

to September 30, 1974. The purpose of this valuation adjustment was to reduce the value of its inventory, primarily based upon the large number of kits and kit components on hand which had not been sold.

4. Candles - The Company offers a broad line of candle-making products including light-weight, unbreakable, one piece, polypropylene molds and two piece interlocking molds, wax wicks, scents, dyes and additives. The candle-making supplies are sold individually and in kit form.

5. Craft Books - The Company produces instruction books covering a wide variety of crafts, including many crafts for which the Company does not provide components.

6. Ceramic Accessories - The Company, through its Reward Ceramic Division, manufactures and distributes a complete line of ceramic accessories including a line of electric kilns consisting of six different models, colors, finishes, glazes, tools and fixatives for the hobby-ceramist. (See "Recent Developments").

7. Others - Among the many other products sold by the Company are the following:

Glass Stain - This is a line of paints and finishes which may be applied to Tiffany-style lamps, goblets, candle holders and decanters to create the appearance of stained glass.

Marketing

The Company's products are distributed in all 50 states through eight hobby and toy manufacturers' representative organizations and two Company salesmen. These organizations, which are granted exclusive territories by the Company but which are free to sell competing products, and Company salesmen sell to an aggregate of approximately 3,500 distributors, mail order houses, chain and major department stores and independent retailers. Whenever possible, the Company endeavors to have its customers stock a complete line of adult arts and craft products, most of which it supplies. At the present time, no single customer accounts for as much as 10% of the Company's net sales.