>18,469,000</u>	<u>21,635,000</u>
	<u>\$23,847,000</u>	<u>\$28,114,000</u>

The Holson Burnes Group, Inc.

Notes to Consolidated Financial Statements

6. Fixed assets

Fixed assets consist of:

	Estimated useful life (years)	December 31,	
		1990	1991
Land	-	\$ 235,000	\$ 235,000
Buildings and building improvements	30	2,903,000	5,896,000
Construction in progress	-	1,284,000	178,000
Machinery and equipment	10	13,868,000	14,731,000
Furniture and fixtures and computer equipment	5-10	1,681,000	2,050,000
Leasehold improvements	Lease term	906,000	1,775,000
Equipment held under capital leases	3-5	-	586,000
		<u>20,877,000</u>	<u>25,451,000</u>
Less - Accumulated depreciation		<u>11,567,000</u>	<u>12,925,000</u>
		<u>\$ 9,310,000</u>	<u>\$12,526,000</u>

Depreciation expense for the years ended December 31, 1989, 1990 and 1991 was \$628,000, \$898,000 and \$1,358,000, respectively.

7. Borrowings

Notes payable

Two of the Company's subsidiaries entered into separate working capital, letter of credit commitment and revolving credit loan agreements with a bank. The working capital, letter of credit commitment and revolving credit loan agreements permitted maximum aggregate borrowings of \$45,700,000 at December 31, 1990 and were secured by substantially all of the assets of each of the companies. Borrowings under the working capital and letter of credit commitment agreements included in notes payable at December 31, 1990 totaled \$7,500,000. Borrowings outstanding under revolving credit loan agreements totaled \$23,701,000 at December 31, 1990. During 1991, the revolving credit loan agreements were amended as described below. Also included in notes payable at December 31, 1990 were notes payable to the principal stockholder of the Company totaling \$1,500,000 bearing interest at a rate of 10%. These notes payable were paid on October 1, 1991 with the proceeds from notes payable issued to officers and stockholders (Note 8).

Notes to Consolidated Financial Statements

Long-term debt

On October 25, 1991, the working capital, letter of credit commitment and revolving credit loan agreements were amended and restated to provide for borrowings up to \$45,700,000 through June 30, 1994, based upon eligible amounts of accounts receivable, inventories and fixed assets. The amount available under revolving credit loans is reduced by outstanding letters of credit and certain fees related to such letters of credit. The agreement provides for semi-annual reductions in borrowings available to the Company, such that at December 31, 1991 total borrowings available were \$43,600,000. In March 1992, the agreement was amended to make an additional \$2,500,000 available to the Company through July 30, 1992. Total borrowings available to the Company will be \$40,300,000 and \$36,600,000 at December 31, 1992 and 1993, respectively. In addition, mandatory payments of outstanding borrowings are required so that for a period of at least 30 days during the period from February 1 through June 30 outstanding revolving credit loans do not exceed \$35,000,000 and that the sum of outstanding revolving credit loans, letters of credit and fees related to such letters of credit does not exceed \$40,000,000. See Note 14 for outstanding letters of credit at December 31, 1991.

Borrowings under the agreement are secured by substantially all assets of the Company and bear interest at the greater of the bank's base rate or the overnight federal fund's effective rate plus 1 1/2% (8% at December 31, 1991) or, at the option of the Company, the Eurodollar rate plus 2 1/2% (7% at December 31, 1991). In connection with the agreement, the Company is charged a facility fee equal to 1/2% of the unused credit available under the agreement.

Under the terms of the agreement, the Company is required to comply with certain covenants, the more restrictive of which require that the Company maintain minimum amounts of cash flows from operations and tangible net worth. Other restrictive covenants limit indebtedness, liens, investments, distributions to stockholders and mergers and acquisitions.

The Holson Burnes Group, Inc.

Notes to Consolidated Financial Statements

Long-term debt is summarized as follows:

	December 31,	
	1990	1991
Revolving credit loans with a bank	\$23,701,000	\$39,867,000
Mortgage payable to bank bearing interest at 1.5% above the bank's prime rate (8% at December 31, 1991); principal and interest due in monthly instalments of \$21,000 through July 1, 2012; secured by the manufacturing and warehousing facilities in New Hampshire	<u>1,994,000</u>	<u>1,970,000</u>
	25,695,000	41,837,000
Less - Current portion	<u>2,123,000</u>	<u>3,340,000</u>
	<u>\$23,572,000</u>	<u>\$38,497,000</u>

At December 31, 1991, aggregate principal maturities of long-term debt, including notes payable to stockholders and officers (Note 8), for each of the next five years and thereafter are as follows:

1992	\$ 3,340,000
1993	3,743,000
1994	32,913,000
1995	50,000
1996	8,041,000
Thereafter	<u>1,738,000</u>
	<u>\$49,825,000</u>

8. Related party transactions

Notes payable to stockholders and officers

In 1991, the principal stockholder, its affiliates and certain officers of the Company loaned \$3,400,000 at 12% interest per annum to the Company under two demand loan agreements. Effective October 1, 1991, the \$3,400,000 demand loans and other working capital loans made by the principal stockholder plus accrued interest on that date, in the aggregate amount of \$5,076,000, were paid with the proceeds from the issuance of notes to the principal stockholder, its affiliates and certain officers allowing for borrowings up to \$10,000,000, of which \$7,500,000 was

Notes to Consolidated Financial Statements

issued at December 31, 1991. Under the terms of these agreements, interest is compounded quarterly at 26% per annum with principal and accrued interest due July 31, 1996. Accrued interest of \$488,000 is included in notes payable to stockholders and officers on the accompanying consolidated balance sheet. In addition, the Company is subject to prepayment penalties equal to a percentage of the principal amount being repaid, beginning at 20% and declining thereafter to par at September 30, 1995. In March 1992, the Company received \$2,500,000 in proceeds from the issuance of the additional notes under this agreement.

In connection with the above note purchase agreement, the holders of the notes were issued warrants to purchase up to 312,795 shares of common stock at approximately \$1.92 per share, the estimated fair value per share of the Company's common stock at the date of issuance, subject to anti-dilution adjustments in certain circumstances. At the option of the holder, the Company may be required to purchase up to the full number of warrants issued plus any stock issued pursuant to the exercise of the warrants at any time after July 31, 1996 at \$4.40 per warrant or share. The holder's redemption right expires upon the effective date of the Company's registration statement on Form S-1. Accordingly, no accretion to the redemption value has been recorded. In connection with the issuance of the additional notes in March 1992, warrants to purchase 104,265 shares of common stock at approximately \$1.92 per share were issued.

Accrued management and financial advisory fees

Pursuant to an arrangement between the Company and its principal stockholder, the Company is charged fees for management and financial advisory services performed by the principal stockholder. Fees charged to the Company were \$550,000 for each of the years ended December 31, 1989, 1990 and 1991, of which \$400,000 related to discontinued operations (Note 3) during the three year period. Included in accrued expenses at December 31, 1990 and 1991 is \$450,000 due to the principal stockholder of the Company for such services.

9. Stockholders' equity

Recapitalization

Each share of Series A, BB-1, BB-2 and BH preferred stock will automatically convert into the number of shares equal to the liquidation value of each such share of preferred stock plus accrued but unpaid dividends divided by the midpoint of the per share initial public offering price upon the effective date of the Company's registration statement on Form S-1. Based upon an estimated midpoint of the per share initial public offering price of \$15.00, the preferred stock outstanding at December 31, 1991 will convert into an aggregate of 1,400,865 shares of common stock. In addition, all outstanding shares of Class B common stock will automatically convert into one share of common stock upon the effective date of the Company's registration statement. Accordingly, the conversion of the preferred and common stock has been retroactively reflected in the accompanying consolidated financial statements.

The Holson Burnes Group, Inc.

Notes to Consolidated Financial Statements

Prior to the effective date of the Company's registration statement on Form S-1, in connection with the recapitalization, the Company will amend its Certificate of Incorporation to increase the number of authorized shares of common stock to 13,000,000.

Also, prior to the effective date of the registration statement, a 0.8341198-for-1 reverse stock split of the Company's common stock will be effected. All shares and per share amounts included in the accompanying consolidated financial statements have been adjusted to give retroactive effect to the reverse stock split for all years presented.

Preferred stock

At December 31, 1990 and 1991 the Company had preferred stock, \$1.00 par value, outstanding at the following carrying values:

	December 31,	
	1990	1991
Series A - 14,000 shares authorized, 13,130 and 12,480 shares outstanding in 1990 and 1991, respectively	\$ 4,613,000	\$ 6,328,000
Series BB-1 and BB-2 - 1900 shares authorized, 1,748 and 1,662 shares outstanding in 1990 and 1991, respectively	496,000	737,000
Series BH - 1,400 shares authorized, 1,400 and 1,354 shares outstanding in 1990 and 1991, respectively	<u>434,000</u>	<u>690,000</u>
	<u>\$ 5,543,000</u>	<u>\$ 7,755,000</u>

Preferred stock may be issued at the discretion of the Board of Directors of the Company (without stockholder approval) with such designations, rights and preferences as the Board may determine from time to time. The preferred stock may have dividend, liquidation, redemption, conversion, voting or other rights which may be more expansive than the rights of the holders of the common stock.

Common stock

At December 31, 1991, the Company has reserved 672,795 shares of common stock for use in the 1990 Key Employee Stock Option plan (Note 12) and exercise of the warrants (Note 8).

The Holson Burnes Group, Inc.

Notes to Consolidated Financial Statements

10. Income taxes

The provision (credit) for income taxes for continuing operations consists of the following:

	Year ended December 31,		
	1989	1990	1991
Current:			
Federal	\$1,510,000	\$ (302,000)	\$ (8,000)
State	400,000	-	10,000
	<u>1,910,000</u>	<u>(302,000)</u>	<u>2,000</u>
Deferred:			
Federal	423,000	10,000	197,000
State	113,000	-	123,000
	<u>536,000</u>	<u>10,000</u>	<u>320,000</u>
	<u>\$2,446,000</u>	<u>\$ (292,000)</u>	<u>\$ 322,000</u>

The provision (credit) for income taxes differs from an amount computed by applying the statutory federal income tax rate to pre-tax income from continuing operations as follows:

	Year ended December 31,		
	1989	1990	1991
Tax at statutory rate	\$1,860,000	\$ 109,000	\$ 385,000
Increase (decrease) due to:			
State income taxes (net of federal benefit)	339,000	-	88,000
Deductions without current tax benefit	487,000	-	-
Utilization of operating loss carryforward	-	(153,000)	-
Amortization of negative goodwill	(281,000)	(281,000)	(281,000)
Alternative minimum tax	-	-	118,000
Other	41,000	33,000	12,000
	<u>\$2,446,000</u>	<u>\$ (292,000)</u>	<u>\$ 322,000</u>

Notes to Consolidated Financial Statements

Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. The principal items making up the deferred tax provision for 1991 include amounts related to provisions for discontinued operations, depreciation and inventory valuation methods.

At December 31, 1991, the Company has operating loss carryforwards of \$2,275,000 available to offset future income for financial reporting purposes. For tax reporting purposes, the Company has federal operating loss carryforwards of \$2,432,000 which can only be utilized to offset the future federal taxable income of certain subsidiaries of the Company. These operating loss carryforwards expire in the years 2002 through 2006.

Under the provisions of the Internal Revenue Code, certain substantial changes in the Company's ownership could result in an annual limitation on the amount of net operating loss carryforwards which could be utilized. Management believes that if any such limitation is incurred, it will not materially affect the amount or timing of the realization of the benefits of such loss carryforwards.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which will supersede FAS 96. Adoption of the standard is required no later than January 1, 1993 and will change many of the requirements of FAS 96, particularly with respect to the recognition of the tax benefits of deductible timing differences, tax credits and loss carryforwards to be utilized in future years for income tax purposes. Deferred tax assets are recognized, net of any valuation allowance, for deductible temporary differences and loss carryforwards. The Company is in the process of reviewing the impact and implementation approach to this statement but does not expect it will have an adverse effect on the Company's financial position or results of operations.

11. Retirement plans

Each of the Company's subsidiaries maintains separate retirement plans under Section 401(k) of the Internal Revenue Code. Contributions to the plans are at the discretion of the Board of Directors. The Company provided \$266,000, \$283,000 and \$238,000 in the aggregate for contributions to these plans for the years ended December 31, 1989, 1990 and 1991, respectively.

12. Executive compensation arrangements

Restricted stock

During 1990, the Company sold to certain individuals common stock which vests over a designated period and is subject to restrictions on transferability. The

Notes to Consolidated Financial Statements

Company recorded deferred compensation based on the difference, if any, between the fair value of the shares issued, as determined by the Board of Directors, and the prices paid by the employees on the date of issuance. The value of unvested shares is included in deferred compensation and is amortized over the vesting period of the related shares.

Key Employee Stock Option Plan

During 1990, the Board of Directors and stockholders of the Company adopted a Key Employee Stock Option Plan ("the Plan") authorizing the granting of incentive and nonqualified stock options to key employees. The Plan allows for the issuance of up to 360,000 shares of common stock through December 2002. The Board of Directors determines the term of each option (which may not exceed ten years), option price, number of shares for which each option is granted and the rate at which each option is exercisable. The exercise price of incentive stock options shall not be less than 100% of the fair market value at the date of grant. At December 31, 1990 and 1991, options to purchase 106,160 and 104,422 shares, respectively, were available for future grant under the Plan.

As of December 31, 1988, the Company had granted options to purchase 72,052 shares of common stock at \$.12 per share. During 1990 and 1991, options were granted to purchase 181,838 and 1,688 shares of common stock, respectively, at prices ranging from \$.12 to \$5.99 per share. No options have been exercised. Accordingly, at December 31, 1990 and 1991, options to purchase 253,890 and 255,578 shares of common stock, respectively, at the above prices were outstanding, of which approximately 60,474 were exercisable. The Company records deferred compensation expense based on the difference between the fair value of stock, as determined by the Board of Directors on the date of grant, and the prices paid by the employees on that date plus the exercise price. Deferred compensation related to these options is amortized over the vesting periods of the related options.

13. Major customer

Net sales to one customer in 1991 aggregated approximately 13% of total net sales.

The Holson Burnes Group, Inc.

Notes to Consolidated Financial Statements

14. Commitments and contingencies

Leases

The Company leases certain facilities and equipment under noncancelable operating lease agreements. In addition, in December 1991 the Company entered into capital lease agreements for certain equipment. Future minimum rental payments under all noncancelable leases as of December 31, 1991 are as follows:

	Operating leases	Capital leases
1992	\$ 1,484,000	\$ 213,000
1993	1,345,000	213,000
1994	1,170,000	200,000
1995	907,000	61,000
1996	792,000	56,000
Thereafter	<u>2,620,000</u>	-
	<u>\$ 8,318,000</u>	743,000
Less - Amount representing interest		<u>157,000</u>
Present value of minimum lease payments, including current portion of \$137,000		<u>\$ 586,000</u>

Rent expense of \$1,246,000, \$1,387,000 and \$1,430,000 was charged to operations during the years ended December 31, 1989, 1990 and 1991, respectively.

Distribution agreements

Effective June 29, 1990, the Company entered into an agreement to become the exclusive distributor of a new photo-display product. At December 31, 1991, the Company had commitments of approximately 26,800,000 Swiss Francs (approximately \$19.7 million using the foreign currency exchange rate at that date) to purchase this product. The commitments expire December 31, 1993.

In addition, effective June 1, 1991, the Company entered into an agreement to be the exclusive buyer of various photo albums. At December 31, 1991, the Company had commitments of approximately \$17,800,000 to purchase these albums during the period ending November 30, 1993. The agreement provides for a 12 month extension in the event the Company does not fulfill the commitment by November 30, 1993.

The Holson Burnes Group, Inc.

Notes to Consolidated Financial Statements

Letters of credit

At December 31, 1991, the Company had outstanding letters of credit totaling \$3,500,000.

Litigation

There are various legal proceedings and claims pending against the Company. While it is not possible to determine the ultimate outcome of these matters, it is the opinion of management, based on advice from counsel, that they will not have an aggregate material adverse effect on the Company's consolidated financial statements.

No dealer, salesperson or other person has been authorized to give any information or to make any representations not contained in this Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or any of the Underwriters. This Prospectus does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

Table of Contents

	<u>Page</u>
Prospectus Summary	3
The Company	7
Investment Considerations	9
Recapitalization	11
Use of Proceeds	11
Capitalization	12
Dividend Policy	13
Dilution	13
Selected Financial Data	14
Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Business	21
Management	31
Principal Stockholders	36
Certain Transactions	37
Description of Capital Stock	38
Shares Eligible for Future Sale	38
Underwriting	42
Legal Matters	43
Experts	43
Additional Information	43
Index to Financial Statements	F.1

Until _____, 1992 (25 days after the date of this Prospectus), all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as

2,200,000 Shares



**THE HOLSON BURNES
GROUP, INC.**

Common Stock

**PROSPECTUS
March 25, 1992**

LEHMAN BROTHERS

BEAR, STEARNS & CO. INC.

000068

PART II - INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. *Other Expenses of Issuance and Distribution.*

The following is a statement of estimated expenses of the issuance and distribution of the securities being registered other than underwriting compensation:

Securities and Exchange Commission	
Registration Fee	\$12,100
NASD Filing Fee	4,372
NASDAQ Original	
Listing Fee	5,000
Blue Sky Fees and Expenses	
(including attorneys' fees and expenses)	35,000
Printing and Engraving Expenses	150,000
Transfer Agent's Fees and Expenses	5,000
Accounting Fees and Expenses	300,000
Legal Fees and Expenses	350,000
Miscellaneous Expenses	<u>138,528</u>
Total	<u>\$1,000,000</u>

Item 14. *Indemnification of Directors and Officers.*

The Company is incorporated under the laws of the State of Delaware. Section 145 of the General Corporation Law of the State of Delaware ("Section 145") provides that a Delaware corporation may indemnify any persons who are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was illegal. A Delaware corporation may indemnify any persons who are, or are threatened to be made, a party to any threatened, pending or completed action or suit by or in the right of the corporation by reason of the fact that such person was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorney's fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, provided such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation's best interests except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to

above, the corporation must indemnify him against the expenses which such officer or director has actually and reasonably incurred.

The Company's certificate of incorporation provides for the indemnification of directors and officers of the Company to the fullest extent permitted by Section 145.

Article V of the by-laws of the Company provides that the Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director or officer of such corporation, or is or was serving at the request of such corporation as a director, officer or member of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of such corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Indemnification in connection with an action or suit by or in the right of such corporation to procure a judgment in its favor is limited to payment of expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of such an action or suit except that no such indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the indemnifying corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine that, despite the adjudication of liability but in consideration of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Item 15. *Recent Sales of Unregistered Securities.*

Within the past three years, the Company has issued securities without registration under the Securities Act of 1933 (the "Act") as described below.

Pursuant to a Stock Exchange Agreement dated July 28, 1989 (the "Exchange Agreement"), the Company issued the following shares to the following people and entities in exchange for all of the outstanding capital stock of The Holson Company:

<u>Names</u>	<u>Common</u>	<u>Series BH Preferred</u>
Bain Capital Fund Limited Partnership	824,348.927	1,154.088907
Bain Capital Fund Limited Partnership II	90,984.103	127.377793
Karl E. Lutz	16,666.670	23.333330
Joshua Bekenstein	6,666.670	9.333330
Geoffrey S. Rehnert	6,666.670	9.333330
W. Mitt Romney	6,666.660	9.333340

Robert F. White	5,000.000	7.000000
Adam Kirsch	2,000.000	2.800000
L. Scott Foushee	1,000.000	1.400000
Irving A. Siegel	33,333.500	46.666650
Walter Allen	<u>6,666.800</u>	<u>9.333320</u>
Total	1,000,000.000	1,400.00000

Pursuant to the Exchange Agreement, the Company issued the following shares to the following people and entities in exchange for all of the outstanding capital stock of Charles D. Burnes Co., Inc.:

<u>Names</u>	<u>Common</u>	<u>Series A Preferred</u>	<u>Series BB-1 Preferred</u>	<u>Series BB-2 Preferred</u>
Bain Capital Fund Limited Partnership	589,893	7,668.609	235.957	784.37246
Bain Capital Fund Limited Partnership II	65,107	846.391	26.043	86.57187
Geoffrey S. Rehnert	15,000	195.000	6.000	19.94529
Joshua Bekenstein	15,000	195.000	6.000	19.94529
Adam Kirsch	15,000	195.000	6.000	19.94529
W. Mitt Romney	15,000	195.000	6.000	19.94529
Robert White	15,000	195.000	6.000	19.94529
Charles Gordon	120,000	1,560.000	48.000	159.56232
James Erbs	30,000	390.000	12.000	39.89058
Richard Fritsche	30,000	390.000	12.000	39.89058
Joseph J. Schriver	30,000	390.000	12.000	39.89058
BancBoston Capital, Inc.	50,000	650.000	20.000	66.48430
Karl E. Lutz	10,000	130.000		
Karl E. Lutz, P.C. Employees' Retirement Trust			<u>4.000</u>	<u>13.29686</u>
	<u>1,000,000</u>	<u>13,000.000</u>	<u>400.000</u>	<u>1,329.68600</u>

Within the past three years, pursuant to the Company's 1990 Key Employees Stock Option Plan, the Company issued options to purchase 317,500 shares of Class B Common, 770 shares of Series A Preferred and 53.18744 shares of Series BB-2 Preferred (the "Options") to employees of the Company. The exercise prices with respect to the Options are substantially less than the range for the offering price set forth on the cover page hereof. The Company received consideration of \$50,000 for certain of the Options. The Company issued the Options without registration because no sale occurred in connection with the issuance of the Options. No shares have been issued upon exercise of the Options. The Options were granted as follows:

<u>Name</u>	<u>Date</u>	<u>Shares</u>
Steven R. Pargman	September 7, 1990	25,500 shares of Class B Common
Robert D. Burk	September 25, 1990	5,000 shares of Class B Common 65 shares of Series A Preferred
Robert J. Garber	September 25, 1990	5,000 shares of Class B Common 65 shares of Series A Preferred
Lauri Kopmann	September 25, 1990	2,500 shares of Class B Common
Steven W. Barnes	December 31, 1990	30,000 shares of Class B Common
Steven W. Barnes	December 31, 1990	33,000 shares of Class B Common
Deborah Carreau	December 31, 1990	5,000 shares of Class B Common
James A. Geraghty	December 31, 1990	40,000 shares of Class B Common 120 shares of Series A Preferred 53.18744 shares of Series BB-2 Preferred
Charles Gordon	December 31, 1990	40,000 shares of Class B Common 520 shares of Series A Preferred
Thomas E. Hoffmeister	December 31, 1990	60,000 shares of Class B Common
Thomas E. Hoffmeister	December 31, 1990	55,000 shares of Class B Common
Lauri Kopmann	December 31, 1990	2,500 shares of Class B Common
Syl Saller	January 15, 1991	2,000 shares of Class B Common
Robert D. Sangster	February 28, 1992	20,000 shares of Class B Common
Steven W. Barnes	March 11, 1992	2,872 shares of Class B Common
Thomas E. Hoffmeister	March 11, 1992	6,478 shares of Class B Common

Pursuant to a Management Agreement dated as of December 31, 1990, James A. Geraghty purchased from the Company 10,000 shares of Class B Common Stock, 130 shares of Series A Preferred Stock and 18.29686 shares of Series BB-2 Preferred Stock for an aggregate purchase price of \$250.00.

Pursuant to a Stock Purchase Agreement dated as of December 31, 1990, Charles Gordon purchased from the Company 20,000 shares of Class B Common Stock and 18.8 shares of Series BH Preferred Stock for an aggregate purchase price of \$218.80.

As of December 31, 1990, the Company sold to Mr. Hoffmeister and Mr. Barnes 56.4 shares and 28.2 shares, respectively, of Series BH Preferred for \$84,000 and \$42,000, respectively.

Pursuant to Note and Warrant Purchase Agreements, dated as of September 30, 1991 and March 24, 1992, the Company issued Promissory Notes and Warrants to acquire shares of the Company's Class B Common Stock to the persons and in the amounts set forth below for the aggregate consideration of \$10,000,000:

<u>Names</u>	<u>Principal Amount of Promissory Notes</u>	<u>Shares Issuable Upon Exercise of Warrants</u>
Bain Capital Fund Limited Partnership	\$3,102,452	155,122.60
Bain Capital Fund Limited Partnership II	342,388	17,119.40
Tyler Capital Fund, L.P.	4,085,258	204,262.90
Tyler Massachusetts, L.P.	837,077	41,853.85
Tyler International, L.P.-II	244,925	12,246.25
BCIP Associates	155,000	7,750.00
BCIP Trust Associates, L.P.	370,900	18,545.00
Charles Gordon	350,000	17,500.00
Thomas E. Hoffmeister	295,000	14,750.00
Steven W. Barnes	100,000	5,000.00
Karl E. Lutz	67,000	3,350.00
Robert Sangster	50,000	2,500.00

The warrants had an exercise price of \$1.60 per share.

On March 24, 1992, the Company issued to The First National Bank of Boston a warrant to acquire 19,200 shares of the Company's Class B Common Stock in connection with an amendment to the Company's Credit Agreement.

All of the Company's outstanding warrants (other than the warrant issued to The First National Bank of Boston) will be exercised and payment thereof will be made by cancellation of the principal amount equal to the exercise price of the Company's outstanding Subordinated Notes. An aggregate of 500,000 shares will be issued upon exercise of such warrants.

At the times the above-mentioned securities were issued, the foregoing persons represented to the Company that they were acquiring the securities for purposes of investment and not with a view to distribution under the Act and appropriate legends were placed on the certificates representing the securities so issued. Exemption from registration of such securities is claimed under Section 4(2) of the Act, since no public offering has been involved and the securities had been taken for investment and not with a view to distribution.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits:

- 1.1 Form of Underwriting Agreement
- 3.1 Form of Certificate of Incorporation of the Company
- 3.2 Form of By-laws of the Company
- *4.1 Form of certificate representing shares of Common Stock of the Company
- *5.1 Opinion and consent of Kirkland & Ellis
- 10.1 Form of Amended and Restated 1990 Key Employees Stock Option Plan
- 10.2 Stock Exchange Agreement dated as of July 28, 1989 among the Company and the other persons listed on the signature pages thereto
- 10.3 Stock Option Agreement dated as of August 31, 1990 between the Company and Brad Truesdale
- 10.4 Management Agreement dated as of September 7, 1990 among the Company, Bain, Terra Acquisition, Inc. and Steven R. Pargman
- 10.5 Stock Option Agreement dated as of September 25, 1990 between the Company and Robert D. Burk
- 10.6 Stock Option Agreement dated as of September 25, 1990 between the Company and Robert J. Garber
- 10.7 Stock Option Agreement dated as of September 25, 1990 between the Company and Lauri Kopmann
- 10.8 Stock Option Agreement dated as of December 31, 1990 between the Company and Steven W. Barnes
- 10.9 Stock Option Agreement dated as of December 31, 1990 between the Company and Steven W. Barnes
- 10.10 Stock Option Agreement dated as of December 31, 1990 between the Company and Deborah Carreau
- 10.11 Stock Option Agreement dated as of December 31, 1990 between the Company and James A. Geraghty
- 10.12 Stock Option Agreement dated as of December 31, 1990 between the Company and Charles Gordon
- 10.13 Stock Option Agreement dated as of December 31, 1990 between the Company and Thomas E. Hoffmeister
- 10.14 Stock Option Agreement dated as of December 31, 1990 between the Company and Thomas E. Hoffmeister

- 10.15 Amendment to Stock Option Agreement dated as of December 31, 1990 between the Company and Lauri Kopmann
- 10.16 Stock Option Agreement dated as of January 15, 1991 between the Company and Syl Saller
- 10.17 Stock Option Agreement dated as of February 28, 1992 between the Company and Robert D. Sangster
- 10.18 Stock Option Agreement dated as of March 11, 1992 between the Company and Steven W. Barnes
- 10.19 Stock Option Agreement dated as of March 11, 1992 between the Company and Thomas E. Hoffmeister
- 10.20 Amendment dated as of March 11, 1992 between the Company and Steven W. Barnes
- 10.21 Amendment dated as of March 11, 1992 between the Company and Thomas E. Hoffmeister
- 10.22 Letter Agreement dated July 18, 1988 between the Company and Charles Gordon
- 10.23 Management Agreement dated as of December 31, 1990 between the Company and James A. Geraghty
- 10.24 Stock Purchase Agreement dated as of December 31, 1990 between the Company and Charles Gordon
- 10.25 Management Agreement dated as of August 12, 1988 among the Company, Bain and Charles Gordon
- 10.26 Management Agreement dated as of August 12, 1988 among the Company, Bain and James Erbs
- 10.27 Management Agreement dated as of August 12, 1988 among the Company, Bain and Richard Fritsche
- 10.28 Management Agreement dated as of August 12, 1988 among the Company, Bain and Joseph Schriver
- 10.29 Preferred Stock Purchase Agreement dated as of December 31, 1990 between the Company and Steven W. Barnes
- 10.30 Preferred Stock Purchase Agreement dated as of December 31, 1990 between the Company and Thomas E. Hoffmeister
- 10.31 \$41,971.80 Demand Note issued by Steven W. Barnes to the Company as of December 31, 1990
- 10.32 \$83,943.60 Demand Note issued by Thomas E. Hoffmeister to the Company as of December 31, 1990
- *10.33 Severance and Repurchase Agreement dated as of January 24, 1992 between the Company and James A. Geraghty
- 10.34 Letter dated July 19, 1991 from the Company to Irving A. Siegel re repurchase of Mr. Siegel's stock by the Company
- 10.35 Stock Purchase Agreement dated as of December 31, 1990 between the Company and Bain
- 10.36 Stock Purchase Agreement dated as of December 31, 1990 between the Company and Bain
- 10.37 Stock Repurchase Agreement dated as of December 31, 1991 between BancBoston Capital, Inc. and the Company
- 10.38 Stock Repurchase Agreement dated as of March 24, 1992 between the Company and Joseph J. Schriver
- *10.39 Professional Services Agreement dated as of December 31, 1991 between the Company and Bain Capital Partners

- 10.40 Distribution Agreement dated as of June 29, 1990 between the Company and Showbox System AG
- 10.41 Canadian Distribution Agreement dated as of October 19, 1990 between the Company and Showbox System AG
- 10.42 The Principal Financial Group Prototype Basic Savings Plan and Adoption Agreement, approved by the Company on May 7, 1990
- 10.43 Amended and Restated Revolving Credit Agreement dated as of October 25, 1991 among the Company, FNBB and FNBB, as Agent
- 10.44 Second Amendment to Amended and Restated Revolving Credit Agreement dated as of March 24, 1992 among the Company, FNBB and FNBB, as Agent
- 10.45 Warrantholder Agreement dated as of March 24, 1992 among the Company, FNBB and Bain
- 10.46 Stock Purchase Warrant issued March 24, 1992 by the Company to FNBB
- 10.47 Second Amended and Restated Revolving Credit Agreement dated as of December 9, 1991 among Cuckoo Clock Mfg. Co., Inc., FNBB and FNBB, as agent
- 10.48 Loan Agreement dated as of December 1, 1987 between Cherokee County, South Carolina and the Company
- 10.49 Mortgage and Security Agreement dated as of December 1, 1987 between Cherokee County, South Carolina and the Company
- 10.50 Amended and Restated Guaranty Agreement dated as of October 25, 1991 between the Company and First Union National Bank of North Carolina
- 10.51 Mortgage dated July 1, 1991 between the Company and Dartmouth Savings Bank
- 10.52 Indenture of Lease dated as of June 1, 1980 between Sam-Man Realty Corp. and the Company
- 10.53 Standard Industrial Lease -- Multi-Tenant dated as of November 1, 1991 between TCW Realty Fund IV Holding Company and the Company
- 10.54 Amended and Restated Registration Agreement dated as of March 24, 1992 between the Company and certain other parties thereto
- 11.1 Statement Re Computation of Earnings Per Share
- 22.1 Subsidiaries of the Company
- 24.1 Consent of Price Waterhouse
- *24.2 Consent of Kirkland & Ellis (included in opinion filed as Exhibit 5.1)
- 25.1 Powers of Attorney (included in signature page)

*To be filed by Amendment.

(b) *Financial Statement Schedules:*

For the three years ended December 31, 1991:

- Schedule VIII – Valuation and Qualifying Accounts
- Schedule X – Supplementary Income Statement Information
- Schedule IV – Indebtedness to related parties — not current

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements.

Item 17. *Undertakings.*

The undersigned registrant hereby undertakes to provide to the Underwriters at the closing specified in the underwriting agreement certificates in such denomination and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of North Smithfield, State of Rhode Island on March 25, 1992.

THE HOLSON BURNES GROUP, INC.

By: s/ THOMAS E. HOFFMEISTER
Thomas E. Hoffmeister
President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Charles Gordon, Thomas E. Hoffmeister and Steven W. Barnes and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

* * * *

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement and power of attorney have been signed on March 25, 1992, by the following persons in the capacities indicated:

<u>Signature</u>	<u>Capacity</u>
<u>s/ CHARLES GORDON</u> Charles Gordon	Chairman and Director (Principal Executive Officer)
<u>s/ STEVEN W. BARNES</u> Steven W. Barnes	Executive Vice President - Operations and Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)
<u>s/ JOSHUA BEKENSTEIN</u> Joshua Bekenstein	Director
<u>s/ THOMAS E. HOFFMEISTER</u> Thomas E. Hoffmeister	Director
<u>s/ GEOFFREY S. REHNERT</u> Geoffrey S. Rehnert	Director

000078

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of North Smithfield, State of Rhode Island on March 25, 1992.

THE HOLSON BURNES GROUP, INC.

By: 

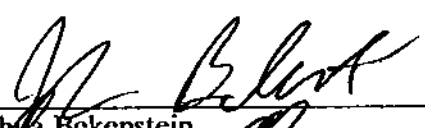
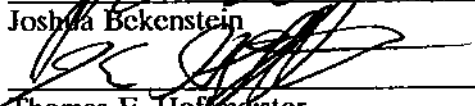
Thomas E. Hoffmeister
President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Charles Gordon, Thomas E. Hoffmeister and Steven W. Barnes and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

* * * *

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement and power of attorney have been signed on March 25, 1992, by the following persons in the capacities indicated:

<u>Signature</u>	<u>Capacity</u>
<hr/> Charles Gordon	Chairman and Director (Principal Executive Officer)
<hr/> Steven W. Barnes	Executive Vice President - Operations and Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)
 <hr/> Joshua Beckenstein	Director
 <hr/> Thomas E. Hoffmeister	Director
<hr/> Geoffrey S. Rehnert	Director

000079

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of North Smithfield, State of Rhode Island on March __, 1992.

THE HOLSON BURNES GROUP, INC.

By: _____
Thomas E. Hoffmeister
President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Charles Gordon, Thomas E. Hoffmeister and Steven W. Barnes and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

* * * *

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement and power of attorney have been signed on March 25, 1992, by the following persons in the capacities indicated:

<u>Signature</u>	<u>Capacity</u>
_____ Charles Gordon	Chairman and Director (Principal Executive Officer)
_____ Steven W. Barnes	Executive Vice President - Operations and Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)
_____ Joshua Bekenstein	Director
_____ Thomas E. Hoffmeister	Director
_____ Geoffrey S. Rehnert	Director

000080

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of North Smithfield, State of Rhode Island on March __, 1992.

THE HOLSON BURNES GROUP, INC.

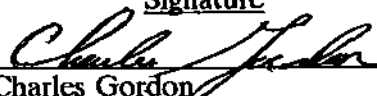
By: _____
Thomas E. Hoffmeister
President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Charles Gordon, Thomas E. Hoffmeister and Steven W. Barnes and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

* * * *

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement and power of attorney have been signed on March 25, 1992, by the following persons in the capacities indicated:

<u>Signature</u>	<u>Capacity</u>
 _____ Charles Gordon	Chairman and Director (Principal Executive Officer)
_____ Steven W. Barnes	Executive Vice President - Operations and Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)
_____ Joshua Bekenstein	Director
_____ Thomas E. Hoffmeister	Director
_____ Geoffrey S. Rehnert	Director

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of North Smithfield, State of Rhode Island on March __, 1992.

THE HOLSON BURNES GROUP, INC.

By: _____
Thomas E. Hoffmeister
President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Charles Gordon, Thomas E. Hoffmeister and Steven W. Barnes and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

* * * *

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement and power of attorney have been signed on March 25, 1992, by the following persons in the capacities indicated:

<u>Signature</u>	<u>Capacity</u>
_____ Charles Gordon	Chairman and Director (Principal Executive Officer)
_____ <i>Steven W. Barnes</i> Steven W. Barnes	Executive Vice President - Operations and Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)
_____ Joshua Bekenstein	Director
_____ Thomas E. Hoffmeister	Director
_____ Geoffrey S. Rehnert	Director

000000

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

EXHIBITS

filed with

FORM S-1

REGISTRATION STATEMENT

under

THE SECURITIES ACT OF 1933

THE HOLSON BURNES GROUP, INC.

000084

Vol. I

EXHIBIT INDEX

<u>Exhibit</u>	<u>Page</u>
1.1 Form of Underwriting Agreement	90
3.1 Form of Certificate of Incorporation of the Company	124
3.2 Form of By-laws of the Company	139
*4.1 Form of certificate representing shares of Common Stock of the Company	154
*5.1 Opinion and consent of Kirkland & Ellis	156
10.1 Form of Amended and Restated 1990 Key Employees Stock Option Plan	158
10.2 Stock Exchange Agreement dated as of July 28, 1989 between the Company and the persons listed on the signature pages thereto	164
10.3 Stock Option Agreement dated as of August 31, 1990 between the Company and Brad Truesdale	187
10.4 Management Agreement dated as of September 7, 1990 among the Company, Bain, Terra Acquisition, Inc. and Steven R. Pargman	198
10.5 Stock Option Agreement dated as of September 25, 1990 between the Company and Robert D. Burk	220
10.6 Stock Option Agreement dated as of September 25, 1990 between the Company and Robert J. Garber	231
10.7 Stock Option Agreement dated as of September 25, 1990 between the Company and Lauri Kopmann	242
10.8 Stock Option Agreement dated as of December 31, 1990 between the Company and Steven W. Barnes	253
10.9 Stock Option Agreement dated as of December 31, 1990 between the Company and Steven W. Barnes	268
10.10 Stock Option Agreement dated as of December 31, 1990 between the Company and Deborah Carreau	279
10.11 Stock Option Agreement dated as of December 31, 1990 between the Company and James A. Geraghty	292
10.12 Stock Option Agreement dated as of December 31, 1990 between the Company and Charles Gordon	306
10.13 Stock Option Agreement dated as of December 31, 1990 between the Company and Thomas E. Hoffmeister	321
10.14 Stock Option Agreement dated as of December 31, 1990 between the Company and Thomas E. Hoffmeister	332

EXHIBIT INDEX

<u>Exhibit</u>	<u>Page</u>
10.15 Amendment to Stock Option Agreement dated as of December 31, 1990 between the Company and Lauri Kopmann	347
10.16 Stock Option Agreement dated as of January 15, 1991 between the Company and Syl Saller	350
10.17 Stock Option Agreement dated as of February 28, 1992 between the Company and Robert D. Sangster	362
10.18 Stock Option Agreement dated as of March 11, 1992 between the Company and Steven W. Barnes	375
10.19 Stock Option Agreement dated as of March 11, 1992 between the Company and Thomas E. Hoffmeister	384
10.20 Amendment dated as of March 11, 1992 between the Company and Steven W. Barnes	394
10.21 Amendment dated as of March 11, 1992 between the Company and Thomas E. Hoffmeister	398
10.22 Letter Agreement dated July 18, 1988 between the Company and Charles Gordon	402
10.23 Management Agreement dated as of December 31, 1990 between the Company and James A. Geraghty	410
10.24 Stock Purchase Agreement dated as of December 31, 1990 between the Company and Charles Gordon	427
10.25 Management Agreement dated as of August 12, 1988 among the Company, Bain and Charles Gordon	443
10.26 Management Agreement dated as of August 12, 1988 among the Company, Bain and James Erbs	460
10.27 Management Agreement dated as of August 12, 1988 among the Company, Bain and Richard Fritsche	476
10.28 Management Agreement dated as of August 12, 1988 among the Company, Bain and Joseph Schriver	493
10.29 Preferred Stock Purchase Agreement dated as of December 31, 1990 between the Company and Steven W. Barnes	510
10.30 Preferred Stock Purchase Agreement dated as of December 31, 1990 between the Company and Thomas E. Hoffmeister	518
10.31 \$41,971.80 Demand Note issued by Steven W. Barnes to the Company as of December 31, 1990	526
10.32 \$83,943.60 Demand Note issued by Thomas E. Hoffmeister to the Company as of December 31, 1990	528
*10.33 Severance and Repurchase Agreement dated as of January 24, 1992 between the Company and James A. Geraghty	530

EXHIBIT INDEX

<u>Exhibit</u>	<u>Page</u>
10.34 Letter dated July 19, 1991 from the Company to Irving A. Siegel re repurchase of Mr. Siegel's stock by the Company	532
10.35 Stock Purchase Agreement dated as of December 31, 1990 between the Company and Bain	535
10.36 Stock Purchase Agreement dated as of December 31, 1990 between the Company and Bain	538
10.37 Stock Repurchase Agreement dated as of December 31, 1991 between BancBoston Capital, Inc. and the Company	541
10.38 Stock Repurchase Agreement dated as of March 24, 1992 between the Company and Joseph J. Schriver	548
*10.39 Professional Services Agreement dated as of December 31, 1991 between the Company and Bain Capital Partners	553
10.40 Distribution Agreement dated as of June 29, 1990 between the Company and Showbox System AG	555
10.41 Canadian Distribution Agreement dated as of October 19, 1990 between the Company and Showbox System AG	621
10.42 The Principal Financial Group Prototype Basic Savings Plan and Adoption Agreement, approved by the Company on May 7, 1990	670
10.43 Amended and Restated Revolving Credit Agreement dated as of October 25, 1991 among the Company, FNBB and FNBB, as Agent	747
10.44 Second Amendment to Amended and Restated Revolving Credit Agreement dated as of March 24, 1992 among the Company, FNBB and FNBB, as Agent	906
10.45 Warrantholder Agreement dated as of March 24, 1992 among the Company, FNBB and Bain	913
10.46 Stock Purchase Warrant issued March 24, 1992 by the Company to FNBB	932
10.47 Second Amended and Restated Revolving Credit Agreement dated as of December 9, 1991 among Cuckoo Clock Mfg. Co., Inc., FNBB and FNBB, as agent	941
10.48 Loan Agreement dated as of December 1, 1987 between Cherokee County, South Carolina and the Company	1032
10.49 Mortgage and Security Agreement dated as of December 1, 1987 between Cherokee County, South Carolina and the Company	1081

EXHIBIT INDEX

<u>Exhibit</u>	<u>Page</u>
10.50 Amended and Restated Guaranty Agreement dated as of October 25, 1991 between the Company and First Union National Bank of North Carolina	1100
10.51 Mortgage dated July 1, 1991 between the Company and Dartmouth Savings Bank	1143
10.52 Indenture of Lease dated as of June 1, 1980 between Sam-Man Realty Corp. and the Company	1150
10.53 Standard Industrial Lease -- Multi-Tenant dated as of November 1, 1991 between TCW Realty Fund IV Holding Company and the Company	1202
10.54 Amended and Restated Registration Agreement dated as of March 24, 1992 between the Company and certain other parties thereto	1229
11.1 Statement Re Computation of Earnings Per Share	1244
22.1 Subsidiaries of the Company	1246
24.1 Consent of Price Waterhouse.	1248
*24.2 Consent of Kirkland & Ellis (included in opinion filed as Exhibit 5.1).	1250
25.1 Powers of Attorney (included in signature page).	

*To be filed by Amendment.

DISCLOSURE[®]
Information Services, Inc.

**5161 River Road
Bethesda, MD 20816
(301) 951-1300**

**EXHIBITS
FOLLOW**