

A description of each of the above products of the Company, including a description of the markets and methods of distribution, is set forth below.

1. Decoupage - The Company's Royal Coat decoupage products consist of a wide selection of unpainted wood chests, jewelry boxes, purse boxes and plaques, and base paints, finishes, antiquings and art prints for the creation of home decor pieces and fashion items. Decoupage originated as an 18th Century French art by which objects were decorated with paper cut-outs and laboriously treated with 30 to 60 coats of varnish over a period of several weeks to resemble hand-painted decorations. The surface was then sanded smooth to resemble glass. Decoupage has been revitalized as a craft as a result of the development of a variety of fast drying finishes which make it possible to complete an object within a relatively short period of time.

2. Spray Paints & Finishes - The Company offers a broad line of specialty art and craft paints and finishes packaged both in aerosol containers for spray-on application and non-aerosol containers for brush application. Also included in this line is Fun Film with which one can produce original floral creations and other decorative items having a glass-like appearance by dipping wire shapes into a fast drying tinted solution.

3. Craft Kits - The Company assembles, packages and markets do-it-yourself craft kits relating to 8 different craft selections. These kits contain all of the required components and finishes necessary for even an untrained person to create a particular art or craft object. Among the arts and crafts available in kit form are candles, decoupage, purses and wire art kits.

In 1974 the Company expanded its kit line to include wire sculpture, a craft where a design is produced by stringing thin pieces of wire over pegs protruding from a background to produce a predetermined design.

The kit program did not develop as the Company anticipated and the failure of this program to meet anticipated sales goals was a significant factor in the disappointing financial results of the Company for its year ended December 31, 1974. As previously reported, the Company determined to make an inventory valuation adjustment of \$750,000 in November, 1974 retroactive