SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED JULY 20, 1992

**PROSPECTUS**

# 20,000,000 Shares


## Common Stock

All of the shares of Common Stock are being sold by Sunbeam-Oster Company, Inc. (the "Company" or "Sunbeam-Oster"). Prior to this Offering, there has been no active public market for the Common Stock. It is currently estimated that the public offering price will be between $15.00 and $18.00 per share. For information relating to the factors to be considered in determining the public offering price, see "Underwriting."

Of the 20,000,000 shares of Common Stock offered, 16,000,000 shares are being offered hereby in the United States and Canada by the U.S. Underwriters and 4,000,000 shares are being offered in a concurrent offering outside the United States and Canada by the International Underwriters. The public offering price and the aggregate underwriting discount per share are identical for both offerings. See "Underwriting."

Application has been made to have the Common Stock listed on the New York Stock Exchange under the symbol "SOC."

**For information concerning certain factors that should be considered by prospective investors, see "Investment Considerations."**

**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 Discount(1) | Proceeds to Company(2) |
|---|---|---|---|
| Per Share | $ | $ | $ |
| Total(3) | $ | $ | $ |

(1) The Company has agreed to indemnify the several Underwriters against certain liabilities under the Securities Act of 1933. See "Underwriting."
(2) Before deducting expenses payable by the Company estimated at $
(3) The Company has granted the U.S. Underwriters and the International Underwriters options exercisable within 30 days after the date hereof to purchase up to 2,400,000 and 600,000 additional shares of Common Stock, respectively, solely to cover over-allotments, if any. If such options are exercised in full, the total Price to Public, Underwriting Discount, and Proceeds to Company will be $ , $ , and $ , respectively. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of certain legal matters by counsel for the Underwriters and certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the shares of Common Stock will be made in New York, New York on or about , 1992.

**Merrill Lynch & Co.**

**Dillon, Read & Co. Inc.**

**Donaldson, Lufkin & Jenrette**
**Securities Corporation**

**PaineWebber Incorporated**

The date of this Prospectus is , 1992.

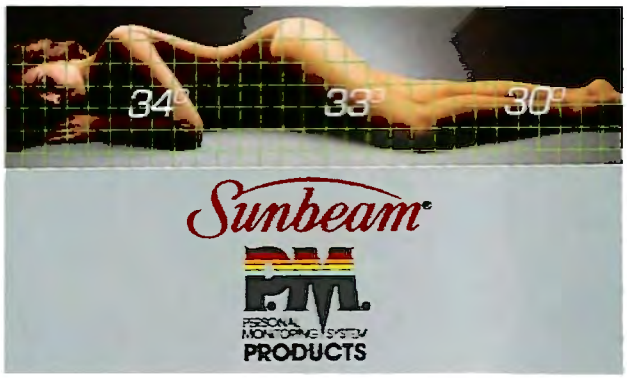
Sunbeam®-Oster®

For all the right reasons®

# THE "FIVE KEYS TO SUCCESS"

1. New, unique product introductions.


2. Quality products at the lowest possible cost.




3. Brand name merchandising and promotional support.

4. Optimize retailer space and capital resources.

5. 100% delivery reliability and electronic communication.

*Proud to be American made*

**IN CONNECTION WITH THE OFFERINGS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THI COMMON STOCK OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHEF WISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED C THE NEW YORK STOCK EXCHANGE OR OTHERWISE. SUCH STABILIZING, IF CO' MENCED, MAY BE DISCONTINUED AT ANY TIME.**

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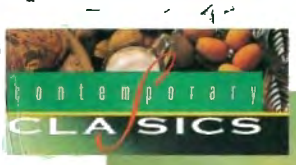
1. New, unique product introductions.






2. Quality products at the lowest possible cost.

n®-Oster®

ight reasons®

3. Brand name merchandising and promotional support.



4. Optimize retailer space and capital resources.

5. 100% delivery reliability and electronic communication.

## 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. Unless indicated otherwise, the information contained in this Prospectus assumes that the Underwriters' over-allotment options are not exercised. On September 28, 1990, Sunbeam-Oster acquired all the remaining assets and assumed certain liabilities of Allegheny International, Inc. and certain of its subsidiaries (collectively, the "Predecessor") pursuant to a court approved Plan of Reorganization. The Predecessor filed for protection under the United States Bankruptcy Code in 1988. See Note 2 to Sunbeam-Oster's Consolidated Financial Statements. The terms "Sunbeam-Oster" and the "Company" as used herein refer to Sunbeam-Oster Company, Inc. and its consolidated subsidiaries, unless otherwise stated or indicated by context.*

### The Company

Sunbeam-Oster is a leading international consumer products company that develops, manufactures, and markets a diversified portfolio of outdoor, household and specialty brand name products. The Company enjoys a long-standing reputation for the quality of its products. The Sunbeam® and Oster® brands have been household names for generations, and the Company is a market share leader in many of its product categories.

Upon acquisition of the Predecessor's businesses in September, 1990 (the "Acquisition"), new management embarked upon its integrated one-company strategy focused on enhancing the Company's brand name franchises with retailers and consumers, improving the support provided to Sunbeam-Oster's retail customers, improving quality and efficiency, and maximizing growth opportunities. Since the Acquisition, the Company has reorganized more than a dozen autonomous business units into the following four highly focused and coordinated business groups:

*Outdoor Products* encompasses propane, natural gas, charcoal and electric barbecue grills, including tabletop and kettle models; outdoor casual furniture, including folding furniture and style sets of matching aluminum and wrought iron chairs, tables, umbrellas and lounges; and outdoor cooking and furniture accessories. The Company enjoys a market share position that management estimates to be approximately 50% in its major grill lines and in excess of 60% in its aluminum furniture lines.

*Household Products* consists of warming blankets and heated throws; health care and comfort products such as bath scales, heating pads, health-monitoring instruments, vaporizers, and hair care products; a broad line of small kitchen appliances, including Osterizers® (blenders), Mixmasters® (stand mixers), and Kitchen Centers® (multi-purpose appliances); clocks, timers, and a wide range of temperature and weather measurement instruments. The Company has the number one position in the warming blanket and heated throw markets and believes that it has leading market positions in many of the small kitchen appliance categories in which it participates.

*Specialty Products* includes personal care, barber and beauty, pet care and large animal care products, such as clippers and trimmers, shearing equipment, blades, razors, home hair kits, hair dryers and other grooming accessories. The Company believes that it holds the leading position in many of these markets.

*International* markets certain Sunbeam-Oster products in over 60 countries, primarily in Canada and Latin America. The Company also develops and manufactures a broad line of small kitchen appliances in Mexico, Venezuela and Peru. As in the U.S., the Company enjoys a strong market position in a number of categories in several foreign markets.

This new streamlined structure has allowed the Company to foster cross-selling efforts through the appointment of team captains charged with coordinating each business group's selling efforts with the

Company's major retail customers. It has also enabled the Company to achieve substantial cost savings at the business group level.

Sunbeam-Oster's operating policy is aimed at achieving and maintaining preferred vendor status with its retailers. The Company employs the following "Five Keys to Success" as the foundation of its operating policy:

1. *New, Unique Product Introductions*—During 1991, over 20% of Sunbeam-Oster's sales resulted from new products. Management considers a new product to be an item introduced during the preceding four years with features or functions not then being sold by the Company. Examples of new products include the It's So Easy® preassembled grill, the Cuddle-Up® heated throw and certain of the Contemporary Classics® line of high-end kitchen appliances. The Company's goal is to increase sales of new products to 30% or more by focusing on growth products that fit an evolving consumer profile and capitalize on Sunbeam-Oster's strengths.

2. *Quality Products at the Lowest Possible Cost*—Sunbeam-Oster is employing "Total Quality Management" (TQM) principles throughout the organization with the objective of being the lowest cost producer with the highest quality products. Continuous-improvement strategies to reduce cycle times, modernize product design, improve process technology, employ alternative materials, establish centers of manufacturing expertise, and balance seasonal facilities through further plant rationalization are being undertaken.

3. *Brand Name Merchandising and Promotional Support*—Sunbeam-Oster offers "destination" brands that are designed to pull consumers to retail stores. The Company also leverages its brand names with consistently recognizable products, packaging, and point of purchase material. In addition, Sunbeam-Oster provides its retailers with "good-better-best-superior" brand name product selections and high impact promotional support and merchandising.

4. *Optimize Retailer Space and Capital Resources*—The Company works closely with its retail partners to improve their profitability, using the latest available technology in retail warehouse and shelf space management to minimize their inventory, and maximize floor stock turnover. Sunbeam-Oster also affords retailers economies of scale associated with a large manufacturer capable of supplying a broad range of high quality products in large volumes.

5. *100% Delivery Reliability and Electronic Communication*—Sunbeam-Oster manufactures substantially all of the products sold to U.S. retailers at its own facilities in North America. This gives the Company an advantage in servicing its retail partners with just-in-time inventory and in controlling product quality. In Latin America, the Company also pursues a strategy of supporting its various markets with local manufacturing. Currently, Sunbeam-Oster has approximately one-half of its U.S. customer sales on EDI (Electronic Data Interchange), with an objective of having in excess of 80% of its U.S. customer sales on EDI within the next several years.

The Company has shown a dramatic improvement in operating performance, particularly in light of the economic environment that has generally persisted since the Acquisition. Management believes that opportunities exist to improve the Company's operating performance and market positions by continuing to focus on the introduction of new products, cross-selling, improving manufacturing efficiencies, and increasing penetration of new distribution channels. There can be no assurance that the Company will achieve these goals or that the Company will be able to maintain its market positions.

## The Offerings

The offering of 16,000,000 shares of Common Stock initially being offered in the United States and Canada (the "U.S. Offering") and the offering of 4,000,000 shares of Common Stock initially being offered outside the United States and Canada (the "International Offering") are collectively referred to as the "Offerings." See "Underwriting."

| | |
|---|---|
| Common Stock Offered by the Company: | |
| U.S. Offering | 16,000,000 shares |
| International Offering | 4,000,000 shares |
| Total | 20,000,000 shares |
| Common Stock to be Outstanding after the Offerings | 84,178,257 shares(1) |
| Use of Proceeds | Approximately two-thirds of the net proceeds from the Offerings, up to a maximum of $200.0 million, will be used for investments in new product development, new manufacturing process technologies, manufacturing integration and rationalization, working capital, and possible future acquisitions. The remaining proceeds, including proceeds from the exercise of the Underwriters' over-allotment options, if any, will be used to purchase a portion of the Company's Restricted Warrants simultaneously with the completion of the Offerings from Sunbeam-Oster Equities, L.P. and the Banks. See "Principal Holders" and "Use of Proceeds." |
| Proposed New York Stock Exchange Symbol | SOC |

(1) Excludes shares issuable upon exercise of all outstanding warrants and options which, if included, would result in a fully diluted share base of 94,188,001 shares after the Offerings, using the treasury stock method and assuming a market price of $17.00 per share of Common Stock.

## Summary Financial Data

The following table sets forth for the periods and dates indicated, selected consolidated financial data of the Company and the Predecessor. On September 28, 1990, Sunbeam-Oster acquired all of the remaining assets of the Predecessor and assumed certain of its liabilities through a reorganization. Accordingly, the Company's financial statements at and for periods after September 30, 1990 are not directly comparable to the financial statements for prior periods. The Company changed its fiscal year to a calendar year-end from a September year-end effective with the twelve month period ended December 29, 1991. See the introduction to "Selected Financial Data" for information concerning the sources of the financial data presented below, the extent to which such data has been reported upon by independent accountants and whether it is included elsewhere herein. The summary financial data should be read in conjunction with the respective financial statements and related notes included elsewhere in this Prospectus.

| | Predecessor | | Sunbeam-Oster | | |
|---|---|---|---|---|---|
| | Fiscal Years Ended | | Fiscal Year Ended | Three Months Ended | |
| | October 1, 1989 | September 30, 1990 | December 29, 1991 | March 31, 1991 | March 29, 1992 |
| | (In millions, except per share data) | | | | |
| **Statement of Operations Data:** | | | | | |
| Net sales | | | | | |
| ongoing products | $ 864.0 | $824.0 | $882.7 | $246.1 | $267.1 |
| products discontinued | 56.2 | 34.9 | 2.9 | 1.3 | — |
| | 920.2 | 858.9 | 885.6 | 247.4 | 267.1 |
| Cost of goods sold | 726.3 | 682.5 | 656.7 | 187.8 | 200.2 |
| Selling, general and administrative expense | 127.3 | 113.6 | 94.0 | 21.8 | 24.5 |
| Depreciation and amortization expense | 20.1 | 21.6 | 24.6 | 6.3 | 7.0 |
| Corporate administrative expense | 22.8 | 16.4 | 14.3 | 3.9 | 3.7 |
| Rationalization and restructuring charges(1) | 26.4 | 120.1 | — | — | — |
| Operating earnings (loss) | (2.7) | (95.3) | 96.0 | 27.6 | 31.7 |
| Net earnings (loss)(2) | $ (54.9) | $ 94.3 | $ 47.4 | $ 13.2 | $ 16.0 |
| Weighted average common and equivalent shares outstanding | | | 70.8 | 70.8 | 71.4 |
| Earnings per share of Common Stock(3) | | | $ .61 | $ .16 | $ .22 |
| **Supplemental Pro Forma Data(4)** | | | | | |
| Weighted average common and equivalent shares outstanding | | | 80.5 | 80.5 | 80.4 |
| Earnings per share of Common Stock | | | $ .52 | $ .14 | $ .19 |

| | March 29, 1992 | |
|---|---|---|
| | Actual | As Adjusted(5) |
| **Balance Sheet Data (at period end):** | | |
| Working capital | $201.4 | $ 415.5 |
| Total assets | 904.2 | 1,119.9 |
| Long-term debt | 100.3 | 140.3 |
| Shareholders' equity | 360.2 | 535.9 |

(1) For the fiscal years ended October 1, 1989 and September 30, 1990, see Note 14 to the Predecessor's Consolidated Financial Statements.

(2) Net earnings for the year ended September 30, 1990 included a $154.4 million gain on the extinguishment of debt and a $73.6 million gain from the revaluation of assets and liabilities upon reorganization pursuant to the adoption of "fresh start" reporting.

(3) Assumes that the stock options granted in December 1991 are outstanding for all the periods presented. Primary and fully diluted earnings per share are equivalent except in the three months ended March 29, 1992 and the fiscal year ended December 29, 1991 which had primary earnings per share of Common Stock of $.22 and $.61, respectively and fully diluted earnings per share of Common Stock of $.21 and $.60, respectively.

(4) Based on the treasury stock method assuming a market price of $17.00 per share for each period and that the stock options granted in December 1991 are outstanding for all the periods presented. Primary and fully diluted earnings per share are equivalent for all periods presented. The Supplemental Pro Forma Data do not give effect to the sale of Common Stock in the Offerings or the application of the proceeds therefrom.

(5) Gives effect to the adjustments described under the caption "Capitalization."

## INVESTMENT CONSIDERATIONS

*Prospective investors should consider carefully, in addition to the other information contained in this Prospectus, the following factors before purchasing shares of Common Stock offered hereby.*

**Absence of Active Public Market for Common Stock; Possible Volatility of Stock Price**

Prior to the Offerings there has been no active public market for the Common Stock or the outstanding warrants to purchase Common Stock. Although it is expected that the Common Stock will be listed on the New York Stock Exchange, there can be no assurance that an active trading market will develop or be sustained or that the market price of the Common Stock will not decline below the public offering price. See "Underwriting." The stock market has from time to time experienced extreme price fluctuations often unrelated to the operating performance of particular companies, which could in the future adversely affect the market price of the Company's Common Stock.

**Negotiated Determination of Public Offering Price**

The public offering price of the Common Stock will be determined through negotiations between the Company and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), Dillon, Read & Co. Inc., Donaldson, Lufkin & Jenrette Securities Corporation and PaineWebber Incorporated, as representatives of the U.S. Underwriters and may not be indicative of the market price of the Common Stock after the Offerings. See "Underwriting." Purchasers of Common Stock in the Offerings will experience immediate and substantial dilution in net tangible book value per share of Common Stock from the public offering price. The net tangible book value of the Company as of March 29, 1992 was $66.7 million or $1.04 per share of Common Stock. "Net tangible book value per share" represents the amount of tangible assets of the Company less total liabilities, divided by the number of shares of Common Stock outstanding. After giving effect to (i) the Offerings at an assumed public offering price of $17.00 per share of Common Stock, (ii) the application of a portion of the proceeds therefrom to purchase Restricted Warrants and (iii) the March 31, 1992 redemption of the Company's 9.5% Convertible Exchangeable Preferred Stock, the pro forma net tangible book value of the Company as of March 29, 1992 would have been $269.9 million, or $3.21 per share. This represents an immediate increase in net tangible book value of $2.17 per share to existing stockholders and an immediate dilution of $13.79 per share to investors purchasing Common Stock in the Offerings.

**Economic Conditions**

The Company's business is dependent on sales to retail customers and may be affected by prolonged economic downturns or significant declines in consumer spending. Although the Company has shown a significant improvement in operating performance notwithstanding the economic environment that has generally persisted since the Acquisition, there can be no assurance that a prolonged continuation of the current economic environment or future economic recessions would not have a material adverse effect on the Company.

**Controlling Stockholders and Their Interest in the Offerings**

Prior to the Offerings, 99.2% of the outstanding Common Stock and approximately 80.2% of the outstanding redeemable warrants to purchase Common Stock (the "Redeemable Warrants"), are beneficially owned by Sunbeam-Oster Equities, L.P. ("SOE"), the general partner of which is Japonica Partners, a Rhode Island limited partnership. Giving effect to the Offerings, at an assumed public offering price of $17.00 per share of Common Stock, approximately $117 million of the proceeds therefrom will be used to purchase a portion of the Redeemable Warrants owned by SOE, and SOE will continue to beneficially own approximately 76.7% of the outstanding Common Stock and approximately 57.1% of the outstanding Redeemable Warrants. SOE has the sole voting and investment power with respect to such shares. Consequently, SOE will have the power to elect the Company's Board of Directors and, consistent with its fiduciary responsibilities, to approve any action requiring stockholder approval. Certain officers and directors of the Company are also general partners of Japonica Partners, and there can be no assurance that conflicts of interest will not arise. However the Company's Board of Directors is obligated to resolve any such conflicts in a manner consistent with its fiduciary duties. In view of the unanimous approval by the independent members of the Company's Board of Directors, and because the purchase price to be paid for the Redeemable Warrants is based upon the public offering

price of the Common Stock offered hereby, the Company has not sought approval by its public shareholders of the purchase of the Redeemable Warrants from SOE. See "Use of Proceeds," "Principal Holders," and "Description of Capital Stock."

**Possible Future Issuances of Preferred Stock**

Although no issuances of preferred stock are currently contemplated, under the Company's certificate of incorporation, the Company's Board of Directors may, without further shareholder action, authorize the issuance of preferred stock, including series of preferred stock that affect the voting rights of Common Stock. There can be no assurance that the issuance of one or more series of preferred stock will not be authorized in the future. See "Description of Capital Stock."

**Shares Available for Future Sale**

No prediction can be made as to the effect, if any, that future sales of shares, or the availability of shares for future sale, will have on the market price of the Common Stock prevailing from time to time. Sales of Common Stock (including shares issued upon the exercise of Redeemable Warrants), or the perception that such sales may occur, could adversely affect prevailing market prices for the Common Stock or the Company's ability to raise equity in the future. The Company anticipates that, at an assumed public offering price of $17.00 per share of Common Stock, approximately 2.6 million Redeemable Warrants will remain outstanding following the repurchase of Redeemable Warrants from SOE of which approximately 1.5 million will be owned by SOE. Each Redeemable Warrant entitles the holder to purchase three shares of Common Stock at an exercise price of $8.70 per Redeemable Warrant. The Company and SOE have agreed, subject to certain exceptions, not to offer, sell, contract to sell or otherwise dispose of any Common Stock, for a period of 180 days after the date of this Prospectus, without prior written consent of Merrill Lynch. See "Principal Holders," "Shares Available for Future Sale," "Description of Capital Stock," and "Underwriting."

**International Sales**

The Company's International group accounted for approximately 17% and 16% of the Company's sales for the periods ended December 29, 1991 and March 29, 1992, respectively, of which Canada and Latin America together accounted for 16% and 15% of the Company's sales for such periods. The Company's International group is subject to certain risks of doing business abroad, such as currency fluctuations and laws protecting patent and trademark rights which in certain cases are not as strong as U.S. laws. The Company has not been materially affected by any of these factors although there can be no assurance that one or more of these factors will not adversely affect the Company in the future.

**Dependence on Retail Customers**

Over the last several years certain areas of the retail industry have experienced financial difficulties. The Company closely monitors the financial condition of its customers, and has not been materially adversely affected by the financial difficulties of the retail industry. There can be no assurance that future financial difficulties within the retail industry will not materially adversely affect the Company.

The Company's five largest customers, which accounted for approximately 31% of sales for the year ended December 29, 1991 and 26% of sales for the three months ended March 29, 1992, have not experienced financial difficulty. The Company has long standing relationships with these customers. As is customary in the industry, the Company does not enter into long term supply contracts. A material decrease in the Company's sales to mass merchandisers could have a material adverse effect on the Company. See "Business—General," "Business—Customers" and Note 12 to the Company's 1991 Consolidated Financial Statements.

**Competition and Importance of New Product Introductions**

The Company experiences substantial competition in most of its product categories. See "Business—Competition." The Company believes that new product introductions will play an important role in its continuing ability to compete. During 1991, over 20% of Sunbeam-Oster's sales resulted from new products. The Company's goal is to increase sales of new products to 30% or more by focusing on growth products that fit an evolving consumer profile and capitalize on Sunbeam-Oster's strengths. There can be no assurance that the Company will continue to be successful in introducing new products.

## THE COMPANY

Sunbeam-Oster is a leading international consumer products company that develops, manufactures, and markets a diversified portfolio of outdoor, household and specialty brand name products. The Company enjoys a long-standing reputation for the quality of its products. The Sunbeam® and Oster® brands have been household names for generations, and the Company is a market share leader in many of its product categories.

The Company was formed by Japonica Partners to purchase the Predecessor's businesses. See "Principal Holders." The Predecessor was dissolved after the Acquisition. The Acquisition was consummated pursuant to a court-approved plan of reorganization following the Predecessor's 1988 Chapter 11 filing. Substantially all of the outstanding Common Stock of the Company and the Redeemable Warrants were issued in connection with such reorganization. See Note 2 to the Predecessor's Consolidated Financial Statements.

Upon the Acquisition, new management embarked upon its integrated one-company strategy focused on enhancing the Company's franchises with retailers and consumers, improving the support provided to Sunbeam-Oster's retail customers, improving quality and efficiency, and maximizing growth opportunities. Since the Acquisition, the Company has reorganized more than a dozen autonomous business units into the following four highly focused and coordinated business groups:

*Outdoor Products* encompasses propane, natural gas, charcoal and electric barbecue grills, including tabletop and kettle models; outdoor casual furniture, including folding furniture and style sets of matching aluminum and wrought iron chairs, tables, umbrellas and lounges; and outdoor cooking and furniture accessories. The Company enjoys a market share position that management estimates to be approximately 50% in its major grill lines and in excess of 60% in its aluminum furniture lines.

*Household Products* consists of warming blankets and heated throws; health care and comfort products such as bath scales, heating pads, health-monitoring instruments, vaporizers, and hair care products; a broad line of small kitchen appliances including Osterizers® (blenders), Mixmasters® (stand mixers), and Kitchen Centers® (multi-purpose appliances), clocks, timers, and a wide range of temperature and weather measurement instruments. The Company has the number one position in the warming blanket and heated throw markets and believes that it has leading market positions in many of the small kitchen appliance categories in which it participates.

*Specialty Products* includes personal care, barber and beauty, pet care and large animal care products, such as clippers and trimmers, shearing equipment, blades, razors, home hair kits, hair dryers and other grooming accessories. The Company believes that it holds the leading position in many of these markets.

*International* markets certain Sunbeam-Oster products in over 60 countries, primarily in Canada and Latin America. The Company also develops and manufactures a broad line of small kitchen appliances in Mexico, Venezuela and Peru. As in the U.S., the Company enjoys a strong market position in a number of categories in several foreign markets.

The Company employs the following "Five Keys to Success" as the foundation of its operating policy: 1) New, unique product introductions; 2) Quality products at the lowest possible cost; 3) Brand name merchandising and promotional support; 4) Optimize retailer space and capital resources; and 5) 100% delivery reliability and electronic communication. There can be no assurance that the Company will achieve these goals or that the Company will be able to maintain its market positions.

A program to ensure management depth and add innovative consumer products expertise to Sunbeam-Oster has resulted in the addition or promotion of more than 30 senior managers since December 1990. In order to assure that key personnel are economically aligned with stockholders, Sunbeam-Oster has established an equity based compensation plan for management. See "Management-Employee Benefit Plans."

The Company was incorporated under the laws of the State of Delaware in 1989. The Company's principal offices are located at One Citizens Plaza, Providence, Rhode Island 02903. Its telephone number is (401) 831-8188.

## USE OF PROCEEDS

The net proceeds to the Company from the Offerings are estimated to be $318.8 million (at an assumed public offering price of $17.00 per share of Common Stock) after deduction of the underwriting discount and estimated offering expenses ($367.0 million if the Underwriters' over-allotment options are exercised in full). Approximately two-thirds of the net proceeds from the Offerings up to a maximum of $200.0 million will be retained by the Company and used to augment its internally generated funds, thereby enabling the Company to more rapidly exploit certain business opportunities that management believes are available to the Company. Sunbeam-Oster expects that such net proceeds will be applied during the two-year period following the Offerings to five categories of investment. Assuming a public offering price of $17.00 per share of Common Stock, the full $200.0 million would be retained by the Company.

The Company expects that approximately 20% of the net proceeds retained by it will be invested in new product development. Such investments will include capital expenditures for new machinery, equipment and tooling needed to manufacture the Company's new products. This will involve the development of new, complementary products and markets, and the expansion or extension of existing product lines. Management believes that there are attractive product development opportunities in each of Sunbeam-Oster's four business groups.

The Company believes that approximately 15% of the net proceeds retained by it will be used to develop and acquire new manufacturing process equipment and technologies. Management anticipates that it will make investments to improve existing manufacturing technologies and, in certain limited cases, to begin the manufacture of components that are currently being purchased from vendors. Management believes manufacturing process technology opportunities exist at all of the Company's business groups.

Sunbeam-Oster expects that approximately 15% of the net proceeds retained by it will be applied to support its integrated one-company strategy, including continuing to build both the Sunbeam and Oster brand franchises at the retail and consumer levels as well as the warehousing and distribution infrastructure needed to better serve the Company's retail customers. This strategy also contemplates additional balancing of seasonal facilities through further plant rationalization and upgrading the flexibility of existing machinery and equipment to perform new functions. Management believes that investment opportunities in this category exist at all of the Company's business groups.

The Company believes that 10% to 15% of the net proceeds retained by it will be used to support the greater working capital requirements that management anticipates will arise as a result of both increases in sales volume and its strategy of supporting Sunbeam-Oster's retail partners through electronic communication and other investments aimed at minimizing the retailer's inventory position while maximizing its floor stock turnover. Management perceives that investment opportunities within this category are available at all of the Company's business groups, due in large part to the focus many of the Company's largest customers are applying to their distribution and inventory carrying costs.

Sunbeam-Oster also believes that industry trends, particularly the trend toward vendor consolidation, will generate attractive opportunities to acquire related, complementary products and businesses. Among the factors the Company may consider in evaluating the acquisition of products and businesses are how well the products fit within the Company's existing product portfolio, sales and profitability trends and opportunities, the customer base, and the location and status of manufacturing facilities. While Sunbeam-Oster believes that opportunities for such acquisitions exist, it currently has entered into no commitment or agreement and has no understanding with any third party to make any such acquisitions. The Company expects that the balance of the net proceeds retained by it will be invested in this category.

Although the Company plans to invest the net proceeds retained by it in each of the five categories of investment as described above, the Company will act in response to opportunities, competitive

circumstances and other changes in the marketplace which may result in variations to such allocated amounts.

The remaining proceeds including proceeds from the exercise of the Underwriters' over-allotment options, if any, will be used to purchase a portion of the 4,422,178 Redeemable Warrants owned by SOE and a portion of the 1,104,315 non-redeemable warrants (the "Non-Redeemable Warrants") held by two of the Company's lending banks (the "Banks") which had provided financing as part of the initial capitalization of the Company. Of all of the Company's outstanding warrants, only those warrants held by SOE and the Banks are subject to resale restrictions under applicable securities laws (collectively, the "Restricted Warrants"). The Company has reached agreement with SOE and the Banks to purchase a portion of their Restricted Warrants on a pro rata basis in proportion to their fully diluted share ownership in the Company. The purchase price to be paid for each Restricted Warrant shall be determined by multiplying the public offering price per share of Common Stock, less the underwriting discount, by the number of shares purchasable upon exercise of each Restricted Warrant, and subtracting the applicable exercise price ($8.70 in the case of SOE's Restricted Warrants ($2.90 for each of three shares) and $2.16 in the case of the Banks' Restricted Warrants). Assuming a public offering price of $17.00 per share and no exercise of the Underwriters' over-allotment options, the Company would use approximately $117.0 million of the proceeds to purchase 2,962,408 Redeemable Warrants from SOE and approximately $1.8 million of the proceeds to purchase 126,188 Non-Redeemable Warrants from the Banks. The Company intends to purchase the Restricted Warrants simultaneously with the completion of the Offerings.

Pending application of the proceeds of the Offerings, Sunbeam-Oster intends to invest the proceeds in investment grade marketable securities.

## DIVIDEND POLICY

To date, Sunbeam-Oster has not declared or paid dividends on its Common Stock. The Company expects to retain most of its future earnings to finance the development and expansion of its business. However, the Board of Directors intends to declare cash dividends at the annual rate of $.04 per share on the outstanding shares of Common Stock commencing with the end of the first full quarter following the consummation of these Offerings. Future determination of cash dividend payments will be at the discretion of Sunbeam-Oster's Board of Directors.

## CAPITALIZATION

The following table sets forth the short-term debt and capitalization of the Company as of March 29, 1992 and as adjusted to give effect to (i) the Offerings at an assumed public offering price of $17.00 per share of Common Stock, (ii) the application of a portion of the proceeds therefrom to purchase Restricted Warrants, and (iii) the bank refinancing and the redemption of the Company's 9.5% Convertible Exchangeable Preferred Stock discussed in footnote (1) below. The table should be read in conjunction with the Condensed Consolidated Financial Statements of the Company included elsewhere in this Prospectus. See also "Use of Proceeds," "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of Capital Stock."

| | March 29, 1992 | |
|---|---|---|
| | Actual | As Adjusted |
| | (In millions) | |
| Short-term debt | $ 4.8 | $ 4.8 |
| Long-term debt: | | |
| Bank term note(1) | $ 85.0 | $125.0 |
| Other indebtedness | 15.3 | 15.3 |
| Total long-term debt | 100.3 | 140.3 |
| Shareholders' equity: | | |
| Preferred Stock, $.01 par value, authorized 2,000,000 shares, issued and outstanding 239,974 shares of 9.5% Convertible Exchangeable Preferred Stock(1) | 23.7 | — |
| Common Stock, $.01 par value, authorized 200,000,000 shares, issued and outstanding 63,978,682 shares (83,978,682 shares, as adjusted)(2) | 0.6 | 0.8 |
| Paid-in capital | 262.1 | 466.5 |
| Warrants | 8.2 | 3.5 |
| Retained earnings(1) | 65.6 | 65.1 |
| Total shareholders' equity | 360.2 | 535.9 |
| Total capitalization | $460.5 | $676.2 |

(1) After the March 29, 1992 balance sheet date, the Company refinanced its bank debt, replacing it with a senior unsecured credit facility. The new five-year financing provides the Company with a $125.0 million term loan and a $150.0 million revolving line of credit. Proceeds from the term loan portion of the facility are being used to replace existing financing. No borrowings have been made under the revolving line of credit. On May 1, 1992, the Company redeemed the remaining outstanding portion of the Company's 9.5% Convertible Exchangeable Preferred Stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 4 to the Company's 1991 Consolidated Financial Statements.

(2) Excludes shares of Common Stock reserved for issuance upon exercise of outstanding warrants and options. See "Shares Available for Future Sale."

## SELECTED FINANCIAL DATA

The following table sets forth for the periods and dates indicated, selected consolidated financial data of the Company and of the Predecessor. The Company changed its fiscal year to a calendar year-end from a September year-end, effective with the twelve month period ended December 29, 1991.

The Statement of Operations Data and Balance Sheet Data for the three month transition period ended December 30, 1990 (the "Three Month Transition Period") and the fiscal year ended December 29, 1991 have been derived from the audited consolidated financial statements of the Company which are included in this Prospectus. Selected consolidated financial data at and for the periods ended March 29, 1992 and March 31, 1991 were derived from the unaudited condensed financial statements of the Company, which, in the opinion of management, reflect all adjustments necessary for a fair presentation of such data, and are included elsewhere in this Prospectus.

Selected consolidated financial data of the Predecessor, included under the caption "Statement of Operations Data," for the years ended September 30, 1990, and October 1, 1989 are derived from the Predecessor's audited financial statements, which are included elsewhere in this Prospectus. Selected consolidated financial data of the Predecessor, included under the caption "Statement of Operations Data," for the fiscal year ended October 2, 1988 and the nine months ended September 27, 1987 and under the caption "Balance Sheet Data" for the fiscal year ended September 30, 1990 are derived from audited financial statements previously filed with the Securities and Exchange Commission (the "Commission").

The following information should be read in conjunction with the respective financial statements and related notes included elsewhere in this Prospectus.

## SELECTED FINANCIAL DATA
## (In millions, except per share data)

| | Predecessor(1) | | | | Sunbeam-Oster | | | |
|---|---|---|---|---|---|---|---|---|
| | Nine Months Ended September 27, 1987 | Fiscal Years Ended October 2, 1988 | Fiscal Years Ended October 1, 1989 | Fiscal Years Ended September 30, 1990 | Three Month Transition Period Ended December 30, 1990 | Fiscal Year Ended December 29, 1991 | Three Months Ended March 31, 1991 | Three Months Ended March 29, 1992 |
| **Statement of Operations Data:** | | | | | | | | |
| Net sales | | | | | | | | |
| ongoing products | $ 587.2 | $877.3 | $864.0 | $824.0 | $ 215.0 | $ 882.7 | $ 246.1 | $ 267.1 |
| products discontinued | 50.6 | 72.3 | 56.2 | 34.9 | 4.8 | 2.9 | 1.3 | — |
| | 637.8 | 949.6 | 920.2 | 858.9 | 219.8 | 885.6 | 247.4 | 267.1 |
| Cost of goods sold | 505.7 | 726.8 | 726.3 | 682.5 | 163.8 | 656.7 | 187.8 | 200.2 |
| Selling, general and administrative expense | 104.9 | 132.6 | 127.3 | 113.6 | 26.0 | 94.0 | 21.8 | 24.5 |
| Depreciation and amortization expense | 17.5 | 21.0 | 20.1 | 21.6 | 6.2 | 24.6 | 6.3 | 7.0 |
| Corporate administrative expense | 29.4 | 24.4 | 22.8 | 16.4 | 2.7 | 14.3 | 3.9 | 3.7 |
| Rationalization and restructuring charges(2) | 24.3 | 12.3 | 26.4 | 120.1 | — | — | — | — |
| Operating earnings (loss) | (44.0) | 32.5 | (2.7) | (95.3) | 21.1 | 96.0 | 27.6 | 31.7 |
| Net earnings (loss)(3) | $(285.4) | $(25.1) | $(54.9) | $ 94.3 | $ 9.0 | $ 47.4 | $ 13.2 | $ 16.0 |
| Weighted average common and equivalent shares outstanding | | | | | 70.8 | 70.8 | 70.8 | 71.4 |
| Earnings per share of Common Stock(4) | | | | | $ .13 | $ .61 | $ .16 | $ .22 |
| **Supplemental Pro Forma Data**(5): | | | | | | | | |
| Weighted average common and equivalent shares outstanding | | | | | 80.6 | 80.5 | 80.5 | 80.4 |
| Earnings per share of Common Stock | | | | | $ .11 | $ .52 | $ .14 | $ .19 |
| **Balance Sheet Data (at period end)**(6): | | | | | | | | |
| Working capital | | | | $135.1 | $ 149.2 | $ 183.9 | $ 160.8 | $ 201.4 |
| Total assets | | | | 892.1 | 889.8 | 859.3 | 901.3 | 904.2 |
| Long-term debt(7) | | | | 101.1 | 99.6 | 101.6 | 90.4 | 100.3 |
| Shareholders' equity | | | | 353.4 | 362.1 | 344.9 | 374.3 | 360.2 |

(1) Certain selected financial data of the Predecessor has been omitted because the data is not directly comparable to that of the Company. The Company's business activities, operating structure and capital structure are substantially different than that of the Predecessor.

(2) For the fiscal years ended October 1, 1989 and September 30, 1990, see Note 14 to the Predecessor's Consolidated Financial Statements. For the fiscal years ended September 27, 1987 and October 2, 1988, see financial statements previously filed with the Commission.

(3) The net loss for the nine month period ended September 27, 1987 included a $167.8 million charge resulting from losses incurred by discontinued operations and net losses from the disposition of certain discontinued operations. Net earnings for the year ended September 30, 1990 included a $154.4 million gain on the extinguishment of debt and a $73.6 million gain from the revaluation of assets and liabilities upon reorganization pursuant to the adoption of "fresh start" reporting.

(4) Assumes that the stock options granted in December 1991 are outstanding for all the periods presented. Primary and fully diluted earnings per share are equivalent except in the Three Month Transition Period, the Three Months Ended March 29, 1992, and the fiscal year ended December 29, 1991 which had primary earnings per share of common stock of $.13, $.22 and $.61, respectively and fully diluted earnings per share of common stock of $.12, $.21 and $.60, respectively.

(5) Based on the treasury stock method assuming a market price of $17.00 per share for each period and that the stock options granted in December 1991 are outstanding for all periods presented. The Supplemental Pro Forma Data does not give effect to the sale of Common Stock in the Offerings or the application of the proceeds therefrom. Primary and fully diluted earnings per share are equivalent in all periods except the Three Month Transition Period which had primary earnings per share of Common Stock of $.11 and fully diluted earnings per share of Common Stock of $.10.

(6) Balance Sheet Data at September 30, 1990 represent the opening balance sheet of Sunbeam-Oster.

(7) After the March 29, 1992 balance sheet date, the Company refinanced its bank debt. See Note 1 to "Capitalization."

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

On September 28, 1990, Sunbeam-Oster acquired all of the remaining assets of the Predecessor and assumed certain of its liabilities through a reorganization. The Predecessor filed petitions for protection under the United States Bankruptcy Code in 1988. Operating earnings subsequent to the reorganization are substantially improved over those recorded in any of the preceding five years.

**Results of Operations**

| | Predecessor | | Sunbeam-Oster | | |
|---|---|---|---|---|---|
| | Fiscal Years Ended | | Fiscal Year Ended | Three Months Ended | |
| | October 1, 1989 | September 30, 1990 | December 29, 1991 | March 31, 1991 | March 29, 1992 |
| Net sales | | | | | |
| ongoing products | 93.9 % | 95.9 % | 99.7% | 99.5% | 100.0% |
| products discontinued | 6.1 | 4.1 | .3 | .5 | — |
| | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Cost of goods sold | 78.9 | 79.5 | 74.2 | 75.9 | 74.9 |
| Gross margin | 21.1 | 20.5 | 25.8 | 24.1 | 25.1 |
| Selling, general and administrative expense | 13.8 | 13.2 | 10.6 | 8.8 | 9.2 |
| Depreciation and amortization expense | 2.2 | 2.5 | 2.8 | 2.5 | 2.6 |
| Corporate administrative expense | 2.5 | 1.9 | 1.6 | 1.6 | 1.4 |
| Rationalization and restructuring charges | 2.9 | 14.0 | — | — | — |
| Operating earnings (loss) | (.3)% | (11.1)% | 10.8% | 11.2% | 11.9% |

**Three Months Ended March 29, 1992 Compared To Three Months Ended March 31, 1991**

Net sales for the first quarter of 1992 were $267.1 million, or 8.0% above the comparable 1991 period. Sales gains were realized in most categories of the Company's products, with Outdoor Products and International recording particularly strong sales increases of 9.3% and 29.1%, respectively. An expanded customer base and the addition of new and complementary product lines accounted for the majority of the sales increase at Outdoor Products. International's sales increased primarily as a result of the opening of new export markets, increased consumer demand in various Latin American markets and the introduction of barbecue grills in Venezuela and Mexico. Price increases had virtually no impact on the quarterly increase in sales.

Gross profit margins for the first quarter of 1992 increased to 25.1% from 24.1% in the same period of the prior year. Most of the gross margin increase resulted from the Company's continuous improvement strategies which have both improved plant utilization and reduced manufacturing cost.

Selling, general and administrative expenses, including corporate administrative expense, increased slightly to 10.6% of sales in the first quarter of 1992 versus 10.4% of sales in the comparable 1991 period, partially reflecting an increase in expenditures for worldwide brand support.

As a result of the increased sales and gross profit, operating earnings increased 14.8% to $31.7 million for the 1992 period from $27.6 million for the comparable 1991 quarter.

Net interest expense of $1.8 million represented a decrease of 50.0% from the comparable prior year period. This reduction was due to both reduced borrowing levels and lower interest rates.

Tax provisions during the first quarter of 1992 of $11.3 million included a deferred portion of $3.6 million. This deferral was principally due to net operating loss carryforwards utilized during the period.

Net earnings for the first quarter of 1992 increased 21.2% to $16.0 million as compared to $13.2 million for the first quarter of 1991.

**Year Ended December 29, 1991 Compared To the Predecessor Year Ended September 30, 1990**

In 1991, net sales of ongoing products were $882.7 million, an increase of $58.7 million, or 7.1%, from 1990 sales levels. Total net sales in 1991 increased to $885.6 million from $858.9 million in 1990. The Company's domestic sales of ongoing products increased by 7.4%. Sales increases were favorably affected by the continued success of Sunbeam-Oster's new product introductions, increased sales to certain of its rapidly growing retail partners, and successful cross-selling programs. International's sales of ongoing products were 5.7% greater in 1991 than in 1990 primarily as a result of the opening of new export markets and increased consumer demand in various Latin American markets. Following the Acquisition, the Company embarked upon a program to discontinue the sale of several unprofitable or low margin products (discontinued products consist of all models within a discrete product line) in order to increase profitability and long-term growth. Significant discontinued product lines include home heating and humidification products, warming blankets manufactured to European specifications and a line of small warming ovens. These products contributed $34.9 million of net sales in 1990, but only $2.9 million in 1991 as inventories were quickly liquidated. Price increases contributed approximately 1% of the year-over-year increase in sales.

Gross profit in 1991 increased to $228.9 million, 25.8% of sales, up from $176.4 million, or 20.5% of 1990 sales. This gain of $52.5 million reflected the initial benefits of Sunbeam-Oster's continous-improvement strategies which reduced operating costs and improved productivity at many of the Company's business groups. Management actions that contributed to improving gross profit included the realization of manufacturing efficiencies at several Household Products and Outdoor Products facilities, the closing of an Outdoor Products manufacturing facility, and the discontinuation of manufacturing operations in Canada.

Selling, general and administrative expenses, including corporate administrative expense, decreased to 12.2% of sales in 1991, from 15.1% in 1990. Total spending was reduced by $21.6 million, or 16.6%. The implementation of the Company's integrated one-company strategy resulted in overhead reductions, primarily from the elimination of several layers of staff due to, among other things the integration of the previously separate Sunbeam and Oster small kitchen appliance operations, the consolidation of the Hanson Scale business into Household Products, and to a lesser degree, the consolidation of the barbecue grill and outdoor casual furniture businesses into Outdoor Products.

During 1991 the Company wrote off approximately $6.1 million in receivables, approximately 75% of which related to the 1990 and 1991 Chapter 11 filings by two retail customers. These write-offs had no effect on results of operations for 1991 because adequate reserves for these doubtful accounts had been established in the prior year.

Operating earnings improved to $96.0 million in 1991, a $71.2 million improvement over 1990 operating earnings before giving recognition to rationalization and restructuring charges of the Predecessor.

In 1990, rationalization and restructuring charges of $120.1 million included provisions for (i) the costs associated with the consolidation of certain domestic manufacturing activities of $23.0 million, (ii) the integration of the Sunbeam and Oster small kitchen appliance operations of $25.0 million, (iii) the costs associated with the discontinuation of several unprofitable or low margin product lines of $15.9 million, (iv) the discontinuation of manufacturing activities in Canada and the liquidation of the business and assets of the bedding products manufacturing operation in the United Kingdom of $11.6 million, (v) the downsizing and relocation of two European marketing operations of $1.4 million, (vi) the downsizing and relocation of the corporate office of $2.0 million, (vii) the costs associated with the settlement of certain unresolved claims and disputed items of the Predecessor of $25.7 million, and (viii) the "fresh start" accounting adjustments associated with Sunbeam-Oster's continuing businesses of $15.5 million.

Net interest expense was reduced to $10.8 million in 1991 from $31.8 million in 1990 due to lower borrowing levels, reduced interest rates on borrowings and increased interest income.

In 1991, there were no income or expense items associated with the Predecessor's reorganization process. In 1990, the impact of all income items and charges associated with the Predecessor's reorganization process was a gain of $106.1 million. The major components of this gain were a $154.4 million gain on the extinguishment of debt and a $73.6 million gain from the revaluation of assets and liabilities, partially offset by a $120.1 million charge for rationalization and restructuring costs and $1.8 million of other reorganization related expenses.

Tax provisions for 1991 of $31.0 million included a deferred portion of $19.0 million. This deferral was primarily due to net operating loss carry forwards utilized during the year and the recognition of tax deductions associated with the payment of certain Predecessor liabilities. The 1990 tax provisions consisted primarily of foreign taxes. Tax provisions for 1990 of $3.7 million included a deferred portion of $.5 million.

The Company's net earnings in 1991 were $47.4 million. The Predecessor's 1990 net earnings reflect the completion of its reorganization and are not directly comparable to those of Sunbeam-Oster.

*Year Ended December 29, 1991 Compared To Unaudited Twelve Months Ended December 30, 1990*

The Company changed its fiscal year to a calendar year-end from a September year-end effective with the twelve month period ended December 29, 1991. Among the reasons for this change to a calendar year-end was the Company's desire to conform its accounting periods with industry practice. Accordingly, the discussion above compares the audited year ended December 29, 1991 with the audited year ended September 30, 1990 (the "Fiscal Year Comparison"). The discussion that follows addresses the comparison of the fiscal year ended December 29, 1991 with the unaudited twelve months ended December 30, 1990 (the "Calendar Year Comparison"). During Fiscal 1991, ongoing product sales and total sales increased 3.3% and 1.7%, respectively over calendar 1990 levels. International sales increased 5.2% during such period, and the domestic groups realized small sales increases. The sales increase was lower in the Calendar Year Comparison than in the Fiscal Year Comparison due to a particularly strong December 1990 quarter. The cost reduction and productivity programs described above in the Fiscal Year Comparison are also reflected in the Calendar Year Comparison. In fiscal 1991, gross profit improved to 25.8% of sales from 20.7% in the 1990 calendar period, a $48.2 million increase. Selling, general and administrative expense, including corporate administrative expense, decreased to 12.2% of sales in fiscal 1991 from 14.3% in calendar 1990. Operating income improved $62.0 million in fiscal 1991, before giving effect to the Predecessor's 1990 rationalization and restructuring charges, and improved $176.4 million after giving effect to these charges. The effect of income and expense items associated with the Predecessor's reorganization on the Calendar Year Comparison is also consistent with the effect of such items on the Fiscal Year Comparison.

**Three Months Ended December 30, 1990 Compared To Predecessor Three Months Ended December 31, 1989**

| | Predecessor—1989 | | Sunbeam-Oster—1990 | |
|---|---|---|---|---|
| | $ | % | $ | % |
| | (in millions) | | (in millions) | |
| Net sales | | | | |
| ongoing products | 184.7 | 89.0 | 215.0 | 97.8 |
| products discontinued | 22.8 | 11.0 | 4.8 | 2.2 |
| | 207.5 | 100.0 | 219.8 | 100.0 |
| Cost of goods sold | 155.8 | 75.1 | 163.8 | 74.5 |
| Gross margin | 51.7 | 24.9 | 56.0 | 25.5 |
| Selling, general and administrative expense | 29.9 | 14.4 | 26.0 | 11.8 |
| Depreciation and amortization expense | 5.3 | 2.5 | 6.2 | 2.9 |
| Corporate administrative expense | 4.5 | 2.2 | 2.7 | 1.2 |
| Rationalization and restructuring charges | 5.8 | 2.8 | — | — |
| Operating earnings | 6.2 | 3.0 | 21.1 | 9.6 |

During the December 1990 transition period, net sales of ongoing products were $215.0 million, a $30.3 million increase, or 16.4%, over the comparable prior year period. Total sales increased 5.9% to

$219.8 million as compared to the comparable 1989 period. Ongoing product sales increases resulted primarily from increased sales of warming blankets, barbecue grills and outdoor casual furniture. Total sales increases were partially offset by an $18.0 million reduction in 1991 quarterly sales attributable to the discontinuation of several unprofitable or low profit product lines.

Sunbeam-Oster's gross profit margin increased to 25.5% of sales in the December 1990 quarter from 24.9% in the prior year period. This improvement was principally due to improved plant utilization and manufacturing cost reductions.

Selling, general and administrative expenses, including corporate administrative expense, were reduced by $5.7 million, or 16.4% from the December 1989 quarter. The principal reasons for this reduction were the integration of the previously separate Sunbeam and Oster small kitchen appliance operations and the downsizing of the corporate office.

For the quarter ended December 30, 1990, Sunbeam-Oster recorded operating earnings of $21.1 million, significantly greater than the Predecessor's 1989 operating earnings of $6.2 million. See Note 14 to the Predecessor's Consolidated Financial Statements. This strong earnings improvement was attributable to sales increases and cost reductions.

Other expense increased $1.2 million, to $1.9 million, in the 1990 quarter primarily due to foreign exchange losses. Net interest expense decreased $2.7 million from the comparable prior year period, to $4.2 million. This reduction was due to both reduced borrowing levels and lower interest rates.

**Predecessor Year Ended September 30, 1990 Compared to Predecessor Year Ended October 1, 1989**

In 1990, ongoing product sales of the Predecessor were $824.0 million, 5.7% below 1989 sales of $873.9 million. Production delays and the discontinuation of certain product lines to improve gross margins resulted in reduced sales in fiscal 1990 versus those realized in fiscal 1989.

Gross profit in 1990 was $176.4 million versus $193.9 million in 1989. Contributing to the reduced gross profits were lower sales and a reduction in selling prices to close out certain discontinued products.

The Predecessor had operating earnings before the effect of rationalization and restructuring charges of $24.8 million in fiscal 1990 versus $23.7 million for 1989.

In addition to the rationalization and restructuring charges for 1990 of $120.1 million described above, in 1989, rationalization and restructuring charges of $26.4 million included provisions for (i) the costs associated with the consolidation of certain domestic manufacturing activities of $14.0 million, (ii) the integration of Sunbeam and Oster small kitchen appliance operations of $7.4 million, (iii) the downsizing and relocation of two European marketing operations of $2.0 million, and (iv) the downsizing and relocation of the corporate office of $3.0 million.

After restructuring and rationalization charges, the Predecessor had an operating loss for fiscal 1990 of $95.3 million versus a $2.7 million loss for 1989. Included in the 1990 operating loss were charges of $120.1 million for plant and product line rationalizations and corporate restructuring, versus $26.4 million of such charges in 1989.

In 1990, the impact of all income items and charges associated with the Predecessor's reorganization process was a gain of $106.1 million. The major components of this gain were a $154.4 million gain on the extinguishment of debt and a $73.6 gain from the revaluation of assets and liabilities, partially offset by a $120.1 million charge for rationalization and restructuring costs and $1.8 million of other reorganization related expenses.

The Predecessor reported pretax losses from continuing operations before extraordinary gain of $59.0 million in 1990 versus $49.0 million in 1989.

**Liquidity and Capital Resources**

In January, 1992, Sunbeam-Oster received a BBB- investment grade rating from Standard & Poor's on its Sunbeam Corporation public debt. Indebtedness rated BBB- is regarded as having

adequate capacity to pay interest and repay principal as to merit an investment grade rating. Investment grade ratings range from AAA to BBB-.

As of March 29, 1992, Sunbeam-Oster had cash and cash equivalents of $51.6 million and total outstanding indebtedness of $105.1 million. At that balance sheet date, total debt, net of cash and cash equivalents, was 12.9% of total capitalization. Operating earnings, before depreciation and amortization, for the first quarter of 1992 were 21.3 times net interest expense.

In 1991, substantial liquidity was provided from cash flow relating to operating activities which, after capital expenditures, was $105.5 million. The disposition of non-core assets provided an additional $32.3 million of cash. During 1991, debt was reduced by $39.1 million, $60.0 million of relatively high cost preferred stock was redeemed, and cash balances were increased by $30.3 million.

The Company's receivables increased from $122.0 million at December 29, 1991 to $188.0 million at March 29, 1992. This increase, typical of the Company's first quarter, results from early season sales of outdoor products which are traditionally offered on terms which permit payment during the second quarter.

In 1991, capital spending of $16.7 million was $6.5 million, or 64.4%, above 1990 levels. Investment programs included the tooling of new products, and the purchase of equipment and tools to improve productivity and product quality. The Company intends to increase capital spending in 1992 in order to accelerate new product introductions and improve the cost effectiveness of its manufacturing facilities. See "Business—Brand Name Merchandising and Promotional Support."

Subsequent to the March 29, 1992 balance sheet date, the Company refinanced its revolving lines of credit and its bank term loan with a larger facility that was provided on more favorable terms. The new five year unsecured credit agreement provides for a $150.0 million revolving line of credit and a $125.0 million term loan. Interest on borrowings will be calculated at LIBOR plus one-half of one percent. The interest rate spread over LIBOR will decline to three-eighths of one percent when certain net worth and leverage tests are achieved. It is expected that these tests will be achieved and the decline in interest rate will take effect soon after the completion of the Offerings. Amortization of the term note commences on the second anniversary of the signing of the agreement and is payable in equal quarterly installments over the following three year period. Proceeds from the term loan were used to replace existing financing including bank term debt of $85.0 million outstanding at March 29, 1992, and to redeem the remaining $24.0 million of the Company's outstanding 9.5% Convertible Exchangeable Preferred Stock. Of the remaining proceeds, approximately $10.0 million will be used to retire the Sunbeam Corporation public debt (5½% Sinking Fund Debentures due in August, 1992). The revolving credit facility is available for general corporate purposes and no borrowings have been incurred to date.

Management intends to reinvest the undistributed earnings of its foreign subsidiaries in order to support future growth of its foreign operations. However in view of the Company's substantial liquidity, management does not believe that the reinvestment of these earnings will adversely affect the Company's domestic operations or liquidity.

The Company expects that approximately two-thirds of the net proceeds of the Offerings, up to a maximum of $200.0 million, will be retained by the Company and used for investments in new product development, new manufacturing process technologies, manufacturing integration and rationalization (through minimization of down time at plants which may involve introducing new products at existing facilities or combining the manufacturing processes of complementary product lines within fewer facilities), working capital, and possible future acquisitions. The remaining proceeds will be used to purchase Restricted Warrants simultaneously with the completion of the Offerings. See "Use of Proceeds."

## BUSINESS

### General

Sunbeam-Oster is a leading international consumer products company that develops, manufactures, and markets a diverse portfolio of outdoor, household and specialty brand name products. The Company enjoys a long-standing reputation for the quality of its products. The Sunbeam and Oster brands have been household names for generations, and the Company is a market share leader in many of its product categories.

The Company was formed by Japonica Partners to purchase the Predecessor's businesses. See "Principal Holders." The Predecessor was dissolved after the Acquisition. The Acquisition was consummated pursuant to a court-approved plan of reorganization following the Predecessor's 1988 Chapter 11 filing. Substantially all of the outstanding Common Stock of the Company and the Redeemable Warrants were issued in connection with such reorganization. See Note 2 to the Predecessor's Consolidated Financial Statements.

Upon the Acquisition, new management embarked upon its integrated one-company strategy focused on enhancing the Company's brand name franchises with retailers and consumers, improving the support provided to Sunbeam-Oster's retail customers, improving quality and efficiency and maximizing growth opportunities.

The following are some of the most significant actions that management has undertaken since the Acquisition:

(i) Senior management of the Company acted effectively to change the corporate culture by, among many other things, materially raising the standards of acceptable operating performance, establishing a merit-based system for evaluating management, creating an environment of acceptance for new managers hired from outside the Company, eliminating a variety of senior management perquisites, materially increasing communications between senior and operating management and among operating managers themselves, and by consistently acting to infuse the work environment with a team-oriented, competitive, strive-to-be-the-best spirit. In order to assure that key personnel are economically aligned with stockholders, the Company has established an equity based compensation plan for management. Approximately 160 individuals participate in the Company's Equity Team Plan. See "Management—Employee Benefit Plans."

(ii) More than a dozen autonomous business units have been combined into four highly focused and coordinated business groups. This new structure, among other things, has allowed the Company to achieve substantial cost savings at the business group level and foster cross-selling efforts. See "Products."

(iii) Management has been streamlined at the business group and corporate levels by eliminating unnecessary layers. At the same time, however, a program to ensure management depth and add innovative consumer products expertise to Sunbeam-Oster has resulted in the addition or promotion of more than 30 senior managers since December 1990. The organization continues to be streamlined to improve communications, efficiency and flexibility. As examples, manufacturing capacity is being rationalized to increase plant utilization rates, operating and administrative functions continue to be analyzed to reduce waste, and investments are being made in tools and systems in support of new products and more efficient processes.

(iv) Management group teams have been formed to facilitate cross-selling and to better serve the needs of the Company's major retail partners. Additional teams of managers were brought together from all of the Company's operations and corporate headquarters and have identified and begun to implement numerous opportunities including new product introductions, improved customer coverage and support, and cost reduction measures.

(v) The Company's emphasis has been shifted from promoting numerous brand names to the Sunbeam and Oster brands. This shift has greatly increased the effectiveness of the Company's advertising and promotional strategies. Almost $50 million was expended in 1991 on brand name merchandising and promotional support. In addition, numerous products which were previously marketed under different brand names have benefited from their association with the Sunbeam and Oster quality brand names.

(vi) EDI, the telecommunication network that electronically links the Company to its retail partners has been significantly improved and developed. This advanced network enables the Company to offer its customers valuable services such as just-in-time inventory. The telecommunications equipment used by the Company to communicate with its customers through EDI is located throughout the Company's facilities and is easily and readily replaceable, if necessary. The Company has experienced no material difficulties in its use of EDI, and if EDI was temporarily unavailable for any reason, the Company would be able to obtain, through other means, the information which is communicated between the Company and its retail partners using EDI.

The Company has shown a dramatic improvement in operating performance, particularly in light of the economic environment that has generally persisted since the Acquisition. The Company believes that it can continue to improve its operating performance and market positions by introducing new products, continuing to cross-sell products through existing and new distribution channels, adding complementary product lines such as Charmglow Grills, Griffo Grills and Keller Furniture, and further improving manufacturing and operating efficiencies. Likewise, the Company intends to continue to penetrate new distribution channels. Management believes that good growth potential exists within International as evidenced by the Company's recent success in introducing to certain Latin American countries selected product lines previously marketed exclusively in North America.

The Company places major emphasis on anticipating and adapting to changes in its markets, and on forming close relationships with its retail customers. Sunbeam-Oster's fundamental business approach is to align its own interests with the needs of its retail partners. Sunbeam-Oster employs the following "Five Keys to Success" as the foundation of its operating policy:

1. *New, Unique Product Introductions*—Product development efforts are directed at recognizing and reflecting changes in consumer habits and lifestyles. In 1991, over 20% of Sunbeam-Oster's sales came from products introduced during the prior four years. The Company estimates that approximately 24% of 1992 sales will come from new products. Sunbeam-Oster's objective is to increase sales of new products to 30% or more.

2. *Quality Products at the Lowest Possible Cost*—In early 1991, Sunbeam-Oster began employing TQM principles throughout the organization with the objective of becoming the lowest cost producer with the highest quality products. TQM-based strategies to continually improve manufacturing processes are being undertaken. Some of the objectives of these strategies are to reduce manufacturing cycle times and scrap, modernize product design, improve process technology, employ more efficient alternative materials, consolidate manufacturing know-how by establishing centers of manufacturing expertise, and to better balance the Company's utilization of seasonal facilities through further plant rationalization. The Company has recently begun evaluating its facilities to identify efficiencies that can be achieved by minimizing down time at its plants. Among the changes under consideration are manufacturing new products at existing facilities and combining manufacturing processes of complementary product lines within fewer facilities.

3. *Brand Name Merchandising and Promotional Support*—The Company offers "destination" brands that are designed to pull consumers to retail stores specifically to purchase products bearing the Sunbeam and Oster brand names. Sunbeam-Oster also leverages its brand names by increasing their recognition among consumers through consistently recognizable product designs and packaging and with point of purchase material and promotional support. In addition,

Sunbeam-Oster provides its retailers with brand name product selections to fit almost every budget at what are known as "good-better-best-superior" price points.

4. *Optimize Retailer Space and Capital Resources*—Sunbeam-Oster employs computer-based technologies such as the "Spaceman" category space analysis program, which help analyze the profitability of products based upon inventory turns and the amount of space they occupy, to optimize retailers' warehouse and shelf space, minimize inventories, and maximize floor stock turnover. The Company uses these technologies to help its retailers control their costs through better planning and space utilization. Retailers thus benefit from the economies of scale realized by a large manufacturer capable of supplying a broad range of high quality products in large volumes.

5. *100% Delivery Reliability and Electronic Communication*—Sunbeam-Oster manufactures substantially all of the products sold to U.S. retailers at its own facilities in North America. This gives the Company an advantage in servicing its retail partners and in controlling product quality. In Latin America, the Company also pursues the strategy of supporting its various markets with local manufacturing. Through electronic communication, the Company is better able to offer customers just-in-time inventory. The Company works with its customers to coordinate the implementation and use of EDI in lieu of paper-based inventory replenishment and accounting systems. Currently, Sunbeam-Oster has approximately one-half of its U.S. customer sales on EDI, with an objective of having in excess of 80% of its U.S. customer sales on EDI within the next several years.

Sunbeam-Oster's strong financial condition supplements and supports its "Five Keys to Success." There can be no assurance that the Company will achieve these goals.

**Products**

Sunbeam-Oster's product portfolio is one of the most comprehensive in the businesses in which it participates, generally both in terms of the number of products offered and in the number of price points available. The Company uses a "good-better-best-superior" strategy to differentiate between offerings to satisfy a broad cross section of consumers.

Sunbeam-Oster has four major groups of home use products: Outdoor Products, Household Products, Specialty Products, and International. These groups represent a consolidation of over a dozen formerly separate, autonomous units. The new structure provides several advantages to the Company including: (i) improved cross-selling opportunities; (ii) a strengthened brand franchise; (iii) cost efficiencies and economies of scale that can be achieved in manufacturing; and (iv) the ability to foster professional selling techniques that facilitate stronger retail partnerships.

*Outdoor Products*

Through Outdoor Products, Sunbeam-Oster is the leading supplier of outdoor barbecue grills including tabletop and kettle models, casual outdoor aluminum and wrought iron furniture, and related accessories. The Company's products are distinctive in their quality, design and construction, and are exclusively American-made. Sunbeam-Oster enjoys a market share position that management estimates to be approximately 50% in its major grill lines and in excess of 60% in its aluminum furniture lines.

Barbecue grills consist of propane, natural gas, electric and charcoal models sold primarily under the Sunbeam brand name. Other valuable grill trademarks include Charmglow® and Grillmaster®.

The outdoor casual furniture and accessories product lines consist primarily of coated and uncoated aluminum lawn and patio furniture and accessories, including folding furniture and style sets of matching tables, chairs and other furniture, umbrellas and replacement cushions. The Company also has recently introduced a line of outdoor wrought iron furniture. These products are sold predominantly under the Sunbeam, Patio Master® and Keller® trade names. Outdoor Products accounted for approximately 36% of the Company's sales in fiscal 1991.

*Household Products*

The Company's Household Product group is a leading supplier of home comfort and personal care products, and small kitchen appliances. Home comfort and personal care products include a broad line of warming blankets and Cuddle-Up heated throws, health care and comfort products, such as bath scales, health-monitoring instruments and vaporizers, dental and hair care products, and a complete line of clocks, timers, thermometers and other weather instruments. Warming blankets, Cuddle-Ups, bedwarmers, comforters, conventional blankets, humidifiers, vaporizers and heating pads are sold under the Sunbeam, Northern®, and Slumber-Rest® brand names. Scales, blood pressure monitors and other personal care products are sold primarily under the Sunbeam name, with some hanging scales sold under the Hanson Scale® name. Most clocks and weather instruments are sold under the Sunbeam name, with some using the Springfield® brand name. Sunbeam-Oster holds the number one market position in warming blankets, heated throws and heating pads and is a leader in bath scales, clocks and weather instruments.

Small kitchen appliances including blenders, Kitchen Centers, stand mixers, hand mixers, irons, food processors, juice extractors, toasters, can openers, waffle makers, and culinary accessories are sold primarily under the Sunbeam, Oster and Oster Designer® brand names. In addition to what the Company believes is a leading position in Osterizers (blenders), Mixmasters (stand mixers), and Kitchen Centers (multi-purpose appliances), the Company also believes Household Products is one of the leaders in irons, food processors and hand mixers.

A substantial portion of these products are manufactured in North America. Household Products accounted for approximately 41% of the Company's sales in fiscal 1991.

*Specialty Products*

Specialty Products include personal care, barber and beauty, pet care, and large animal care products, including clippers and trimmers, shearing equipment, blades, razors, home hair kits, hair dryers and other grooming accessories. Most of these products are manufactured by the Company. Sunbeam-Oster believes that it occupies the leading position in barber and beauty, pet care, and large animal products, and the number two position in personal care products. Specialty Products accounted for approximately 6% of the Company's sales in fiscal 1991.

*International*

International markets certain Sunbeam-Oster products in over 60 countries, primarily in Canada and Latin America. The Company has had an international presence for almost a century. Sunbeam-Oster, through its foreign subsidiaries, has manufacturing facilities in Mexico, Venezuela and Peru. The Company also has offices in Canada, Germany, France and the United Kingdom where it markets and services a broad line of consumer products. To date, most international sales have consisted of small kitchen appliances, which are either manufactured in the local market or sourced from Sunbeam-Oster's U.S. manufacturing operations. A major effort is underway to expand international operations to include sales of Sunbeam-Oster products that are currently sold only in North America.

As in the U.S., the Company enjoys a strong market position in a number of categories in several foreign markets. In Canada, Sunbeam-Oster is a leader in warming blankets, heating pads, personal care products, clippers and small kitchen appliances. In a number of Latin American countries, management believes that Oster has the leading market share in small kitchen appliances. In Latin America, particularly in Mexico, Venezuela, Peru and certain Central American countries, Sunbeam-Oster intends to build on the strength of its existing strong position in small kitchen appliances by introducing outdoor casual furniture, barbecue grills and clippers. Sunbeam-Oster is the number one manufacturer and marketer of small kitchen appliances in Peru, and management estimates that Oster has over 60% of the small kitchen appliance market in Venezuela. Sunbeam has strong brand recognition in the United Kingdom, and plans to increase its presence there. Continental Europe also represents an attractive growth market for certain Sunbeam-Oster products such as grills, warming

blankets and clippers. International accounted for approximately 17% of the Company's sales in fiscal 1991.

**New Product Development**

The Company has an extensive array of recently introduced new products, and new product development will continue to be an area of major emphasis in the future. During 1991, over 20% of Sunbeam-Oster's sales were from new products. Management considers a new product to be an item introduced during the preceding four years with features or functions not then being sold by the Company. The Company's objective is to increase sales of new products to 30% or more by focusing on products that exploit both macro and niche consumer profiles and capitalize on Sunbeam-Oster's strengths. There can be no assurance that the Company will achieve this goal. The Company expects that approximately 20% of the net proceeds of the Offerings retained by it will be applied to capital expenditures associated with the development of new products. See "Use of Proceeds." New products will be originated by the Company through its own internal product development efforts as well as external sources such as the acquisition of product concepts, joint ventures, and the purchase of emerging and mature product lines.

New programs and items introduced by Outdoor Products include a line of side burner grills, universal grill parts and contemporary accessories, the Brighton® furniture line, and a line of wrought iron furniture. Outdoor Products has also recently introduced a series of It's So Easy® preassembled grills, which dramatically reduce assembly time, a charcoal kettle grill, and a new line of folding casual furniture.

At Household Products, within its home comfort and personal care category, Sunbeam-Oster is expanding its warming blanket business worldwide by introducing 220/240 volt warming blankets. The Company's PTC wire technology (see "Manufacturing and Technology") provides a competitive advantage that will facilitate global market penetration. The Cuddle-Up heated throw represents one of the Company's most successful new product introductions in recent years. Other successful, recently introduced products include PTC wire heating pads, Heat-to-Go® heating pads, the Hot N'Cold Pack®, an angled electric toothbrush, a line of large read-out bath scales, and another line of fashion-forward bath scales. Household Products has also introduced a line of high-performance air purifiers.

Recent new kitchen appliance product development efforts and introductions have focused on two areas. First, Household Products has concentrated on "franchise drivers"— new consumer responsive and innovative products within its five kitchen appliance core product franchises: Osterizers, Mixmasters, Kitchen Centers, Oskar food processors and Auto Shut-Off Irons. Second, the Company is selecting "franchise extensions" where it can introduce its brand names into product categories in which the consumer expects to see Sunbeam and Oster products, and where retailers welcome the entrance of a high quality "destination" brand. New products in the clock and weather station categories include items with easy-to-read dials to address the needs of aging consumers and clocks for children featuring Disney characters.

Sunbeam-Oster is adding to the Specialty Products line by introducing commercial products including blenders, postal, freight and food scales, wall and alarm clocks, hair dryers, clothing steamers, irons, shower massagers and timers. Most of these products will be sourced from other Sunbeam-Oster groups and distributed through a comprehensive list of leading catalog merchants and wholesalers to the building supply, office supply, hotel/motel management industries, and government agencies.

An important component of the Company's international strategy is to introduce to Latin American markets product lines previously marketed exclusively in North America by Outdoor Products, Household Products, and Specialty Products, especially grills, warming blankets and clippers. The Company intends to further penetrate the European and Middle Eastern markets with its grills, warming blankets, clippers and a select line of high quality small kitchen appliances.

**Brand Name Merchandising and Promotional Support**

One of the Company's key strategies for supporting its retailers is to increase their profitability through improved consumer product awareness and education programs. Sunbeam-Oster provides retailers with "good-better-best-superior" brand name product selection opportunities, promotional and merchandising support, flyer programs, point of purchase material and product differentiation, which are all designed to achieve attractive consumer pull results.

Sunbeam-Oster emphasizes constant leveraging of its brand names. The red and blue Sunbeam-Oster logo and the Company's 1992 slogan, "For All the Right Reasons®," appear prominently in its advertising and promotional materials. The Company also places major emphasis on the "break-through" advantages of buying the Company's products, including its reputation for quality and value, and the "Proud to be American Made" slogan which appears frequently in its packaging, promotion, and advertising.

Sunbeam-Oster has budgeted $59 million in 1992 for worldwide brand support, a 20% increase over the prior year. In addition, the Company has realigned its advertising expenditures for greater effectiveness. For example, media expenditures have been redirected from very expensive television commercials run in connection with holidays or special events to continuous high-frequency television and radio spots on a targeted regional basis. Another area of concentration is the coordination of promotional activities with retailers to increase sales and margins, improve merchandising, and reduce stock-outs. The Company is also emphasizing cross-promotional opportunities. In addition, for the first time, media support has been given to all product groups. More efficient placement and direct purchasing of television and radio advertising has yielded a 10-15% cost savings. Sunbeam-Oster is now a year-round advertiser.

Sunbeam-Oster is using brand name merchandising and promotional support to draw consumers into a retailer's store for the express purpose of buying a particular Sunbeam-Oster product, thus reinforcing its "destination" brands. The Company also is using a multi-brand product structure to obtain prominent in-store merchandising display areas and to facilitate "one-stop shopping" for its retail customers.

**Inventory Management, Electronic Communications and Delivery**

Sunbeam-Oster works closely with its retail partners to improve their profitability as measured by "Gross Margin Return on Investment" (GMROI). The Company uses Quick Response inventory replenishment programs together with point-of-sale data and the latest available technology in retail warehouse and shelf space management to minimize inventory and maximize floor stock turnover for its customers. The Company intends to apply a portion of the proceeds of the Offerings to this area. See "Use of Proceeds."

Sunbeam-Oster manufactures substantially all of the products sold to U.S. retailers at its own facilities in North America. This gives the Company an advantage in servicing its retail partners with just-in-time inventory and in controlling product quality. The Company's objective is to provide its customers with 100% delivery reliability in terms of their order quantities and delivery schedules. Currently, Sunbeam-Oster has approximately one-half of its U.S. customer sales on EDI, with an objective of having in excess of 80% of its U.S. customer sales on EDI within the next several years.

**Customers**

Rapid growth of large mass merchandisers and warehouse clubs and changes in consumer shopping patterns have contributed to a significant consolidation of the U.S. retail industry and the formation of large, dominant, product-specific and multi-category retailers. These large retailers are demanding strong, efficient suppliers of a broad range of innovative, quality products who can ship in large volumes and provide strong promotional and merchandising support. This in turn has led to consolidation within the retailers' supplier base, particularly among smaller vendors who lack the financial and management resources to support retail partnership strategies. In addition, there is a growing trend among retailers to purchase on a "just-in-time" basis in order to reduce their inventory levels and increase returns on investment. This trend requires the Company to more closely anticipate customer demand, and because

customers may shorten their lead times for orders, the Company anticipates that in the future its inventory levels may increase. The Company intends to support its retail partners' "just-in-time" inventory strategies through investments in, among other things, working capital and electronic communications. See "Use of Proceeds."

Sunbeam-Oster has positioned itself to respond to the challenges of a changing retail environment by pursuing strategic relationships with large, high-volume merchandisers. An important component of the Company's strategy is to increase its share of shelf and floor space by strengthening its partnerships with its customers. The Company is working closely with retailers and is sharing information and business practices with them to improve service and achieve higher profitability for both the retailer and the Company.

Sunbeam-Oster uses its "Five Keys to Success" as the foundation of its operating policy, which is aimed at achieving and maintaining preferred vendor status with its retailers. Certain major customers are designated national accounts and are served directly by Sunbeam-Oster account teams headed by team captains dedicated to that particular customer's interests. Sunbeam-Oster places major emphasis on having a well-trained, professional in-house sales force that forges stronger relationships with retailers on behalf of the Company and pursues cross-selling and program selling opportunities. During the past one and one-half years, senior management has worked with Sunbeam-Oster's in-house sales force to better analyze customers' product needs and to tailor the Company's sales presentations to satisfying those needs. The Company believes its sales team to be highly motivated, with its compensation based on a number of factors including net profitability rather than solely gross revenue. Sunbeam-Oster has approximately 130 in-house sales personnel. An extensive network of manufacturers' representative organizations complements Sunbeam-Oster's in-house sales professionals to effectively cover a broad spectrum of retailers. The Company's sizable volume and diversity of products enable it to establish partnerships with many of the most highly-qualified organizations. The Company seeks to optimize its relationships with these organizations through training and innovative incentive programs.

Sunbeam-Oster markets its products through virtually every category of retailer including mass merchandisers, catalog showrooms, warehouse clubs, department stores, hardware stores and home centers, drug and grocery stores, as well as independent distributors and the military. Attractive growth opportunities for future sales exist in certain of these channels where the Company is not yet marketing all of its product categories. See Note 12 to the Company's Consolidated Financial Statements for additional information about customers as well as sales by geographic area.

**Manufacturing and Technology**

Currently, substantially all of Sunbeam-Oster's products sold to U.S. retailers are manufactured at the Company's own facilities in North America. This enables the Company to provide very rapid, reliable delivery in order to maximize customers' inventory turns and to better control product quality. The Company is employing TQM principles throughout the organization with the objective of being the lowest cost manufacturer with the highest quality products. TQM tools will serve as the primary vehicles for statistical evaluation and implementation of continuous-improvement strategies to reduce cycle times and defect rates. In addition, strategies such as aggressive product design modernization, improved process technology, alternative material usage, establishing centers of manufacturing expertise, balancing seasonal facilities through further plant rationalization, and global manufacturing are expected to yield significant additional cost savings.

An example of the importance of technology to the Company's ability to maintain its market position is Sunbeam-Oster's introduction of the P.M. Personal Monitoring System Blanket. With this product introduction, the Company has established itself as a market share leader, and believes it is a leader in innovation and technology. Based on proprietary PTC wire technology, the P.M. blanket is the only warming blanket on the market that senses the user's body temperature and adjusts its heat output throughout different parts of the blanket accordingly. Sunbeam-Oster intends to continue to emphasize

technological superiority through internal development as well as external sources of new technology, including licensing agreements and joint ventures.

Another example of the Company's innovative technology is its automatic shut-off iron. The Company patented and introduced the first automatic iron shut-off mechanism that simultaneously senses position, movement and time, thereby improving the safety of irons for consumers.

**Employees**

As of December 29, 1991, Sunbeam-Oster employed approximately 10,000 associates worldwide (the Company refers to its employees as team members or associates). Sunbeam-Oster has had no work stoppages and, in the opinion of management, relations with its team members are good.

In order to enhance the effectiveness of its associates and to promote their morale and retention, the Company is placing increased emphasis on formal training programs for all levels of associates including senior management. The type and duration of training varies according to duties and level of responsibility; however, all training will emphasize the use of TQM principles and tools.

Another important objective is to assure that all team members are economically aligned with stockholders and to encourage "ownership" decision-making. See "Management—Employee Benefit Plans."

**Properties**

Sunbeam-Oster has 6.6 million square feet of manufacturing, administrative, distribution, and warehousing floorspace in 48 locations throughout the United States, Canada, Latin America and Europe.

United States manufacturing, warehouse, and office locations are as follows:

| Location | Square Feet | Title | Use |
|---|---|---|---|
| Baraboo, Wisconsin | 227,500 | Leased | Manufacturing, warehouse |
| Bay Springs, Mississippi | 80,300 | Owned | Manufacturing |
| Bay Springs, Mississippi | 59,000 | Leased | Manufacturing |
| Biddeford, Maine | 279,706 | Owned | Manufacturing, administration |
| Biddeford, Maine | 89,005 | Owned | Manufacturing |
| Brown Deer, Wisconsin | 25,039 | Leased | Administration |
| Chicago, Illinois | 40,300 | Leased | Administration |
| Cookeville, Tennessee | 100,000 | Leased | Manufacturing |
| Coushatta, Louisiana | 145,400 | Leased | Manufacturing |
| Du Quoin, Illinois | 112,426 | Leased | Manufacturing, administration, warehouse |
| Hattiesburg, Mississippi | 388,000 | Leased | Manufacturing |
| Holly Springs, Mississippi | 212,000 | Owned | Manufacturing, administration, warehouse |
| Laurel, Mississippi | 26,540 | Leased | Administration |
| Linton, Indiana | 185,000 | Owned | Manufacturing |
| Louisburg, North Carolina | 197,820 | Leased | Manufacturing |
| McMinnville, Tennessee | 148,830 | Leased | Manufacturing, administration |
| Memphis, Tennessee | 400,000 | Leased | Warehouse, administration |
| Merced, California | 165,700 | Leased | Warehouse |
| Miami, Florida | 51,300 | Leased | Warehouse, administration |
| Milwaukee, Wisconsin | 277,128 | Owned | Manufacturing, administration |
| Mt. Olive, Mississippi | 52,300 | Leased | Manufacturing |
| Nacogdoches, Texas | 366,517 | Leased | Manufacturing |

| Location | Square Feet | Title | Use |
|---|---|---|---|
| Neosho, Missouri | 493,220 | Owned | Manufacturing, administration, warehouse |
| Neosho, Missouri | 31,368 | Owned | Manufacturing |
| Portland, Tennessee | 540,000 | Owned/leased | Manufacturing, administration, warehouse |
| Providence, Rhode Island | 10,500 | Leased | Administration |
| Quincy, Illinois | 26,500 | Leased | Manufacturing, administration, warehouse |
| Shubuta, Mississippi | 180,000 | Leased | Manufacturing |
| Waynesboro, Georgia | 273,510 | Owned/leased | Manufacturing, warehouse |
| Waynesboro, Mississippi | 461,500 | Leased | Manufacturing |
| Wood-Ridge, New Jersey | 160,000 | Leased | Manufacturing, administration, warehouse |
| | 5,806,409 | | |

Properties outside the United States are as follows:

| Location | Square Feet | Title | Use |
|---|---|---|---|
| Acuna, Mexico | 110,000 | Owned/leased | Manufacturing |
| Barquisimeto, Venezuela | 49,986 | Owned | Manufacturing, administration |
| Caracas, Venezuela | 9,867 | Leased | Administration |
| Chihuahua, Mexico | 26,409 | Owned | Manufacturing |
| Guadalajara, Mexico | 12,910 | Owned | Warehouse, administration |
| Lima, Peru | 45,371 | Owned | Manufacturing, administration |
| London, England | 2,000 | Leased | Administration |
| Matamoros, Mexico | 91,542 | Owned | Manufacturing |
| Mexico City, Mexico | 968 | Owned | Administration |
| Mexico City, Mexico | 860 | Owned | Administration |
| Monterey, Mexico | 7,532 | Owned | Warehouse |
| Monterey, Mexico | 1,786 | Owned | Warehouse, administration |
| Offenbach, Germany | 3,000 | Leased | Administration |
| Paris, France | 2,000 | Leased | Administration |
| Tacna, Peru | 2,153 | Leased | Manufacturing |
| Tlalnepantla, Mexico | 268,000 | Owned | Manufacturing, administration |
| Toronto, Canada | 171,300 | Leased | Warehouse, administration |
| | 805,684 | | |
| Total | 6,612,093 | | |

The Company believes that its existing facilities adequately provide it with sufficient capacity to implement its operating plans.

**Patents and Trademarks**

Sunbeam-Oster believes that an integral part of its strength is its ability to capitalize on the Sunbeam® and Oster® trademarks, which are registered in the United States and many foreign countries. Widely recognized throughout North America, Latin America, and Europe, these registered trademarks, along with Osterizer®, Mixmaster®, Oskar®, and Kitchen Center®, the "It's So Easy"® grill, and "Blanket with a Brain"® are important to the success of the Company's products. Other important trademarks within Sunbeam-Oster include Oster Designer Line®, Northern®, Slumber-Rest®, Cuddle-Up®, Buddy-L®, Charmglow®, Griffo®, Grillmaster®, Keller®, Patio Master®, Springfield®, Hanson Scale® and Stewart®.

Sunbeam-Oster holds a number of patents covering a variety of products, the loss of any one of which would not have a material effect on the Company's business taken as a whole.

**Raw Materials**

The raw materials used by Sunbeam-Oster are presently available in sufficient quantities to enable it to meet its normal requirements. The Company shares business information and practices with its most important suppliers to establish mutually advantageous partnerships. Through its vendor certification programs, Sunbeam-Oster works with its suppliers to improve their efficiency in providing the Company with the lowest cost, highest quality goods. A component of Sunbeam-Oster's integrated one-company strategy is to reduce costs by creating economies of scale through concentrating the Company's considerable purchases of certain goods among a relatively small number of suppliers.

**Seasonality**

Although some products tend to have varying degrees of seasonality, taken as a whole, Sunbeam-Oster's sales do not vary substantially during the year.

**Environmental Matters**

Sunbeam-Oster is subject to certain federal, state and local environmental laws and regulations. The Company is complying with those laws and regulations, in certain instances through remediation and other activities involving multiple sites, almost all of which relate principally to certain divested operations. Numerous third parties, in addition to the Company, have been named in connection with certain of the sites that are subject to the federal Superfund program under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"). CERCLA authorizes the federal government to clean up these sites itself or to order persons who are statutorily responsible for the situation to do so. Liabilities imposed by CERCLA are strict and can be joint and several where third parties are involved. Although compliance involves some continuing costs, management believes that, based on existing information, such costs will not have a material adverse effect upon the Company.

**Legal Proceedings**

Sunbeam-Oster is involved in various lawsuits from time to time arising in the ordinary course of business and otherwise. In management's opinion, the outcome of these matters is not expected to have a material adverse effect upon the Company. Most of the lawsuits involving the Company relate to matters preceding the Predecessor's reorganization.

**Competition**

Worldwide, Sunbeam-Oster competes in markets on the basis of various factors, depending on the country and its distribution channels. Within the U.S., competitive factors include brand name strength and promotional support, quality, innovation in the design of new products, price, delivery reliability, and service to the retailer. Outside the U.S., competitive issues are more focused on new products, brand name strength, quality and price. Just-in-time delivery and electronic communications receive less emphasis in some foreign markets. The Company actively seeks to utilize its brand names and flexible production processes to deliver differentiated product offerings to its retail customers.

Management believes that it has repositioned the Company to benefit from a trend among high volume retailers to concentrate purchases among fewer vendors with broad product offerings and strong financial positions. In addition to reducing the absolute number of vendors, retailers are favoring those with comprehensive product lines that include "destination" brand promotion and merchandising, and those who offer superior service and support, often via North American production. Forming partnerships with retailers to maximize their GMROI helps to distinguish the Company from smaller, less efficient competitors.

## MANAGEMENT

Sunbeam-Oster's management team consists of individuals with extensive background and experience in business and the consumer products field. Listed below are the members of the Company's core management group, each of whom devotes substantially all of his time to the business and affairs of the Company, beginning with the Operating Committee and then listed by major functional category:

| Name | Age | Background and Five-Year History |
|---|---|---|
| | | **Operating Committee(1)** |
| Paul B. Kazarian | 36 | Chairman of the Board of Directors, Sunbeam-Oster, since 1990, Chief Executive Officer and President; Founding General Partner, Japonica Partners, since 1987; Goldman, Sachs & Co., 1980-1987; M.B.A., Columbia Business School; M.A., Brown University; B.A., Bates College. |
| James J. Clegg | 39 | President, Household Products since 1992; President, Home Comfort, since 1991; Vice President Sales and Marketing, Home Comfort, 1989-1991; Polaroid Corp., 1986-1988; B.S., Florida State University. |
| Richard D. Davidson | 44 | President, Outdoor Products, since 1991; various positions within Outdoor Products, since 1971; B.S., Kansas State College of Pittsburg. |
| Michael G. Lederman | 39 | Director, Vice President, General Counsel and Secretary, Sunbeam-Oster, since 1990; General Partner, Japonica Partners, since 1989; Owsley Lederman & Partners, 1988-1989; Goldman, Sachs & Co., 1986-1988; Shearman & Sterling, 1983-1986; Sidley & Austin, 1980-1982; J.D. and M.B.A., University of Virginia; B.A., University of Pennsylvania. |
| James K. Thomas | 53 | President, Specialty Products, since 1989; Ohio Mattress, 1979-1989; Questor Corp., 1968-1979; Alcan Aluminum, 1966-1968; General Motors, 1965-1966; B.B.A., Ohio University. |
| Richard T. Wissing | 48 | President, International, since 1989; President, Sunbeam Mexicana, 1986-1989; President, Sunbeam Del Peru, 1979-1986; Financial Director, Sunbeam do Brazil, 1975-1979; Senior Corporate Auditor, Sunbeam do Brazil, 1973-1975; Allied Products, 1971-1973; Joseph Schlitz Brewing, 1969-1971; Touche Ross & Co., 1966-1969; C.P.A., State of Wisconsin; B.B.A., University of Wisconsin. |
| | | **Sales and Marketing** |
| Richard L. Boynton, Jr. | 37 | Vice President Sales, Household Products, since 1992; Vice President Sales, Home Comfort, 1991-1992; Polaroid Corp., 1978-1991; Beecham Products, Inc., 1976-1978; M.B.A., Suffolk University; B.S./B.A., Nichols College. |
| John M. Davenport | 45 | Vice President Marketing, Specialty Products, since 1990; EZ Pour Division of Tenneco, 1987-1990; Anchor Hocking, 1983-1987; Polaroid Corp., 1979-1983; B.A., North Dakota State University. |

| Name | Age | Background and Five-Year History |
|---|---|---|
| Robin M. Johnson | 42 | Vice President Sales and Marketing, Outdoor Products, since 1991; various positions within Outdoor Products, since 1970; B.S., University of Southern Mississippi. |
| Michael B. Matthews | 33 | Director of Marketing-Kitchen Appliances, Household Products, since 1992; Polaroid Corporation, 1983-1992; Procter & Gamble, 1981-1983; B.B.A., Ohio University. |
| John B. McEvily | 44 | Vice President Business Development (new products) and Precision Measurement, since 1991; Bionaire Corporation U.S.A., 1986-1990; Wiltshire International Inc., 1982-1986; Swingline Corp. (Division of American Brands), 1978-1982; Black & Decker, 1970-1978; M.B.A., New York University; B.A., Iona College. |
| Mark A. Porter | 34 | Vice President Sales, Household Products, since 1989; Fieldcrest/Cannon, 1980-1989; B.S., Indiana University. |
| Franz A. Schmid | 40 | President, Sunbeam-Oster Intercontinental, since 1991; Managing Director, European Operations, Oster International/Europe, 1989-1990; President and General Manager, Sunbeam del Peru, 1986-1989; Commercial Director, 1984-1986; Carsa Group, 1978-1984; B.A., Economics, Universidad de Lima. |
| | | **Operations** |
| George A. Barry | 58 | President, Sunbeam Mexicana, since 1989; President, Oster de Venezuela, 1981-1989; President, Sunbeam do Brasil, 1979-1981; President, Sunbeam del Peru, 1970-1974; Electro Mechanical Engineering, University of Buenos Aires. |
| John K. Hartsworm | 41 | Vice President Production Services, since 1992; Associated Products, 1991-1992; Newell Company, 1981-1991; M.B.A. Marquette University, B.A., University of Wisconsin. |
| William M. King(1) | 55 | Vice President Manufacturing, Outdoor Products, since 1991; various positions within Outdoor Products, since 1970; Royal McBee Typewriters, 1960-1969; B.S., Southwest Missouri State University. |
| Joseph L. Lacambra | 52 | Vice President Manufacturing, Household Products, since 1991; Outdoor Technologies, 1990-1991; various positions within Home Comfort, 1981-1990; B.A., Business Administration, St. Leo College. |
| Ted H. Melissen | 42 | President, Sunbeam Canada, since 1991; President, Solaray (Division of Sunbeam Canada), 1989-1991; Director of Manufacturing, 1987-1989; Black & Decker Canada, 1970-1987; Electronic Engineering Technologist Graduate, St. Lawrence College. |
| Jesus M. Morales | 44 | President, Sunbeam del Peru, since 1989; Controller, 1988-1989; Controller, Sunbeam Mexicana, 1980-1988; Uniroyal (Mexico), 1975-1980; National Bank Commission (Mexico), 1972-1975; C.P.A. (Mexico). |

| Name | Age | Background and Five-Year History |
|---|---|---|
| Thomas W. Mullane | 49 | Vice President Operations, Precision Measurement, since 1966. |
| Fernando A. Rizkalla | 51 | President, Oster de Venezuela, since 1989; Vice President, Finance, Sunbeam Mexicana, 1987-1989; Laboratories Welcome, 1982-1986; Financial Manager, Sunbeam do Brazil, 1970-1982; Public Accountancy, Escuela Tecnica de Comercia Alvares Peneteado; Business Administration, Facultad Sao Marcos. |
| Charles M. Thomas | 57 | Vice President Operations, Household Products, since 1992; various positions within Home Comfort, since 1964; University of Southern Mississippi. |
| **Finance and Administration** | | |
| Gary J. Arnold | 37 | Vice President Taxes, Sunbeam-Oster, since 1992; Harcourt Brace Jovanovich, 1982-1991; KPMG Peat Marwick, 1981-1982; Deloitte and Touche, 1977-1980; C.P.A. and B.B.A., Pace University. |
| Michael F. Baxter | 45 | Vice President Quick Response, Sunbeam-Oster, since 1992; International Systems Services Corporation, 1990-1992; Playtex Apparel, Inc., 1982-1990; Software Design Associates, Inc., 1978-1982; Lone Star Industries, 1976-1978; Pepsi-Cola Company, 1972-1976; B.S., Sacred Heart University. |
| Henry R. Rauzi(1) | 45 | Vice President and Controller, Sunbeam-Oster, since 1991; Home Innovations, Inc., 1989-1991; Murray-Ohio Company, 1987-1988; Amphenol Corp., 1980-1987; M.B.A., University of Cincinnati; B.S., University of Dayton. |
| David R. Sargent | 41 | Vice President and Associate General Counsel, Sunbeam-Oster, since 1990; various legal positions within Sunbeam-Oster, since 1980; Eckert, Seamans, Cherin & Mellott, 1977-1980; J.D., Harvard Law School; B.A., Pennsylvania State University. |
| Robert H. Setrakian(1) | 30 | Vice President and Treasurer, Sunbeam-Oster, since 1992; Vice President and Assistant to the Chairman, 1990-1992; General Partner, Japonica Partners, since 1991; Associate, 1989-1991; First Interstate Bank, Ltd., 1987-1989; M.B.A. and B.A., University of Southern California. |
| Ralph T. Simmons(1) | 59 | Vice President Retail Inventory Systems and Credit, Sunbeam-Oster, since 1991; various positions within Home Comfort, since 1963. |

The Company does not maintain key man life insurance on the lives of any of its executives.

(1) Advisory member of the Operating Committee. The members of the Operating Committee consult with the Company's Chairman on matters of strategic significance and are charged with executing various aspects of the Company's business strategies.

**Directors**

Directors of Sunbeam-Oster, in addition to Messrs. Kazarian and Lederman, are as follows:

| Name | Age | Occupation and Five-Year History |
|---|---|---|
| Charles Davidson | 39 | Director of the Company, since 1990; General Partner, Steinhardt Partners (investment partnership), since 1985. |
| Peter A. Langerman | 37 | Director of the Company, since 1990; Executive Vice President and Director, Mutual Series Fund, Inc. (no-load, diversified, open-end management company), since 1988; Director, Zenith Laboratories, Inc. (generic pharmaceuticals), since 1989; Financial Analyst, Heine Securities Corporation (investment advisory service company), 1986-1990. |
| Roderick M. Hills | 61 | Director of the Company, since 1990; Chairman of International Practice Group, Shea & Gould (law firm) since 1992; Director, Mayflower Group, Inc. (transportation services), since 1992; Co-Managing Partner, Donovan Leisure Newton & Irvine (law firm), 1989-1992; Partner, Donovan Leisure, (1986-1992); Chairman and Managing Director, Manchester Group, Ltd. (financial services), since 1987; Vice Chairman, Oak Industries, Inc. (electrical/communication equipment), since 1989; Director, Oak Industries, Inc., 1985-1989; Director, Federal Mogul Corporation (parts, tools), since 1977; Director, C-3 (systems integration), since 1990; Director, TCW Americas Development, Inc. (fund management), since 1990; Director, Anheuser-Busch Companies, Inc. (beverages), 1978-1989; Director and member of Oversight Committee, Drexel Burnham Lambert, 1989-1990. |
| Charles J. Thayer | 48 | Director of the Company, since 1990; Managing Director, Chartwell Capital Ltd. (financial advisory services), since 1989; Executive Vice President, PNC Financial Corp. (multi-bank holding company), 1987-1989; Executive Vice President and Chief Financial Officer, Citizens Fidelity Corp. (subsidiary of PNC), 1977-1987. |

The Executive Committee of the Company's Board of Directors consists of Messrs. Kazarian, Davidson, and Langerman. The Executive Committee has the authority to act in place of the Board of Directors on all matters which would otherwise come before the Board of Directors except for such matters which are required by law or by the Corporation's Certificate of Incorporation or By-Laws to be acted upon exclusively by the Board. The Audit Committee of the Company's Board of Directors consists of Messrs. Hills and Thayer. The Audit Committee's primary responsibilities are to review the Corporation's financial statements, to recommend the appointment of the Corporation's independent auditors and to review the overall scope of the audit.

**Executive Compensation**

The following table sets forth certain information related to cash compensation paid by the Company to each of its seven most highly compensated executives, each of whose cash compensation exceeded $60,000, and with respect to all executive officers as a group for the year ended December 29, 1991.

| Name of Individual | Capacity in Which Served | Cash Compensation(1) | Options Granted(2) |
|---|---|---|---|
| Paul B. Kazarian | Chairman of the Board of Directors, Chief Executive Officer and President | $1,835,011 | — |
| James J. Clegg | President, Household Products | 170,750 | 155,979 Options |
| Richard D. Davidson | President, Outdoor Products | 227,281 | 138,648 Options |
| Michael G. Lederman | Director, Vice President, General Counsel and Secretary | 261,658 | — |
| Mark F. Ogan | Vice President, Production Services | 193,016 | 138,648 Options |
| James K. Thomas | President, Specialty Products | 175,237 | 155,979 Options |
| Richard T. Wissing | President, International | 195,231 | 138,648 Options |
| All executive officers as a group (2 persons)(3) | | $2,096,669 | — |

(1) Cash compensation includes cash salaries, bonuses and amounts paid by the Company under the Employee 401(k) Plan described below. The Company has provided certain other benefits to certain executive officers, but, except as noted below, such amounts have not been included in this table because they do not exceed (1) the lesser of $25,000 or 10% of the amount reported in the cash compensation table for any officer or (2) $50,000 for all executive officers as a group. The amount of cash compensation paid to Mr. Kazarian includes premiums paid on a life insurance policy.

(2) See "Employee Benefit Plans—Stock Option Plan."

(3) Of the persons listed in the table, only Messrs. Kazarian and Lederman are executive officers within the meaning of Rule 3b-7 of the Securities Exchange Act of 1934, as amended.

**Employee Benefit Plans**

The following is a description of certain of Sunbeam-Oster's benefit plans and programs for associates:

*401(k) Savings and Profit Sharing Plan*

Associates of the Company who meet certain minimum age and service requirements (other than certain hourly associates and certain associates represented by a collective bargaining agent) are eligible to participate in the Company's 401(k) Savings and Profit Sharing Plan (the "401(k) Plan"). Participants may make pre-tax contributions to the 401(k) Plan by voluntarily reducing their salary from the Company up to a maximum of 10% of eligible compensation and Sunbeam-Oster matches such contributions to the extent of 50% of the first 6% of a participant's salary reduction. Participating associates may elect to increase or decrease the amount of their contributions once per calendar quarter. The associate's voluntary salary deferrals under the 401(k) Plan are 100% vested. The vesting schedule for employer contributions provides for vesting at the rate of 20% after three years of vesting service, increasing by 20% per year thereafter until the associate is 100% vested after seven years of vesting service. Vested accounts may be withdrawn upon death, retirement or termination of employment or under certain "hardship" circumstances as defined in the 401(k) Plan. The salary deferrals to the plan by associates and the earnings thereon are generally tax deferred and as such are not subject to tax until

distributed, subject to restrictions imposed by the Internal Revenue Code of 1986, as amended. For the year ended December 29, 1991, Messrs. Kazarian, Clegg, Davidson, Lederman, Ogan, Thomas, Wissing, and all executive officers as a group will receive matching contributions of $4,238, $750, $4,238, $1,658, $1,016, $3,164, $2,000, and $5,896, respectively.

Profit sharing contributions are made at the discretion of the Company depending on both the performance of the associate's business group and the Company as a whole, in an amount up to 10% of eligible compensation. Profit sharing contributions are allocated to associates using a formula that provides higher contributions for eligible compensation in excess of $10,000.

Although Sunbeam-Oster currently plans to make contributions in cash, the 401(k) Plan permits the Company to contribute some or all of its profit sharing and matching contributions in shares of qualifying securities issued by Sunbeam-Oster.

*Retirement Plans*

Sunbeam-Oster sponsors nine defined benefit pension plans covering all eligible salaried and hourly associates of the Company, including officers. Effective December 31, 1990, all pension plans for salaried associates, including officers, were frozen. Therefore, no credit in the pension formula is given for service or compensation after that date. For those members of management included in the preceding executive compensation table who participated in such plans, James K. Thomas and Richard T. Wissing had 1.4 and 15.0 years of credited service, respectively, and $3,142 and $22,629 of accrued benefits, respectively as of December 30, 1990. Benefits are paid to participants upon the first to occur of their retirement from the Company or their death. Associates continue to earn service toward vesting in their interest in the frozen plans. Associates become 100% vested upon completion of five years of service. Mr. Thomas had 3.4 years of service toward vesting and Mr. Wissing was fully vested in the frozen plans as of December 29, 1991.

*Stock Option Plan*

The Company has adopted the Sunbeam-Oster Company, Inc. Equity Team Plan (the "Stock Option Plan") under which 4,400,000 shares of Common Stock have been reserved for issuance. Options to purchase approximately 4,000,000 shares of Common Stock have been granted under the Stock Option Plan. The Stock Option Plan became effective as of January 1, 1991.

The Stock Option Plan is administered by a committee (the "Committee"), consisting of the following directors: Messrs. Langerman, Lederman and Thayer. The Committee has authority, subject to the terms of the Stock Option Plan, to determine when and to whom to make grants under the plan, the number of shares to be covered by the grants, the types and terms of options (but no option may be granted later than December 31, 2000), the exercise price of the shares of Common Stock covered by options, and to prescribe, amend and rescind rules and regulations governing the Stock Option Plan. In determining grants under the Stock Option Plan, the Committee would consider among other things, the number of options available for grant and the performance of individual candidates in terms of their leadership, innovativeness, knowledge-sharing and communication skills, and the quality and quantity of their work output. Members of management and other key associates are eligible to participate. The Stock Option Plan may generally be amended or terminated by Sunbeam-Oster's Board of Directors.

Options granted under the terms of the Stock Option Plan are not incentive stock options pursuant to Section 422 of the Internal Revenue Code of 1986, as amended. The term of each option shall commence on the date of grant and shall expire at the close of business on the earlier of (i) the tenth anniversary of the date of grant or (ii) the 45th day following the termination of the optionee's employment with the Company. The exercise price is to be paid in cash, or with the consent of the Committee, in shares of stock based on the fair market value on the date of exercise and on terms and conditions to be determined by the Company. The exercise price of, and the number of shares covered

by, each option will not change during the life of the option, except for adjustments to reflect stock dividends, splits, other recapitalizations or reclassifications or changes affecting the number or kind of outstanding shares.

Options become exercisable with respect to 20% of the shares subject to the option beginning on the first anniversary of the date of grant, as to an additional 20% beginning on the second anniversary of the date of grant, and as to an additional 30% beginning on each of the third and fourth anniversaries of the date of grant, provided in each case that the optionee has remained in the employment of the Company continuously since the date of grant. Shares issued upon exercise of an option may not be sold until the second anniversary of the date upon which the option becomes fully exercisable. If an optionee's employment terminates due to death, all options held by the participant at death become immediately exercisable in full, and upon a Change of Control (as defined by the Stock Option Plan), all options held by optionees who are then employed by the Company become immediately exercisable in full.

The options granted to the individuals named in the executive compensation table were granted at an exercise price per share of $5.00.

Options are not transferable. Each option is exercisable during the lifetime of an optionee only by the optionee to whom it was granted, and after the optionee's death only by the optionee's estate or legal representative. To the extent exercisable, an option may be exercised in whole at any time, or in part from time to time, during its term.

**Director Compensation**

Each director who is not a full-time employee of the Company receives an annual director's fee of $10,000.

**Employment Agreements**

Mr. Kazarian serves as Chairman of the Board of Directors, Chief Executive Officer and President of the Company pursuant to a five-year Employment Agreement which became effective September 28, 1990 (the "Term"). Mr. Kazarian's base salary for the 1992 fiscal year is $1,750,000. Mr. Kazarian's base salary is subject to review for the purpose of determining appropriate increases, if any, by the Company on or before December 31 of each year of the Term. Pursuant to the Agreement, Sunbeam-Oster must pay severance benefits to Mr. Kazarian if (a) Mr. Kazarian elects to terminate his employment within six months following a "constructive conclusion" of his employment (as defined therein); or (b) Sunbeam-Oster elects to terminate Mr. Kazarian's employment. In the event Mr. Kazarian's employment is terminated, constructively or otherwise, the Company is required to pay to Mr. Kazarian a continuation of his full salary and benefits for the remainder of the Term; provided, however, that if the Company terminates Mr. Kazarian's employment for "due cause" (as defined in Mr. Kazarian's employment agreement) the Company is required to pay Mr. Kazarian a reduced salary of $700,000 per year for the remainder of the term.

Mr. Lederman, a director of the Company, serves as Vice President, General Counsel and Secretary of the Company pursuant to a one-year Employment Agreement which became effective January 1, 1992. The Agreement provides that Mr. Lederman shall be responsible for, among other things, general counsel matters, governmental affairs, industry association and lobbying matters, and the control, implementation and effectuation of major transactions. The Agreement provides for Mr. Lederman to be paid a base salary of $355,000 for the 1992 fiscal year. Sunbeam-Oster must pay severance benefits to Mr. Lederman if (a) Mr. Lederman elects to terminate his employment within six months following a "constructive conclusion" of his employment (as defined therein); or (b) Sunbeam-Oster elects to terminate Mr. Lederman's employment other than for due cause (the "Termination Conditions"). If any of the Termination Conditions are met, the Company, among other things, is required to pay to Mr. Lederman his full salary and benefits for a period of one year after termination.

In connection with the execution of the Employment Agreement, Mr. Lederman was granted a sign-on payment of $130,000.

**Certain Transactions**

See Note 2 under the caption "Principal Holders" and Note 11 to the 1991 Company's Consolidated Financial Statements.

## PRINCIPAL HOLDERS

The following table and notes set forth information as of June 12, 1992, and as adjusted to reflect the sale of the shares of Common Stock pursuant to the Offerings and the use of a portion of the proceeds therefrom to purchase Redeemable Warrants from SOE, with respect to the voting securities of Sunbeam-Oster beneficially owned by all person(s) known by the Company to be the beneficial owner of more than 5 percent of the Common Stock and by all directors, individually and all officers and directors as a group. See "Use of Proceeds."

| Names and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership Prior to the Offering(1) | Percent of Common Stock | Amount and Nature of Beneficial Ownership After the Offerings | Percent of Common Stock |
|---|---|---|---|---|
| Sunbeam-Oster Equities, L.P. . . . . | 76,792,980(2)(3)(4) | 99.2% | 67,905,757(2)(3)(4) | 76.7% |
| Japonica Partners . . . . | 76,792,980(2)(3) | 99.2% | 67,905,757(2)(3) | 76.7% |
| Paul B. Kazarian . . . . | 76,792,980(2)(3) | 99.2% | 67,905,757(2)(3) | 76.7% |
| All directors and officers as a group (six persons) . . . . . | 76,792,980(2)(3) | 99.2% | 67,905,757(2)(3) | 76.7% |

(1) Japonica Partners is the sole general partner and a limited partner of SOE. Paul B. Kazarian Ltd. ("PBK Ltd."), M.G. Lederman Ltd. ("MGL Ltd."), and R.H. Setrakian Ltd. ("RHS Ltd.") are the general partners of Japonica Partners. Paul B. Kazarian, Michael G. Lederman and Robert H. Setrakian are the chief executive officers, sole directors and controlling persons of PBK Ltd., MGL Ltd. and RHS Ltd., respectively. Mr. Kazarian is Chairman of the Board, President and Chief Executive Officer of the Company, Mr. Lederman, a director, is Vice President, General Counsel and Secretary of the Company and Mr. Setrakian is Vice President and Treasurer of the Company. See "Management." By reason of the provisions of Rule 13d-3 of the Securities and Exchange Act of 1934, Japonica Partners as sole general partner of SOE, beneficially owns the shares of Common Stock owned by SOE. Pursuant to the Japonica Partners limited partnership agreement, PBK Ltd. has been delegated sole authority and power to manage the partnership and neither MGL Ltd. nor RHS Ltd. has control over such matters and each of MGL Ltd. and RHS Ltd. disclaim beneficial ownership with respect to the shares of Common Stock owned by SOE. Accordingly, by reason of Rule 13d-3, PBK Ltd. and Mr. Kazarian, as President of PBK Ltd., beneficially owns the shares of Common Stock owned by SOE. The address for SOE, Japonica Partners, and Mr. Kazarian is One Citizens Plaza, Providence, Rhode Island 02903.

(2) Pursuant to the SOE Limited Partnership Agreement, SOE has a three member Management Committee consisting of one designee each of Japonica Partners, Steinhardt Ventures, Inc. ("SVI") and the Mutual Series Funds. Such designees are Messrs. Kazarian, Davidson, and Langerman, respectively. Japonica Partners is required to seek consent, approval or direction from the Management Committee before taking any action relating to SOE or its affairs. Management Committee approval requires the vote of two and in a limited number of cases all three of its members. Pursuant to the SOE Limited Partnership Agreement, SOE's limited partners are entitled to a preferred return on their partnership investments consisting of their capital contributions, plus a rate of return thereon. Once the preferred return has been satisfied, Japonica Partners,

*(Footnotes continued on following page)*

*(Footnotes continued from preceding page)*

as the general partner, will be entitled to participate in partnership profits in an amount in excess of its pro rata capital interest. Mr. Davidson, a director of the Company, is a General Partner of Steinhardt Partners and Mr. Langerman, a director of the Company, is an Executive Vice President and Director of Mutual Series Fund. SVI, Institutional Partners, L.P. ("IP"), Steinhardt Partners, L.P. ("SP"), SP International S.A. ("SPI") and GamCan Limited ("GL") (collectively the "Steinhardt Entities") and Mutual Shares Fund, a series of Mutual Series Fund Inc. ("MSF"), Mutual Qualified Fund, a series of MSF and Mutual Beacon Fund, a series of MSF (collectively, the "Mutual Series Funds") and Japonica Partners are the other limited partners of SOE. Mr. Michael H. Steinhardt is the sole stockholder, President and sole director of SVI. The general partners of IP and SP (collectively, the "Partnership") are Mr. Davidson, Gary S. Fragin, Lisa Addeo, John Kellenyi, John J. Lattanzio, Joel Pearlberg, Mr. Steinhardt and Shimon Topor (collectively, the "General Partners"). Certain of the General Partners (including Mr. Steinhardt) are also employees of I.P. Management Company, Inc. ("IPMC") and Steinhardt Management Company, Inc. ("SMCI"). IP is a party to an investment management agreement with IPMC pursuant to which IPMC has investment responsibility with respect to the securities held by IP. As a principal of IPMC, Mr. Steinhardt has the power to vote (or direct the vote of) and to dispose of (or to direct the disposition of) the securities held by IP. Each of SPI and GL is a party to a separate investment management agreement with SMCI pursuant to which SMCI has investment responsibility with respect to all of the securities held by SPI and a portion of the investment portfolio of GL. As a principal of SMCI, Mr. Steinhardt has the power to vote (or to direct the vote of) and to dispose of (or direct the disposition of) the securities held by SPI and GL. The principal business address of SVI is 605 Third Avenue, New York, New York 10158. Michael F. Price is the President and a Director of MSF. MSF is an open-end management investment company registered under the Investment Company Act of 1940. Heine Securities Corporation, a Delaware corporation ("Heine") is an investment advisor registered under the Investment Advisers Act of 1940 and is investment adviser to each of the Mutual Series Funds. Mr. Price is the President and a director of Heine. The principal business address of MSF is 51 John F. Kennedy Parkway, Short Hills, New Jersey 07078. From June 1991 to May 1992, in three separate transactions, the Company redeemed all 839,974 shares of its Convertible Exchangeable Preferred Stock held by the Steinhardt Entities and the Mutual Series Funds for $83,997,400, the redemption price specified in the Certificate of Designations for the Convertible Exchangeable Preferred Stock.

Approximately $117 million of the proceeds of the Offerings (at an assumed public offering price of $17.00 per share of Common Stock and assuming no exercise of the Underwriters' over-allotment options) will be used to purchase Redeemable Warrants from SOE. See "Use of Proceeds." All of the proceeds from the Redeemable Warrants, as SOE's first partnership distribution, will be divided equally between the Steinhardt Entities and the Mutual Series Funds. Japonica Partners, as a limited partner, has waived its interest in this distribution.

(3) Includes 13,266,534 shares of Common Stock (4,379,311 shares, as adjusted for the Offerings) issuable upon exercise of the Redeemable Warrants. See "Use of Proceeds."

(4) The effective cash contribution per share paid by SOE for the 63,526,446 shares of Common Stock beneficially owned by it (without giving any effect to the exercise of its Redeemable Warrants) was $2.33, or an aggregate of $148,016,619. SOE's effective cash contribution per share is based on the price of $2.33 per share of Common Stock (as adjusted for the subsequent 3 for 1 stock split) as set forth in the Predecessor's Plan of Reorganization. See Note 7 to the Company's Consolidated Financial Statements. The assumed price per share to be paid by new investors for the 20,000,000 shares of Common Stock being offered hereby is $17.00, or an aggregate of $340,000,000.

## SHARES AVAILABLE FOR FUTURE SALE

Immediately after completion of the Offerings, Sunbeam-Oster will have 84,178,257 shares of Common Stock outstanding, assuming that the Underwriters' over-allotment options have not been exercised. In addition to shares of Common Stock outstanding, the Company will have reserved 7,663,531 shares of Common Stock for issuance upon the exercise of outstanding Redeemable Warrants at an exercise price of $2.90 per share, 978,127 shares of Common Stock for issuance upon the exercise of outstanding Non-Redeemable Warrants held by the Banks at an exercise price of $2.16 per share, and 4,400,000 shares of Common Stock for issuance under the Stock Option Plan. The Non-Redeemable Warrants have "piggy-back" registration rights which are exercisable under certain circumstances. The Banks have waived their rights to register their Non-Redeemable Warrants as part of the Offerings. Of the total shares outstanding and reserved for issuance, 23,936,031 will be freely transferable (including the 651,811 shares held by non-affiliates of the Company, the 20,000,000 shares sold in the Offerings, and 3,284,220 shares which may be issued upon the exercise of outstanding Redeemable Warrants at an exercise price of $2.90 per share). The remaining 73,283,884 shares (which includes 63,526,446 shares owned by SOE, 4,379,311 which may be issued to SOE upon the exercise of outstanding Redeemable Warrants, 4,400,000 shares issuable under the Stock Option Plan, and the 978,127 shares issuable upon exercise of the Non-Redeemable Warrants) are "restricted securities" within the meaning of Rule 144 under the 1933 Act and may not be resold except in compliance with the 1933 Act or pursuant to an exemption therefrom including that provided by Rule 144. See "Use of Proceeds."

In general, under Rule 144, a person (or group of persons whose shares are aggregated) who has beneficially owned for at least two years shares of Common Stock which are treated as "restricted securities," including persons who may be deemed affiliates of the Company, would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of 1% of the then outstanding shares of Common Stock (841,783 shares immediately after the Offerings) or the average weekly trading volume in the Common Stock during the four calendar weeks preceding such sale. Sales under Rule 144 are also subject to certain manner of sale provisions, notice requirements and the availability of current public information about the company. A person who is not deemed to be an affiliate and who has beneficially owned restricted shares for at least three years is entitled to sell such shares to the public without regard to such limitations of Rule 144.

SOE, by virtue of its ownership of the Company's Common Stock, may be deemed an "affiliate" of the Company. SOE will be eligible to sell its shares of Common Stock under Rule 144, commencing in late 1992, subject to the volume limitations, manner of sale provisions, public information requirements and notice requirements of Rule 144.

Prior to the offering, there has been no active public market for the Company's Common Stock, and no prediction can be made as to the effect, if any, that sales of shares under Rule 144 or the availability of shares for sale will have on the market price of the Common Stock prevailing from time to time after this offering. The Company is unable to estimate the number of shares that may be sold in the public market under Rule 144, because such amount will depend on the trading volume in and market price for the Common Stock and other factors. Nevertheless, sales of substantial amounts of shares in the public market, or the perception that such sales may occur, could adversely affect prevailing market prices for the Common Stock or the Company's ability to raise equity in the future.

The Company and SOE have agreed subject to certain exceptions, not to offer, sell, contract to sell or otherwise dispose of any Common Stock for a period of 180 days after the date of this Prospectus, without the prior written consent of Merrill Lynch. See "Underwriting."

## DESCRIPTION OF CAPITAL STOCK

The Company's authorized capital stock consists of 200,000,000 shares of Common Stock, par value $.01 per share and 2,000,000 shares of preferred stock, par value $.01 per share.

### Common Stock

Following the Offerings, 84,178,257 shares of Common Stock will be outstanding. All of the issued and outstanding shares of Common Stock are fully paid and non-assessable. Each share of Common Stock has one vote on all matters which stockholders are entitled or permitted to vote upon, including the election of directors. There are no cumulative voting rights. Shares of Common Stock would participate ratably in any distribution of assets in a liquidation, dissolution or winding up of the Company, subject to prior distribution rights of any shares of preferred stock then outstanding. The Common Stock has no preemptive rights or conversion rights nor are there any redemption or sinking fund provisions applicable to the Common Stock. Holders of Common Stock are entitled to participate in dividends as and when declared by the Company's Board of Directors out of funds legally available therefor. The Company's ability to pay cash dividends is subject to certain restrictions. See Note 4 to the Company's Consolidated Financial Statements, "Dividend Policy" and "Description of Capital Stock—Preferred Stock."

The transfer agent and registrar for the Common Stock and the Redeemable Warrants is the American Stock Transfer & Trust Company.

### Preferred Stock

The Certificate of Incorporation provides that the Board of Directors of the Company may authorize the issuance of one or more series of preferred stock having such rights, including voting, conversion and redemption rights, and such preferences, including dividend and liquidation preferences, as the Board may determine without any further action by the stockholders of the Company. There are no shares of preferred stock currently outstanding.

### Warrants

The Company has outstanding 5,516,918 Redeemable Warrants. Each Redeemable Warrant entitles the holder to purchase three shares of Common Stock at an exercise price of $2.90 per share (subject to adjustment) through 1995. The Redeemable Warrants are redeemable at the option of either the Company or the holder at a price of $1.75 per warrant, if prior to September 28, 1992, a "going private transaction" (as defined in the agreement pursuant to which the Redeemable Warrants were issued) occurs. The Redeemable Warrants are not redeemable subsequent to September 28, 1992. See Note 7 to the Company's Consolidated Financial Statements.

The Company also has outstanding Non-Redeemable Warrants to purchase 1,104,315 shares of Common Stock with an exercise price of $2.16 per share (subject to adjustment) which were issued to the Banks which provided financing as part of the initial capitalization of the Company. See Note 7 to the Company's Consolidated Financial Statements.

The Company intends to purchase a portion of the Redeemable Warrants and the Non-Redeemable Warrants out of the proceeds of the Offerings. See "Use of Proceeds."

### Section 203 of the Delaware General Corporation Law

Pursuant to Article Sixth of the Company's Certificate of Incorporation, the Company has elected not to be subject to Section 203 of the Delaware General Corporation Law.

### Directors' Liability

The Company has included in its Certificate of Incorporation and Bylaws provisions to (i) eliminate the personal liability of its directors for monetary damages resulting from breaches of their fiduciary duty (other than breaches of the duty of loyalty, acts or omissions not in good faith or which involve intentional misconduct or a knowolation of law, violations under Section 174 of the Delaware Law or for any transaction from which the director derived an improper personal benefit) and (ii) indemnify its directors and officers to the fullest extent permitted by Section 145 of the Delaware Law, including circumstances in which indemnification is otherwise discretionary. The Company believes that these provisions are necessary to attract and retain qualified persons as directors and officers.

## UNDERWRITING

Subject to the terms and conditions set forth in a U.S. purchase agreement (the "U.S. Purchase Agreement") among Sunbeam-Oster and each of the Underwriters named below (the "U.S. Underwriters"), and concurrently with the sale of 4,000,000 shares of Common Stock to the International Underwriters (as defined below), Sunbeam-Oster has agreed to sell to each of the U.S. Underwriters, and each of the U.S. Underwriters severally has agreed to purchase from the Company, the number of shares of Common Stock set forth opposite its name below.

| U.S. Underwriters | Number of Shares |
|---|---|
| Merrill Lynch, Pierce, Fenner & Smith Incorporated | |
| Dillon, Read & Co. Inc. | |
| Donaldson, Lufkin & Jenrette Securities Corporation | |
| PaineWebber Incorporated | |
| Total | 16,000,000 |

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Dillon, Read & Co. Inc., Donaldson, Lufkin & Jenrette Securities Corporation, and PaineWebber Incorporated are acting as representatives (the "U.S. Representatives") of the U.S. Underwriters.

Sunbeam-Oster has also entered into an international purchase agreement (the "International Purchase Agreement") with certain underwriters outside the United States (the "International Underwriters" and, together with the U.S. Underwriters, the "Underwriters") for whom Merrill Lynch International Limited, Dillon, Read & Co. Inc., Donaldson, Lufkin & Jenrette Securities Corporation and PaineWebber International (U.K.) Ltd. are acting as representatives. Subject to the terms and conditions set forth in the International Purchase Agreement, and concurrently with the sale of 16,000,000 shares of Common Stock to the U.S. Underwriters, Sunbeam-Oster has agreed to sell to the International Underwriters, and the International Underwriters severally have agreed to purchase, an aggregate of 4,000,000 shares of Common Stock. The public offering price per share and the total underwriting discount per share will be identical under the U.S. Purchase Agreement and the International Purchase Agreement.

In the U.S. Purchase Agreement and the International Purchase Agreement, the several U.S. Underwriters and the several International Underwriters, respectively, have agreed, subject to the terms and conditions set forth therein, to purchase all of the shares of Common Stock being sold pursuant to each such Agreement if any of the shares of Common Stock being sold pursuant to each such Agreement are purchased. Under certain circumstances, the commitments of non-defaulting U.S. Underwriters or International Underwriters (as the case may be) may be increased. Sales of Common Stock to be purchased by the U.S. Underwriters in the U.S. Offering and the International Underwriters in the International Offering are conditioned upon one another and if either such Offering fails to close, Sunbeam-Oster and the International Underwriters or the U.S. Underwriters, as the case may be, will each have a right to elect whether or not to proceed with their respective Offering.

The Company has granted the U.S. Underwriters an option exercisable for 30 days after the date hereof to purchase up to an additional 2,400,000 shares at the public offering price per share, less the underwriting discount, solely to cover over-allotments, if any. To the extent that the U.S. Underwriters exercise this option, each U.S. Underwriter will be obligated, subject to certain conditions, to purchase the number of additional shares of Common Stock proportionate to such U.S. Underwriter's initial amount reflected in the foregoing table. Additionally, the Company has granted the International Underwriters an option exercisable for 30 days after the date hereof to purchase up to an additional

600,000 shares at the public offering price per share, less the underwriting discount, solely to cover over-allotments, if any, on terms similar to those granted to the U.S. Underwriters.

The U.S. Underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this Prospectus and to certain selected dealers at such price less a concession not in excess of $ per share, and the U.S. Underwriters may allow, and such dealers may reallow, a discount not in excess of $ per share to certain other dealers. After the public offering, the offering price, concession and discount may be changed.

Prior to the offerings, there has been no active market for the Common Stock. The public offering price will be determined by negotiations among Sunbeam-Oster and the U.S. Representatives. Among the factors to be considered in such negotiations are Sunbeam-Oster's recent results of operations, the future prospects of Sunbeam-Oster and its industry in general, the price-earnings ratios and market prices of securities of companies engaged in activities similar to those of the Company and prevailing conditions in the securities market. There can be no assurance that an active trading market will develop for the Common Stock or that the Common Stock will trade in the public market subsequent to the Offerings at or above the public offering price.

The U.S. Underwriters and the International Underwriters have entered into an intersyndicate agreement (the "Intersyndicate Agreement") that provides for the coordination of their activities. Pursuant to the Intersyndicate Agreement, sales may be made between the U.S. Underwriters and the International Underwriters of such number of shares of Common Stock as may be mutually agreed. The price of any Common Stock so sold shall be the public offering price, less an amount not greater than the selling concession.

The Underwriters have reserved up to shares for sale at the public offering price to officers, employees, and certain other persons associated with the Company, as such persons have expressed an interest in purchasing such shares of Common Stock in the Offerings. The number of shares available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved share not so purchased will be offered by the Underwriters to the general public on the same basis as the other shares offered hereby.

Sunbeam-Oster and SOE have agreed not to sell or otherwise dispose of any Common Stock or securities convertible into or exerciseable for Common Stock (except for the sale of the Redeemable Warrants by SOE to the Company as described under "Use of Proceeds") without the prior written consent of Merrill Lynch for a period of 180 days after the date of this Prospectus.

Application has been made to have the Common Stock listed on the New York Stock Exchange under the symbol SOC. In order to meet the requirements for listing of the Common Stock on that exchange, the U.S. Underwriters have undertaken to sell lots of 100 or more shares to a minimum of 2,000 beneficial owners.

The Company and the several underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act of 1933.

Under the terms of the Intersyndicate Agreement, the International Underwriters and any dealer to whom they sell Common Stock will not offer to sell or sell Common Stock to persons who are U.S. or Canadian persons or to persons they believe intend to resell to persons who are U.S. or Canadian persons, and the U.S. Underwriters and any dealer to whom they sell Common Stock will not offer to sell or sell Common Stock to non-U.S. or Canadian persons or to persons they believe intend to resell to non-U.S. or Canadian persons, except, in each case, for transactions pursuant to such agreement.

## LEGAL MATTERS

Certain legal matters with respect to the shares of Common Stock offered hereby (including the legality of such shares) will be passed upon for the Company by Shereff, Friedman, Hoffman & Goodman, 919 Third Avenue, New York, New York 10022 and for the Underwriters by Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022. Shearman & Sterling has from time to time represented the Company in connection with certain legal matters.

## EXPERTS

The consolidated financial statements and schedules of Sunbeam-Oster at and for the fiscal year ended December 29, 1991, at and for the three month transition period ended December 30, 1990 and of the Predecessor for the fiscal year ended September 30, 1990 included in this Prospectus and elsewhere in this Registration Statement have been audited by Arthur Andersen & Co., independent public accountants, as indicated in their reports with respect thereto and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

The consolidated financial statements and financial statement schedules of the Predecessor for the fiscal year ended October 1, 1989, appearing in this Prospectus and Registration Statement, have been audited by KPMG Peat Marwick, independent auditors. The respective reports thereon appear elsewhere herein, and such Financial Statements are included in reliance upon such reports and upon the authority of said firm as experts in accounting and auditing. The report of KPMG Peat Marwick covering the Predecessor's October 1, 1989 consolidated financial statements contained an explanatory paragraph as to substantial doubt about the Predecessor's ability to continue as a going concern in view of the significant losses incurred by the Predecessor and its then pending reorganization petition. The consolidated financial statements and financial statement schedules neither included any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that would have been necessary had the Predecessor been unable to continue as a going concern, nor did the consolidated financial statements and financial statement schedules include any adjustments relating to the recoverability and classification of recorded asset amounts or adjustments relating to the establishment, settlement and classification of liabilities that would have been required in connection with restructuring the Predecessor as it reorganized under Chapter 11 of the Federal bankruptcy laws.

## AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and, in accordance therewith, files reports and other information with the Commission. Such reports and other information filed by the Company with the Commission and the Registration Statement of which this prospectus forms a part may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D. C. 20549 and are also available for inspection and copying at the regional offices of the Commission located at 219 South Dearborn Street, Chicago, Illinois 60604 and at 75 Park Place, New York, New York 10007. Copies of such information and the Registration Statement can also be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Application has been made to list the Common Stock of the Company on the New York Stock Exchange ("NYSE"). Upon such listing, any such material also will be available for inspection at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

A Registration Statement on Form S-1 relating to the Common Stock offered hereby has been filed by the Company with the Commission under the Securities Act of 1933 with respect to the shares of Common Stock offered by this Prospectus. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits thereto. For further information with respect to the Company and the Common Stock offered hereby, reference is made to the Registration Statement and exhibits. Statements contained in this Prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance reference is made to the Registration Statement, each such statement being qualified in all respects by such reference.

The Company intends to furnish to its stockholders annual reports containing audited consolidated financial statements.

## INDEX TO FINANCIAL STATEMENTS

## SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended | |
|---|---|---|
| | March 31, 1991 | March 29, 1992 |
| | (In thousands, except per share amounts) | |
| Net sales | $247,366 | $267,061 |
| Cost of goods sold | 187,800 | 200,162 |
| Selling, general and administrative expense | 21,792 | 24,503 |
| Depreciation and amortization expense | 6,258 | 6,979 |
| Corporate administrative expense | 3,887 | 3,704 |
| Operating earnings | 27,629 | 31,713 |
| Other expense, net | 1,846 | 2,646 |
| Interest expense, net | 3,632 | 1,816 |
| Earnings before income taxes | 22,151 | 27,251 |
| Income taxes: | | |
| Current | 4,190 | 7,638 |
| Deferred | 4,758 | 3,612 |
| Net earnings | $ 13,203 | $ 16,001 |
| Earnings per share of Common Stock: | | |
| Primary | $ .16 | $ .22 |
| Fully diluted | $ .16 | $ .21 |

See accompanying notes to condensed consolidated financial statements.

## SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES

### CONDENSED CONSOLIDATED BALANCE SHEETS

| | December 29, 1991 | March 29, 1992 (Unaudited) |
|---|---|---|
| | (In thousands) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 74,108 | $ 51,611 |
| Receivables | 121,956 | 188,062 |
| Inventories | 162,943 | 164,929 |
| Deferred income taxes | 50,600 | 48,760 |
| Prepaid expenses and other current assets | 4,276 | 5,740 |
| Total current assets | 413,883 | 459,102 |
| Property, plant and equipment, net | 149,540 | 147,781 |
| Trademarks and trade names, net | 226,001 | 224,534 |
| Other assets | 734 | 2,793 |
| Non-operating assets | 32,724 | 32,949 |
| Reorganization value in excess of amounts allocable to identifiable assets, net | 36,399 | 37,057 |
| | $859,281 | $904,216 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Short-term debt | $ 1,542 | $ 4,644 |
| Current maturities of long-term debt | 307 | 185 |
| Account payable | 96,611 | 113,911 |
| Accrued liabilities | 131,484 | 139,001 |
| Total current liabilities | 229,944 | 257,741 |
| Long-term debt | 101,575 | 100,293 |
| Other long-term liabilities | 87,975 | 90,288 |
| Non-operating liabilities | 72,771 | 71,751 |
| Deferred income taxes | 22,164 | 23,936 |
| Shareholders' equity: | | |
| Preferred Stock (outstanding 239,974 and 239,974 shares) | $ 23,711 | $ 23,711 |
| Common Stock (outstanding 63,870,442 and 63,978,682 shares) | 639 | 640 |
| Paid-in capital | 261,655 | 262,027 |
| Warrants | 8,209 | 8,209 |
| Retained earnings | 50,244 | 65,657 |
| Accumulated foreign currency translation adjustments | 394 | (37) |
| Total shareholders' equity | $344,852 | $360,207 |
| | $859,281 | $904,216 |

See accompanying notes to condensed consolidated financial statements.

## SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Three Months Ended | |
|---|---|---|
| | March 31, 1991 | March 29, 1992 |
| | (In thousands) | |
| **Operating activities:** | | |
| Net earnings | $ 13,203 | $ 16,001 |
| Adjustments to reconcile net earnings to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 6,258 | 6,979 |
| Deferred income taxes | 4,758 | 3,612 |
| | 24,219 | 26,592 |
| Changes in working capital: | | |
| Receivables | (31,249) | (66,204) |
| Inventories | 17,241 | (1,708) |
| Other current assets | (6) | (1,483) |
| Accounts payable | 4,868 | 16,065 |
| Accrued liabilities | 3,308 | 7,356 |
| Other, net | 1,135 | (242) |
| Net cash provided by (used in) operating activities | 19,516 | (19,624) |
| **Investing activities:** | | |
| Proceeds from sale of businesses, properties and noncore assets | 2,076 | 668 |
| Capital expenditures | (3,527) | (3,430) |
| Net cash used in investing activities | (1,451) | (2,762) |
| **Financing activities:** | | |
| Short-term borrowings | — | 3,102 |
| Payments on debt obligations | (11,795) | (2,116) |
| Payments of dividends on preferred stock | (2,011) | (588) |
| Other | (1,314) | (234) |
| Net cash provided by (used in) financing activities | (15,120) | 164 |
| Increase (decrease) in cash due to changes in foreign currency exchange rates | (336) | (275) |
| Net increase (decrease) in cash and cash equivalents | 2,609 | (22,497) |
| Cash and cash equivalents at beginning of period | 43,784 | 74,108 |
| Cash and cash equivalents at end of period | $ 46,393 | $ 51,611 |
| Supplemental disclosures: | | |
| Cash paid during the period for: | | |
| Interest | $ 7,215 | $ 2,177 |
| Income taxes | $ 431 | $ 3,290 |

See accompanying notes to condensed consolidated financial statements.

## SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**(In thousands, except per share amounts)**

**1. Basis of Presentation**

In the opinion of management, the unaudited interim financial statements furnished herein include all the adjustments, necessary for a fair presentation of the results of the operations of the Company. All such adjustments are of a normal recurring nature.

**2. Supplementary Statement of Operations Data**

Interest expense, net for the three months ended March 29, 1992 and March 31, 1991 includes $2,566 and $4,702 of interest expense, respectively.

**3. Supplementary Balance Sheet Data**

| | December 29, 1991 | March 29, 1992 |
|---|---|---|
| Inventories: | | |
| Finished goods | $113,473 | $102,960 |
| Work in process | 8,915 | 14,880 |
| Raw materials and supplies | 40,555 | 47,089 |
| | $162,943 | $164,929 |
| Property, plant and equipment: | | |
| Land | $ 2,913 | $ 2,908 |
| Buildings and improvements | 39,453 | 40,014 |
| Machinery and equipment | 127,845 | 131,999 |
| | 170,211 | 174,921 |
| Accumulated depreciation | (20,671) | (27,140) |
| | $149,540 | $147,781 |
| Trademarks and tradenames: | | |
| Cost | $233,244 | $233,244 |
| Accumulated amortization | (7,243) | (8,710) |
| | $226,001 | $224,534 |
| Reorganization value in excess of amounts allocable to identifiable assets: | | |
| Cost | $ 38,824 | $ 39,977 |
| Accumulated amortization | (2,425) | (2,920) |
| | $ 36,399 | $ 37,057 |

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To SUNBEAM-OSTER COMPANY, INC.:

We have audited the accompanying consolidated balance sheets of Sunbeam-Oster Company, Inc. (a Delaware Corporation) and subsidiaries as of December 29, 1991 and December 30, 1990 and the related consolidated statements of operations and cash flows for the year ended December 29, 1991 and the three-month transition period ended December 30, 1990. 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 in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunbeam-Oster Company, Inc. and subsidiaries as of December 29, 1991 and December 30, 1990, and the results of their operations and their cash flows for the year ended December 29, 1991 and the three-month transition period ended December 30, 1990, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.

New York, New York
April 3, 1992

## SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS

| | Dec. 30, 1990 (3 Month Transition Period) | Dec. 29, 1991 (12 Month Period) |
|---|---|---|
| | (In thousands, except per share amounts) | |
| Net sales | $219,776 | $885,633 |
| Cost of goods sold | 163,799 | 656,713 |
| Selling, general and administrative expense | 26,021 | 93,984 |
| Depreciation and amortization expense | 6,127 | 24,582 |
| Corporate administrative expense | 2,711 | 14,328 |
| Operating earnings | 21,118 | 96,026 |
| Other (income) expense, net | 1,893 | 6,728 |
| Interest expense, net | 4,189 | 10,840 |
| Earnings before income taxes | 15,036 | 78,458 |
| Income taxes (benefits): | | |
| Current | (836) | 11,983 |
| Deferred | 6,879 | 19,032 |
| Net earnings | $ 8,993 | $ 47,443 |
| Earnings per share of common stock: | | |
| Primary | $ .13 | $ .61 |
| Fully diluted | $ .12 | $ .60 |

See accompanying notes to consolidated financial statements.

## SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

| | December 30, 1990 | December 29, 1991 |
|---|---|---|
| | (In thousands) | |
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 43,784 | $ 74,108 |
| Receivables, net | 150,970 | 121,956 |
| Inventories | 150,916 | 162,943 |
| Deferred income taxes | 51,831 | 50,600 |
| Prepaid expenses and other current assets | 4,671 | 4,276 |
| Total current assets | 402,172 | 413,883 |
| Property, plant and equipment, net | 151,801 | 149,540 |
| Trademarks and trade names, net | 230,351 | 226,001 |
| Other assets | 1,918 | 734 |
| Non-operating assets | 65,196 | 32,724 |
| Reorganization value in excess of amounts allocable to identifiable assets, net | 38,336 | 36,399 |
| | $889,774 | $859,281 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Short-term debt | $ 11,798 | $ 1,542 |
| Current maturities of long-term debt | 29,030 | 307 |
| Accounts payable | 88,940 | 96,611 |
| Other accrued liabilities | 123,201 | 131,484 |
| Total current liabilities | 252,969 | 229,944 |
| Long-term debt | 99,568 | 101,575 |
| Other long-term liabilities | 91,975 | 87,975 |
| Non-operating liabilities | 78,794 | 72,771 |
| Deferred income taxes | 4,363 | 22,164 |
| Commitments and contingencies* | | |
| Shareholders' equity: | | |
| Preferred stock (outstanding 839,974 and 239,974 shares) | 82,991 | 23,711 |
| Common stock (outstanding 63,855,390 and 63,870,442 shares) | 639 | 639 |
| Paid-in capital | 261,605 | 261,655 |
| Warrants | 8,209 | 8,209 |
| Retained earnings | 8,993 | 50,244 |
| Accumulated foreign currency translation adjustments | (332) | 394 |
| Total shareholders' equity | 362,105 | 344,852 |
| | $889,774 | $859,281 |

* Notes 2, 6, 8, 13, and 14

See accompanying notes to consolidated financial statements.

## SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Dec. 30, 1990 (3 Month Transition Period) | Dec. 29, 1991 (12 Month Period) |
|---|---|---|
| | (In thousands) | |
| Operating activities: | | |
| Net earnings | $ 8,993 | $ 47,443 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 6,127 | 24,582 |
| Deferred income taxes | 6,879 | 19,032 |
| | 21,999 | 91,057 |
| Changes in working capital: | | |
| Receivables | (6,904) | 28,311 |
| Inventories | (9,690) | (12,065) |
| Other current assets | 2,276 | 1,940 |
| Accounts payable | 11,298 | 7,684 |
| Accrued liabilities | (785) | 3,121 |
| Other, net | (1,309) | 2,191 |
| Net cash provided by operating activities | 16,885 | 122,239 |
| Investing activities: | | |
| Proceeds from sale of businesses, properties, and non-core assets | 5,684 | 32,320 |
| Capital expenditures | (2,042) | (16,703) |
| Net cash provided by investing activities | 3,642 | 15,617 |
| Financing activities: | | |
| Long-term borrowings | 33 | 177 |
| Payments of debt obligations | (11,367) | (39,293) |
| Payments of fees and expenses | (11,658) | (2,849) |
| Redemption of preferred stock | — | (60,000) |
| Payments of dividends on preferred stock | — | (5,472) |
| Net cash used in financing activities | (22,992) | (107,437) |
| Increase (decrease) in cash due to changes in foreign currency exchange rates | 89 | (95) |
| Net increase (decrease) in cash and cash equivalents | (2,376) | 30,324 |
| Cash and cash equivalents at beginning of period | 46,160 | 43,784 |
| Cash and cash equivalents at end of period | $ 43,784 | $ 74,108 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | $ 1,779 | $ 18,363 |
| Income taxes | $ 2,131 | $ 14,287 |

See accompanying notes to consolidated financial statements.

## 1. Operations and Significant Accounting Policies

Sunbeam-Oster Company, Inc. (Sunbeam-Oster or the Company) is a leading international consumer products company that develops, manufactures, and markets a diversified portfolio of products with long-standing reputations for quality. The Sunbeam and Oster brand names have been household words for generations, and the Company is a market share leader in many of its product categories.

On September 28, 1990, Sunbeam-Oster acquired (the Acquisition) the assets and assumed certain liabilities, through a reorganization, of Allegheny International, Inc. (the Predecessor), an entity operating as a debtor-in-possession under Chapter 11 of the United States Bankruptcy Code. The Company has adopted "fresh start" reporting in accordance with the AICPA's Statement of Position on "Financial Reporting by Entities in Reorganization under the Bankruptcy Code." Accordingly, assets and liabilities have been restated to allocate the reorganization value in conformity with Accounting Principles Board Opinion No. 16. The excess of the reorganization value over the estimated fair value of identifiable net assets of the reorganized entity has been classified as reorganization value in excess of amounts allocable to identifiable assets. A further discussion concerning the acquired assets and assumed liabilities and the approved plan of reorganization is contained in Notes 2 and 7.

The accompanying Sunbeam-Oster financial statements reflect the application of the following significant accounting policies.

### *Principles of Consolidation*

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries that it controls. All material intercompany balances and transactions have been eliminated in consolidation.

### *Change in Fiscal Year and Presentation of Fiscal Periods*

On September 11, 1991, the Board of Directors of the Company determined to change the Company's fiscal year end from the Sunday nearest September 30 to the Sunday nearest December 31. Accordingly, Sunbeam-Oster's 1991 fiscal year is for the 12-month period commencing December 31, 1990 and ending December 29, 1991. The period covered by the financial statements for the three months ended December 30, 1990 is referred to as the 1990 transition period.

### *Revenue Recognition*

Revenues are recognized upon shipment of merchandise to a customer.

### *Cash Equivalents*

Cash equivalents are stated at cost, which approximates market. For purposes of the financial statements, cash equivalents are highly liquid, short-term investments with maturities of three months or less at the date of purchase.

### *Accounts Receivable*

Substantially all of the Company's trade accounts receivable are due from retailers and distributors located throughout the United States and Canada.

**1. Operations and Significant Accounting Policies—(Continued)**

*Inventories*

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

*Property, Plant and Equipment*

Property, plant and equipment is stated at cost. The Company provides for depreciation using primarily the straight-line method in amounts that allocate the cost of property, plant and equipment over their estimated useful lives.

*Amortization Periods*

Trademarks and trade names are being amortized on a straight-line basis over 40 years, and reorganization value in excess of amounts allocable to identifiable assets is being amortized on a straight-line basis over 20 years.

*Advertising*

The Company matches advertising and promotion expenses with sales for interim reporting purposes. Advertising and promotion expenses estimated for a full year are charged to earnings for interim reporting purposes pro rata in proportion to the relationship that the sales in such period bear to the sales estimated for the full year.

*Warranty*

The Company charges to current operations an amount it estimates will be needed to cover future warranty obligations for products sold during the current period.

*Income Taxes*

The Company adopted Statement No. 109 of the Financial Accounting Standards Board commencing October 1, 1990 (see Note 10). Deferred income taxes are not provided on the undistributed earnings of foreign subsidiaries, since such earnings are considered to be permanently reinvested.

*Earnings Per Share of Common Stock*

Primary per share amounts are determined by dividing earnings available to common shareholders (net earnings less dividend requirements on the preferred stock) by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding. Common stock equivalents include warrants and stock options, both of which were assumed to be outstanding throughout the transition and fiscal year periods.

Fully diluted per share amounts are computed on the additional assumption that, if dilutive, the preferred stock was converted into common stock at the beginning of the year, with appropriate adjustments being made to earnings available to common shareholders for preferred stock dividend requirements.

Because of the absence of an active public market for the Company's common stock, the calculation of both primary and fully diluted earnings per share are based on management's estimate of the fair market value of a share of the Company's common stock.

## 2. Chapter 11 Proceedings

On February 20 and May 3, 1988, the Predecessor and certain of its subsidiaries (collectively, the Debtors) filed for protection under the United States Bankruptcy Code. The Debtors filed a Debtors' Plan of Reorganization (the Stock Plan) with the Bankruptcy Court (the Court) on December 29, 1989. On January 24, 1990, Japonica Partners, a Rhode Island limited partnership (Japonica Partners) and the general partner of Sunbeam-Oster Equities, L.P., a Delaware limited partnership formed by Japonica Partners (SOE), filed its Plan of Reorganization with the Court.

On September 13, 1990, the Court approved a modified Stock Plan (the Modified Plan). In accordance with the Modified Plan, on September 28, 1990 Sunbeam-Oster acquired all the remaining assets and assumed certain liabilities of the Debtors and satisfied the interests of the Debtors' equity holders (the Equity Holders) and the allowed claims of certain creditors of the Debtors (the Creditors).

As of December 29, 1991, certain disputed claims had not been discharged by the Modified Plan. Under the Modified Plan, the Company has the right to settle such disputed claims through cash payments or, if certain conditions are met, through the issuance of common stock. In management's opinion, resolution of disputed claims will not have a material adverse effect on the financial condition or future results of operations of the Company.

Certain of the Predecessor's subsidiaries involved principally in discontinued finance operations (the Continuing Debtors) remain in Chapter 11 proceedings.

## 3. Discontinued Operations

In 1987, the Predecessor decided to dispose of or liquidate all nonconsumer products businesses, substantially all of which have been sold. The operating earnings or losses of discontinued operations in the 1990 transition period and the 1991 fiscal year have been credited or charged (as appropriate) to previously established accruals. The Company intends to dispose of or liquidate its remaining discontinued operations as market conditions permit. Included within non-operating assets on the consolidated balance sheets are the following assets and liabilities applicable to the remaining discontinued operations (see Note 8):

| | December 30, 1990 | December 29, 1991 |
|---|---|---|
| Assets | | |
| Current assets | $ 783 | $ 532 |
| Investment in Continuing Debtors | 9,129 | 9,129 |
| Investment in real estate projects | 17,982 | 4,687 |
| Other assets | 3,822 | 3,395 |
| Liabilities | | |
| Current liabilities | (2,595) | (907) |
| Other liabilities | (817) | (116) |
| | $28,304 | $16,720 |

**4. Credit Facilities and Long-Term Debt**

In March 1992 the Company entered into a new credit agreement (New Agreement) with a syndicate of banks under which was provided a term loan facility of $125,000 and a revolving credit facility of $150,000. The Company borrowed the full amount under the term loan facility and refinanced $85,000 of long-term debt outstanding at December 29, 1991 under the SAHL Credit Agreement (SAHL Agreement) and will retire $12,000 of the Company's 5½% sinking fund debentures (Public Debt) outstanding at December 29, 1991, with the balance available for general corporate purposes. The New Credit Agreement is unsecured and is supported by the guarantees of the Company's principal subsidiaries. Interest on borrowings is calculated at LIBOR plus one-half of one percent, with the interest rate spread over LIBOR declining to three-eighths of one percent when certain net worth and leverage tests are achieved. The term note is repayable in equal quarterly installments over a three-year period commencing March 31, 1994. The terms of this agreement require, among other things, that the Company maintain minimum levels of net worth and interest and fixed charge coverage ratios. The New Agreement provides that the amount of cash dividends the Company may distribute to its shareholders can equal an amount up to 50% of cumulative net earnings subsequent to April 1, 1992. The New Agreement is scheduled to expire in March 1997.

As a result of the New Agreement, the Company has classified all of the outstanding borrowings under the SAHL Agreement and its Public Debt as long-term on the December 29, 1991 balance sheet.

On September 28, 1990, Sunbeam Americas Holdings, Limited (SAHL) and its principal subsidiary, Sunbeam Corporation, entered into the SAHL Agreement with certain financial institutions under which three facilities were provided: a Term Loan of $110,000, a revolving loan of up to $80,000, and a letter of credit facility of up to $45,000. The SAHL Agreement was scheduled to expire in March 1995; however, as discussed above, the Company replaced it with a more favorable credit agreement in March 1992. Borrowings under the SAHL Agreement initially bore interest at LIBOR plus 2.75% or the prime rate plus 1.5%. Effective November 20, 1991, these rates were reduced to LIBOR plus 1.25% or prime.

At December 29, 1991 there were no borrowings outstanding under the revolving loan facility. There were $20,225 in letters of credit outstanding. At December 30, 1990 there were $9,100 of borrowings and $31,276 of letters of credit outstanding under the revolving loan and letter of credit facilities.

Borrowings under the SAHL Agreement were subject to certain limitations based on the level of eligible accounts receivable and inventories. The SAHL Agreement also required, among other things, that certain levels of net worth were maintained, specific amounts of cash flow be generated, and certain financial ratios met. It also placed restrictions upon capital expenditures, lease commitments, and dividend payments. Under the provisions of the SAHL Agreement, at December 29, 1991 approximately $28,500 were available for payment of cash dividends by the Company to shareholders.

On September 28, 1990 Sunbeam-Oster Housewares, Inc. (SOHI) entered into a credit agreement with a financial institution under which a $65,000 seasonal facility was provided. Of this, up to $20,000 could be used for letters of credit. At December 30, 1990, there were no borrowings outstanding. There were $10,091 of letters of credit outstanding. The Company terminated this agreement in October 1991.

The aggregate annual principal payments of long-term debt due in each of the years 1992-1996 are $307, $313, $39,646, $38,652, and $20,475, respectively.

**4. Credit Facilities and Long-Term Debt—(Continued)**

Long-term debt consists of the following:

| | December 30, 1990 | December 29, 1991 |
|---|---|---|
| Term Note, at LIBOR plus 1.25% or prime due in periodic installments through March 1995, less original issue discount of $1,301 and $146 (6.4%*) | $83,699 | $ 84,854 |
| 5.5% Sinking Fund Debentures, due through August 1992, less discount of $1,414 and $546, imputed at 13.5% | 10,586 | 11,454 |
| 6.625% to 9.75% industrial development revenue bonds and mortgages, due through 2003, less discount of $44 and $42, imputed at 7% | 1,393 | 1,312 |
| 5.3% to 13% capitalized lease obligations, due through 2008, less discounts of $919 and $800, imputed at 10% | 3,807 | 3,900 |
| Other indebtedness | 83 | 55 |
| | $99,568 | $101,575 |

* Interest rate at December 29, 1991.

Certain industrial development revenue bonds, mortgages, and capitalized lease obligations are collateralized by property, plant, and equipment having a net book value of approximately $7,500 at December 29, 1991.

**5. Employee Benefit Plans**

*Retirement Plans*

The Company sponsors nine defined benefit pension plans covering all eligible U.S. salaried and hourly employees, including officers. Employees of non-U.S. subsidiaries generally receive retirement benefits from Company-sponsored plans or from statutory plans administered by governmental agencies in their countries. Pension expense for defined benefit plans is determined under the provisions of Statement No. 87 of the Financial Accounting Standards Board, "Employers' Accounting for Pensions."

Effective December 31, 1990, benefit accruals under plans covering all U.S. salaried employees, including officers, were frozen. Therefore no credit in the pension formula is given for service or compensation after that date. However, employees continue to earn service toward vesting in their interest in the frozen plans as of December 31, 1990.

The Company's policy for pension plans is to fund pension costs in conformity with requirements of local laws and regulations.

**5. Employee Benefit Plans—(Continued)**

The funded status of the Company's U.S. defined benefit pension plans is as follows:

| | December 30, 1990 | December 29, 1991 |
|---|---|---|
| Actuarial present value of benefit obligations— | | |
| Vested | $130,856 | $126,454 |
| Non-vested | 768 | 787 |
| Accumulated benefit obligations | 131,624 | 127,241 |
| Plan assets at fair value | 111,312 | 113,384 |
| Accumulated benefit obligations in excess of plan assets | 20,312 | 13,857 |
| Unrecognized prior service cost | (4) | 19 |
| Unrecognized net gain | 2,474 | 6,474 |
| Pension liability recognized on the balance sheet | $ 22,782 | $ 20,350 |
| Assumptions: | | |
| Discount rate | 10.0% | 10.0% |
| Long-term rate of return on assets | 10.0% | 10.0% |

Net periodic pension cost for Sunbeam-Oster's U.S. defined benefit pension plans included the following components:

| | December 30, 1990 (3 month transition period) | December 29, 1991 (12 month period) |
|---|---|---|
| Service cost-benefits earned during the period | $ 156 | $ 275 |
| Interest cost on accumulated benefit obligations | 3,166 | 12,151 |
| Actual return on plan assets | (2,637) | (10,411) |
| Net amortization and deferral | — | (2) |
| Net periodic pension cost | $ 685 | $ 2,013 |

The plan assets at December 29, 1991, include cash and cash equivalents, corporate and U.S. government bonds, publicly traded common stocks, mutual funds, real estate and venture capital limited partnership interests.

The excess of accumulated benefit obligations over plan assets for U.S. defined benefit pension plans of $22,470 at September 30, 1990 was recognized as a liability on the Company's September 30, 1990 opening balance sheet in accordance with the provisions of Statement No. 87. The assets and liabilities of the Company's non-U.S. defined benefit retirement plans are not material, and the pension costs of such non-U.S. plans, including contributions to governmental agencies for non-U.S. statutory plans, was $145 in the 1990 transition period and $438 in 1991.

**5. Employee Benefit Plans—(Continued)**

*Defined Contribution Plans*

Certain of the Company's U.S. operating units sponsor defined contribution profit-sharing plans covering all eligible employees, as defined. Profit sharing contributions are made at the discretion of the Company depending on both the performance of the employee's operating unit and the Company as a whole, in an amount up to 10% of eligible compensation. The Company provided $404 in the 1990 transition period and $5,417 in 1991 for its profit sharing plans.

*Other Postretirement Benefits*

The Company also provides health care and life insurance benefits to certain of its retired employees.

In December 1990, the Financial Accounting Standards Board issued Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". This new standard requires that the expected cost of such postretirement benefits be charged to expense during the years that the employees render service versus the Company's current policy of recognizing these costs when paid. The Company is required to adopt the new accounting and disclosure rules no later than 1993. The Company may adopt the new standard prospectively, or via a cumulative catch-up adjustment.

On September 28, 1990, the Company recorded an accrual of $28,163 representing the present value of postretirement benefits relating to divested business units. The Company continues to recognize the expense of providing health care and life insurance benefits to retired employees of ongoing operations when such payments are made. The total expense associated with providing postretirement health care and life insurance benefits of retired employees amounted to approximately $1,200 in the 1990 transition period and $3,900 in 1991.

Management has not determined when the Company will adopt the new standard with respect to its ongoing operations, or whether it will adopt the new accounting method prospectively, or by recording a cumulative catch-up adjustment in the year of adoption. As of December 29, 1991, management estimates that the preliminary liability for postretirement benefits is within the range of $20,000 to $25,000. The incremental expense, assuming the total liability is recognized immediately upon adoption of Statement No. 106, is not expected to be material.

*Stock Option Plan*

The Company has adopted the Sunbeam-Oster Company, Inc. Equity Team Plan (the Stock Option Plan). The Company has reserved 4,400,000 shares of Common Stock for issuance pursuant to options that may be granted under the Stock Option Plan.

The term of each option commences on the date of grant and expires on the earlier of (i) the tenth anniversary of the date of grant or (ii) the 45th day following the termination of the optionee's employment with the Company.

The exercise price is to be paid in cash or, with the consent of the administrators of the Stock Option Plan, in shares of stock based on the fair market value on the date of exercise and on terms and conditions to be determined by the Company. The exercise price of, and the number of shares covered by, each option will not change during the life of the option, except for adjustments to reflect stock dividends, splits, other recapitalizations or reclassifications or changes affecting the number or kind of outstanding shares.

**5. Employee Benefit Plans—(Continued)**

Options become exercisable over a four-year period, provided that the optionee has remained in the employment of the Company continuously since the date of grant. If an optionee's employment terminates due to death, all options held by the participant at death become immediately exercisable in full, and upon a Change of Control (as defined by the Stock Option Plan), all options held by optionees who are then employees of the Company become immediately exercisable in full.

During 1991 and as of December 29, 1991, options covering 3,966,205 shares of common stock were granted to certain key employees at an exercise price of $5.00 per share, which exceeds management's estimate of the fair market value of a share of common stock on the date of grant, and no options have been exercised.

**6. Leases**

The Company rents certain facilities and equipment under operating leases. Rental expense for operating leases amounted to $2,725 for the 1990 transition period and $9,589 for 1991. The minimum future rentals due under noncancelable operating leases as of December 29, 1991, aggregated $28,400. The amounts payable in each of the years 1992-1996 are $8,257, $5,057, $4,094, $3,083, and $2,242, respectively.

**7. Capitalization**

The Company's common stock consists of 200,000,000 authorized shares, par value $.01 per share.

In connection with the initial capitalization of the Company, SOE purchased 300 shares of common stock at $2.33 per share. In addition, pursuant to the Modified Plan, on September 28, 1990, 30,678,684 shares of common stock were issued to SOE in satisfaction of the Predecessor secured bank claims held by SOE.

The Modified Plan also provided for certain Creditors and Equity Holders to be granted an election (the Election) to satisfy their claims and interests through the receipt of either (i) cash or (ii) newly issued common stock or redeemable warrants. The election period ended on November 12, 1990. Pursuant to the Modified Plan, Japonica Partners was permitted to decide whether Creditors and Equity Holders who failed to effectively exercise their Election would receive cash or securities. On November 28, 1990, the Company issued a press release announcing that cash, rather than securities, would be distributed to such Creditors and Equity Holders. On or about December 12, 1990, an aggregate of 33,176,406 shares of common stock and 5,623,783 redeemable warrants were distributed, or reserved for distribution, to Creditors and Equity Holders electing to receive common stock or warrants.

Each redeemable warrant issued pursuant to the Modified Plan entitles the holder to purchase three shares of common stock at an exercise price of $2.90 per share (subject to adjustment) through 1995. If, prior to September 28, 1992, a "going private transaction" (as defined) occurs, the warrants are redeemable at the option of either the Company or the holder of the warrants, at a price of $1.53 per warrant through September 1991, and $1.75 per warrant through September 1992. As of December 29, 1991, no warrants have been redeemed. The redeemable warrants not held by SOE have been excluded from shareholders' equity.

**7. Capitalization—(Continued)**

In addition to the common stock and redeemable warrants, $82,991 was distributed to the creditors and shareholders of the Predecessor, other than SOE, electing to receive cash in lieu of securities. The Company issued 839,974 shares of 9.5% Convertible Exchangeable Preferred Stock (the Preferred Stock) to the limited partners of SOE as consideration for the funding of the cash settlements. The Preferred Stock was issued as a series of the Company's preferred stock, par value $.01 per share, of which 2,000,000 shares are authorized. The Preferred Stock has a cumulative annual dividend rate of 9.5% (subject to adjustment) payable quarterly. The Company has the ability to pay these dividends with additional shares of Preferred Stock. The dividend rate for these payments-in-kind will range from 14%-18% as determined by the provisions of the Preferred Stock. The Preferred Stock is convertible to common stock at any time at a conversion price of $9.85, which is the equivalent of 10.15 shares of common stock for each share of Preferred Stock, subject to adjustment upon the occurrence of certain events. At the option of the Company, the Preferred Stock is exchangeable into subordinated debt, as defined, or callable at a $100.00 per share liquidation price, plus accrued and unpaid dividends.

In addition to the common stock and redeemable warrants issuable pursuant to the terms of the Modified Plan, warrants to purchase 1,104,315 shares of common stock, with an exercise price of $2.16 per share, were issued to certain banks involved in financing the Modified Plan.

At December 29, 1991, there were 24,799,168 shares of common stock reserved for issuance upon the exercise of warrants and stock options, and the conversion of Preferred Stock.

*Valuation of Opening Equity*

The Company accounted for the reorganization using "fresh start" reporting. Accordingly, the value of equity on the opening balance sheet at September 30, 1990 was determined based on the Court-approved reorganization value, adjusted for debt service and the estimated liquidation value of non-core operations. During 1991 the Company obtained additional information regarding the valuation of assets and liabilities and pursued the resolution of litigation and other contingencies. This information resulted in establishing additional net liabilities of $53,734 on the opening balance sheet. The value of opening equity was reduced by $15,956 primarily due to employee benefit matters and unresolved claims, partially offset by net assets previously considered as relating to ongoing operations, but subsequently identified as non-core businesses. The remaining $37,778 of additional net liabilities (primarily to provide for the integration of certain facilities) and the adoption of Statement No. 109, were reflected as an adjustment to reorganization value in excess of amounts allocable to identifiable assets. An analysis of the determination of the adjusted opening equity value at September 30, 1990 is as follows:

| | |
|---|---|
| "Fresh Start" reorganization value | $570,000 |
| Less-Debt at consummation | (140,650) |
| Present value of liabilities not related to the Company's continuing core businesses, net of assets | (75,906) |
| Opening equity value, as adjusted | $353,444 |

The determination of "fresh start" reorganization value was based on certain valuation methods including the discounted cash flows of expected future operating results. The effect of the additional net liabilities discussed above did not have a material effect on net income for the 1990 transition period or the 1991 fiscal year. Based on an independent appraisal, the Company believes that its valuation of its

**7. Capitalization—(Continued)**

trademarks and trade names represents the amount that a willing unrelated third party buyer would be willing to pay for them.

Following is an analysis of changes in shareholders' equity:

## SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES
### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
### (In thousands, except per share amounts)

| | Preferred Stock | Common Stock | Paid-in Capital | Warrants | Retained Earnings | Accumulated Foreign Currency Translation Adjustments | Shares Issuable | Warrants Issuable | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance at September 30, 1990, as originally reported | — | $307 | $133,353 | $ — | $ — | $ — | $227,531 | $8,209 | $369,400 |
| Adjustment pursuant to revision in "fresh start' reorganization value | — | — | (15,956) | — | — | — | — | — | (15,956) |
| Balance at September 30, 1990, as adjusted | — | 307 | 117,397 | — | — | — | 227,531 | 8,209 | 353,444 |
| Net earnings | — | — | — | — | 8,993 | — | — | — | 8,993 |
| Issuance of preferred stock, common stock and warrants pursuant to Modified Plan | 82,991 | 332 | 144,208 | 8,209 | — | — | (227,531) | (8,209) | — |
| Adjustment from translating foreign currency assets and liabilities | — | — | — | — | — | (332) | — | — | (332) |
| Balance at December 30, 1990 | 82,991 | 639 | 261,605 | 8,209 | 8,993 | (332) | — | — | 362,105 |
| Net earnings | — | — | — | — | 47,443 | — | — | — | 47,443 |
| Dividends on preferred stock ($9.55 per share) | — | — | — | — | (5,472) | — | — | — | (5,472) |
| Exercise of redeemable warrants | — | — | 50 | — | — | — | — | — | 50 |
| Redemption of 600,000 shares of preferred stock | (59,280) | — | — | — | (720) | — | — | — | (60,000) |
| Adjustment from translating foreign currency assets and liabilities | — | — | — | — | — | 726 | — | — | 726 |
| Balance at December 29, 1991 | $23,711 | $639 | $261,655 | $8,209 | $50,244 | $ 394 | $ — | $ — | $344,852 |

## 8. Supplementary Balance Sheet Data

| | December 30, 1990 | December 29, 1991 |
|---|---|---|
| Receivables | | |
| Trade | $166,322 | $137,256 |
| Sundry | 2,442 | 469 |
| | 168,764 | 137,725 |
| Valuation allowances | (17,794) | (15,769) |
| | $150,970 | $121,956 |
| Inventories | | |
| Finished goods | $ 92,424 | $113,473 |
| Work in process | 16,163 | 8,915 |
| Raw materials and supplies | 42,329 | 40,555 |
| | $150,916 | $162,943 |
| Property, plant and equipment | | |
| Land | $ 2,874 | $ 2,913 |
| Buildings and improvements | 36,188 | 39,453 |
| Machinery and equipment | 116,517 | 127,845 |
| | 155,579 | 170,211 |
| Accumulated depreciation and amortization | (3,778) | (20,671) |
| | $151,801 | $149,540 |
| Trademarks and trade names | | |
| Cost | $231,800 | $233,244 |
| Accumulated amortization | (1,449) | (7,243) |
| | $230,351 | $226,001 |
| Reorganization value in excess of amounts allocable to identifiable assets | | |
| Cost | $ 38,824 | $ 38,824 |
| Accumulated amortization | (488) | (2,425) |
| | $ 38,336 | $ 36,399 |
| Other accrued liabilities | | |
| Payrolls and employee benefits | $ 16,705 | $ 20,480 |
| Rationalization and restructuring | 26,791 | 15,052 |
| Advertising and sales promotion | 12,924 | 19,848 |
| Product warranty | 16,836 | 14,889 |
| Other | 49,945 | 61,215 |
| | $123,201 | $131,484 |
| Other long-term liabilities | | |
| Insurance | $ 10,619 | $ 21,869 |
| Facilities integration | 31,500 | 31,500 |
| Redeemable warrants | 2,101 | 2,092 |
| Long-term tax obligations | 9,820 | 8,387 |
| Other | 37,935 | 24,127 |
| | $ 91,975 | $ 87,975 |

**8. Supplementary Balance Sheet Data—(Continued)**

Non-operating assets and non-operating liabilities consist of miscellaneous items associated with the operations of the Predecessor which do not relate to the ongoing operations of Sunbeam-Oster.

| | December 30, 1990 | December 29, 1991 |
|---|---|---|
| Non-operating assets | | |
| Net assets of discontinued operations | $28,304 | $16,720 |
| Cash surrender value of life insurance policies on former key employees | 17,148 | 8,753 |
| Notes receivable | 10,079 | 7,129 |
| Other | 9,665 | 122 |
| | $65,196 | $32,724 |
| Non-operating liabilities | | |
| Accrued postretirement health care benefits | $27,873 | $26,506 |
| Accrued pension | 23,299 | 20,350 |
| Other | 27,622 | 25,915 |
| | $78,794 | $72,771 |

Responsibility for servicing certain debt obligations of the Predecessor were assumed by third parties in connection with the acquisition of former Predecessor businesses, although the Predecessor remained the primary obligor in accordance with the respective loan documents. Such obligations, which amounted to approximately $28,375 at December 29, 1991, and the corresponding receivables from the third parties, are not included in the consolidated balance sheets since these transactions occurred prior to the issuance of Statement No. 76 of the Financial Accounting Standards Board, "Extinguishment of Debt," and management of the Company believes that the third parties will continue to meet their obligations pursuant to the assumption agreements.

**9. Supplementary Statement of Operations Data**

| | Dec. 30, 1990 (3 month transition period) | Dec. 29, 1991 (12 month period) |
|---|---|---|
| Interest expense, net | | |
| Interest expense | $ 5,394 | $15,615 |
| Interest income | (1,205) | (4,775) |
| | $ 4,189 | $10,840 |
| Other (income) expense, net | | |
| Foreign exchange (gains) losses | $ (209) | $ 648 |
| Accretion of non-operating liabilities | 1,167 | 4,179 |
| Other financial charges | 715 | 1,166 |
| Other | 220 | 735 |
| | $ 1,893 | $ 6,728 |
| Maintenance and repairs | $ 3,316 | $13,361 |
| Advertising and sales promotion | $11,136 | $48,571 |
| Export sales to unaffiliated customers | $ 9,055 | $41,194 |

**10. Income Taxes**

The Company adopted Statement No. 109 of the Financial Accounting Standards Board, "Accounting for Income Taxes," commencing October 1, 1990. This new statement supersedes Statement No. 96 and, among other things, changes the criteria for the recognition and measurement of deferred tax assets, including net operating loss carryforwards.

At the date of reorganization, the Predecessor had net operating loss carryforwards which were available to offset future taxable income. The amount of the net operating loss carryforwards remaining at December 29, 1991, which are expected to be fully utilized and deducted on future income tax returns, is $122,500 of which $6,461, $15,805, $61,277, $20,175 and $18,782 expire in each of the years 2001 through 2005, respectively. The utilization of these net operating loss carryforwards is limited pursuant to Section 382 of the Internal Revenue Code of 1986, as amended. Accordingly, the Company has recognized a deferred tax asset relating to these carryforwards.

The Company also has recognized a current deferred tax asset and a long-term deferred tax liability relating to temporary differences, primarily originating from liabilities of the Predecessor which will result in future tax deductions, and differences between the book and tax basis of certain of the Company's assets. The Company expects to generate sufficient taxable income to realize these net deferred tax assets in the future.

The effect on the Company of adopting Statement No. 109 was the recognition of a net current deferred tax asset and a net long-term deferred tax liability, with no resulting change in net assets.

Earnings before income taxes include domestic and foreign earnings as follows:

| | Dec. 30, 1990 (3 month transition period) | Dec. 29, 1991 (12 month period) |
|---|---|---|
| Domestic | $12,297 | $69,847 |
| Foreign | 2,900 | 9,258 |
| | $15,197 | $79,105 |

Income tax provisions include current and deferred taxes (tax benefits) as follows:

| | Dec. 30, 1990 (3 month transition period) | Dec. 29, 1991 (12 month period) |
|---|---|---|
| Current: | | |
| Federal | $(2,934) | $ 3,896 |
| State | 670 | 3,820 |
| Foreign | 1,428 | 4,267 |
| | (836) | 11,983 |
| Deferred: | | |
| Federal | 6,879 | 19,032 |
| State | — | — |
| Foreign | — | — |
| | 6,879 | 19,032 |
| | $ 6,043 | $31,015 |

**10. Income Taxes—(Continued)**

The primary sources of deferred income tax provisions and the tax effect thereon are as follows:

| | Dec. 30, 1990 (3 month transition period) | Dec. 29, 1991 (12 month period) |
|---|---|---|
| Net operating losses utilized | $2,210 | $ 8,840 |
| Operating reserves and accruals | (184) | (4,025) |
| Rationalization, restructuring and facilities integration costs | 1,458 | 2,697 |
| Trademark and tradename amortization | (493) | (1,963) |
| Book/tax basis difference in other assets | (914) | (489) |
| Reserves for non-core assets and non-operating liabilities | 4,802 | 13,972 |
| | $6,879 | $19,032 |

A reconciliation of income tax expense with the expected income tax computed by applying the federal statutory income tax rate to earnings before income taxes is as follows:

| | Dec. 30, 1990 (3 month transition period) | Dec. 29, 1991 (12 month period) |
|---|---|---|
| Income tax computed at the federal statutory tax rate of 34% | $5,112 | $26,676 |
| State and local taxes (net of federal benefit) | 442 | 2,521 |
| Nondeductible amortization | 165 | 660 |
| Foreign earnings taxed at rates other than the federal statutory tax rate | 442 | 1,119 |
| Other | (118) | 39 |
| | $6,043 | $31,015 |

**10. Income Taxes—(Continued)**

The major components of the Company's net current deferred tax asset and net long-term deferred tax liability are as follows:

| | December 30, 1990 | | December 29, 1991 | |
|---|---|---|---|---|
| | Current Deferred Tax Asset | Long-Term Deferred Tax Liability | Current Deferred Tax Asset | Long-Term Deferred Tax Liability |
| Net operating losses | $ 9,030 | $ 41,460 | $ 9,030 | $ 32,620 |
| Operating reserves and accruals | 26,318 | 11,030 | 28,059 | 13,314 |
| Rationalization, restructuring and facilities integration costs | 6,017 | 10,710 | 3,320 | 10,710 |
| Book/tax basis difference in trademarks and trade names | — | (78,319) | — | (76,356) |
| Book/tax basis difference in other assets | 2,636 | (28,064) | 2,209 | (27,148) |
| Reserves for non-operating assets and non-operating liabilities | 7,830 | 57,520 | 7,982 | 43,396 |
| Other | — | (18,700) | — | (18,700) |
| | $51,831 | $ (4,363) | $50,600 | $(22,164) |

Cumulative undistributed earnings of foreign subsidiaries that are considered to be permanently reinvested and on which U.S. federal income taxes have not been provided by the Company amounted to approximately $13,760 at December 29, 1991.

**11. Certain Transactions**

During the 1990 transition period and the 1991 fiscal year there were no transactions with related parties.

On September 28, 1990, in consideration of the limited partners of SOE providing the Company with a combination of letters of credit and escrow funding in the aggregate amount of approximately $88,000, which letters of credit and escrow funds evidenced the existence of financing for the Election, the Company paid a commitment fee of approximately $872, which fee was divided equally between the majority limited partners of SOE. In recognition of the services provided in financing and consummating the Modified Plan, Japonica Partners received $923 on September 28, 1990.

**12. Segment Data**

The Company's operations comprise one line of business—home use durable products. Virtually all of the Company's products are marketed through the same distribution channels. The only classes of products which contributed more than 10% to consolidated sales were outdoor home use durable products and indoor home use durable products. Sales of outdoor home use durable products amounted to $31,869 in the 1990 transition period and $335,598 in 1991. Sales of indoor home use durable products were $179,698 in the 1990 transition period and $512,867 in 1991.

The Company's largest customer accounted for approximately 14% of consolidated sales in both the 1990 transition period and 1991. The Company's four next largest customers comprised an additional 24% of sales in the 1990 transition period and 17% of sales in 1991.

**12. Segment Data—(Continued)**

Financial information by geographic area follows:

| | Dec. 30, 1990 (3 month transition period) | Dec. 29, 1991 (12 month period) |
|---|---|---|
| Net sales: | | |
| United States | $185,889 | $766,348 |
| Canada and Latin America | 30,525 | 111,135 |
| Other | 3,362 | 8,150 |
| | $219,776 | $885,633 |
| Operating profit: | | |
| United States | $ 22,213 | $104,710 |
| Canada and Latin America | 3,220 | 13,240 |
| Other | 333 | 135 |
| Corporate administrative expense | (2,711) | (14,328) |
| Amortization expense | (1,937) | (7,731) |
| Operating earnings | 21,118 | 96,026 |
| Other (income) expense | 1,893 | 6,728 |
| Interest expense, net | 4,189 | 10,840 |
| Earnings before income taxes | $ 15,036 | $ 78,458 |

| | Sept. 30, 1990 | Dec. 30, 1990 | Dec. 29, 1991 |
|---|---|---|---|
| Identifiable assets: | | | |
| United States | $724,379 | $741,696 | $732,278 |
| Canada and Latin America | 48,262 | 49,665 | 56,409 |
| Other | 7,392 | 6,470 | 5,717 |
| | 780,033 | 797,831 | 794,404 |
| Corporate assets | 112,111 | 91,943 | 64,877 |
| Total assets | $892,144 | $889,774 | $859,281 |

Operating profit by geographic area does not include corporate administrative expense, the amortization of trademarks, trade names and reorganization value in excess of amounts allocable to identifiable assets, interest expense, income taxes or other income. Identifiable assets are those assets used directly in the operations, and exclude non-operating and corporate assets. Sales between geographic areas are not material and are made primarily at cost plus a markup.

**13. Legal Proceedings**

The Company is involved in various lawsuits from time to time arising in the ordinary course of business and otherwise. In management's opinion, the outcome of these matters is not expected to have a material adverse effect on the Company's financial condition or future results of operations. The bulk of this litigation relates to matters preceding the Predecessor's reorganization.

## 14. Environmental Matters

The Company is subject to certain federal, state and local environmental laws and regulations. The Company is complying with those laws and regulations through remediation and other activities involving multiple sites, almost all of which relate principally to certain divested operations. Numerous third parties, including the Company, have been named in connection with certain of the sites that are subject to CERCLA. Although compliance involves some continuing costs, such costs are not expected to have a material effect upon the Company.

## 15. Quarterly Financial Data (Unaudited)

**FISCAL 1991(a)**

| | Jan.-Mar. | Apr.-June | July-Sept. | Oct.-Dec. |
|---|---|---|---|---|
| | (Dollars in millions, except per share data) | | | |
| Net sales | $247.4 | $237.6 | $180.5 | $220.1 |
| Cost of goods sold | 187.8 | 178.0 | 129.5 | 161.4 |
| Selling, general and administrative expense | 21.8 | 22.6 | 25.0 | 24.6 |
| Depreciation and amortization expense | 6.3 | 6.3 | 5.9 | 6.1 |
| Corporate administrative expense | 3.9 | 3.5 | 4.0 | 2.9 |
| Operating earnings | 27.6 | 27.2 | 16.1 | 25.1 |
| Net earnings | 13.2 | 13.5 | 8.5 | 12.3 |
| Earnings per share of Common Stock(b)(c) | $ .16 | $ .17 | $ .11 | $ .17 |

(a) The Company's adoption of Statement No. 109 relating to deferred income taxes and a reduction in the amortization period for the reorganization value in excess of amounts allocable to identifiable assets, from 30 years to 20 years, has resulted in a net $.1 increase to previously reported net earnings for each of the quarters in fiscal year 1991 by reducing the amortization of reorganization value in excess of amounts allocable to identifiable assets. Quarterly earnings per share of common stock has been adjusted pursuant to SAB Topic 4D to include in the earnings per share calculation for each period presented stock options granted by the Company during December 1991.

(b) Primary and fully diluted per share amounts are equivalent.

(c) As a result of changes in the number of shares outstanding, the sum of the quarterly earnings per share amounts, which are based on average shares outstanding during each quarter, may not be equal to the annual earnings per share amount, which is based on average shares during the year.

## 16. Summarized Financial Information of Sunbeam Corporation

Following is summarized financial information of Sunbeam Corporation, a wholly-owned subsidiary of the Company, which has publicly held debentures outstanding. The repayment in full of such debentures was unconditionally guaranteed by the Company.

## 16. Summarized Financial Information of Sunbeam Corporation—(Continued)

### Summarized Balance Sheets

| | Dec. 30, 1990 | Dec. 29, 1991 |
|---|---|---|
| ASSETS | | |
| Current assets | $197,830 | $235,555 |
| Property, plant and equipment | 106,411 | 109,959 |
| Other assets | 281,128 | 271,011 |
| | $585,369 | $616,525 |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | |
| Current liabilities | $157,961 | $163,178 |
| Long-term debt | 98,070 | 100,169 |
| Other long-term liabilities | 161,454 | 166,447 |
| | 417,485 | 429,794 |
| Shareholder's equity | 167,884 | 186,731 |
| | $585,369 | $616,525 |

### Summarized Results of Operations

| | Dec. 30, 1990 (3 month transition period) | Dec. 29, 1991 (12 month period) |
|---|---|---|
| Net sales | $125,696 | $604,269 |
| Cost of goods sold | 95,558 | 450,648 |
| Depreciation and amortization expense | 2,777 | 11,986 |
| Selling, general and administrative expense | 12,166 | 52,732 |
| Operating earnings | 15,195 | 88,903 |
| Net earnings | 4,938 | 39,833 |

## 17. Subsequent Events (Unaudited)

On May 1, 1992, the Company redeemed all of its then outstanding ($24.0 million) 9.5% Convertible Exchangeable Preferred Stock.

On May 7, 1992, the Board of Directors approved the filing of a Registration Statement under the Securities Act of 1933 for a public offering of Common Stock.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To SUNBEAM-OSTER COMPANY, INC.:

We have audited the accompanying consolidated statements of operations, cash flows, additional paid-in capital, accumulated deficit and accumulated foreign currency translation adjustments of the predecessor Allegheny International, Inc. and subsidiaries (a Pennsylvania corporation) for the year ended September 30, 1990, as restated for revisions pursuant to "fresh start" reporting. 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 audit.

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

In our opinion, the financial statements of Allegheny International, Inc. and subsidiaries referred to above present fairly, in all material respects, the results of their operations and their cash flows for the year ended September 30, 1990, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.

Pittsburgh, PA
March 19, 1991
(except with respect for revisions pursuant to fresh start reporting, as to which the date is April 3, 1992)

## INDEPENDENT AUDITORS' REPORT

The Shareholders and the Board of Directors
ALLEGHENY INTERNATIONAL, INC.:

We have audited the accompanying consolidated statements of operations, cash flows and additional paid-in capital, accumulated deficit, and accumulated foreign currency translation adjustments of Allegheny International, Inc. and subsidiaries (the "Company") for the year ended October 1, 1989. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and the cash flows of Allegheny International, Inc. and subsidiaries for the year ended October 1, 1989, in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements referred to above have been prepared assuming that the Company will continue as a going concern. In recent years, the Company incurred significant losses causing a deterioration of its financial condition and raising substantial doubt about its ability to continue as a going concern. These events ultimately led Allegheny International, Inc. and four of its wholly owned subsidiaries to file petitions for relief under Chapter 11 of the Federal bankruptcy laws in the United States Bankruptcy Court on February 20, 1988, as more fully discussed in note 2. On May 3, 1988, additional subsidiaries of Allegheny International, Inc. filed petitions for relief under Chapter 11 of the Federal bankruptcy laws in the United States Bankruptcy Court. Management of the Company, functioning as debtors-in-possession under the jurisdiction of the Bankruptcy Court, filed with the Bankruptcy Court various Joint Plans of Reorganization, the latest of which is a Joint Stock Plan dated October 11, 1989, as last amended November 28, 1989. In addition, the Official Committee of Unsecured Creditors of Allegheny International, Inc. filed a Plan of Reorganization dated November 29, 1989. To be adopted, a Plan must be submitted to and voted upon by impaired creditors and shareholders and must also be confirmed by the Bankruptcy Court. Although Allegheny International, Inc. and its principal operating subsidiaries currently are operating their businesses as debtors-in-possession under the jurisdiction of the Bankruptcy Court, the continuation of

their businesses as going concerns is contingent upon, among other things, the ability to: (1) formulate a Plan of Reorganization which gains approval of the impaired creditors and shareholders and is confirmed by the Bankruptcy Court; (2) maintain adequate financing until a Plan of Reorganization can be formulated, approved, confirmed, and consummated; and (3) achieve profitable operations. The consolidated financial statements referred to above neither include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern, nor do the consolidated financial statements referred to above include any adjustments relating to the recoverability and classification of recorded asset amounts or adjustments relating to the establishment, settlement, and classification of liabilities that may be required in connection with restructuring the Company as it reorganizes under Chapter 11 of the Federal bankruptcy laws.

KPMG PEAT MARWICK

Pittsburgh, Pennsylvania
December 21, 1989

## ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS

| | 1989* | 1990* |
|---|---|---|
| | (In thousands, except per share amounts) | |
| Net sales | $920,250 | $858,878 |
| Cost of goods sold | 726,311 | 682,520 |
| Selling, general and administrative expense | 127,319 | 113,573 |
| Depreciation and amortization expense | 20,055 | 21,574 |
| Corporate administrative expense | 22,850 | 16,363 |
| Rationalization and restructuring charges | 26,446 | 120,162 |
| Operating earnings (loss) | (2,731) | (95,314) |
| Other (income) expense, net | 7,385 | 3,709 |
| Interest expense, net | 32,402 | 31,789 |
| Loss from continuing operations before reorganization items, income taxes and extraordinary gain | (42,518) | (130,812) |
| Reorganization items: | | |
| Bankruptcy administration costs | 17,837 | 18,844 |
| Interest income on short-term investments | (7,964) | (17,023) |
| Adjustment to estimated allowed claims | (3,439) | 24,959 |
| Revaluation of assets and liabilities pursuant to adoption of "fresh start" reporting | — | (98,579) |
| | 6,434 | (71,799) |
| Loss from continuing operations before income taxes and extraordinary gain | (48,952) | (59,013) |
| Income taxes | 5,923 | 3,745 |
| Loss from continuing operations before extraordinary gain | (54,875) | (62,758) |
| Earnings from discontinued operations, net of applicable income taxes | — | 2,664 |
| Loss before extraordinary gain | (54,875) | (60,094) |
| Extraordinary gain— extinguishment of debt upon emergence from bankruptcy | — | 154,438 |
| Net earnings (loss) | $(54,875) | $ 94,344 |
| Primary earnings (loss) per share of common stock:** | | |
| Continuing operations | $ (7.80) | $ (8.35) |
| Discontinued operations | — | .24 |
| Extraordinary gain | — | 14.00 |
| Net earnings (loss) | $ (7.80) | $ 5.89 |

* Reclassified for comparative purposes and, in the case of 1990, restated for revisions pursuant to "fresh start" reporting.

** Fully diluted per share amounts are antidilutive and, accordingly, are not presented.

See accompanying notes to consolidated financial statements.

## ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

| | 1989 | 1990* |
|---|---|---|
| | (In thousands) | |
| Operating activities: | | |
| Net earnings (loss) | $(54,875) | $ 94,344 |
| Adjustments to reconcile net earnings (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 20,055 | 21,574 |
| Reorganization items not requiring or (providing) cash | 6,855 | (74,581) |
| Loss (gain) on sale of investments and properties | 17 | (21,067) |
| Interest accrued on secured prepetition debt obligations | 31,636 | 30,272 |
| Provision for rationalization costs and disposal of investments and properties | 29,656 | 135,963 |
| Extraordinary gain | — | (154,438) |
| | 33,344 | 32,067 |
| Changes in working capital: | | |
| Receivables | (13,382) | 63,879 |
| Inventories | (13,763) | 43,992 |
| Other current assets | 4,795 | 131 |
| Accounts payable | 18,908 | 18,841 |
| Accrued liabilities | (15,148) | (42,392) |
| Other, net | 996 | (2,460) |
| Net cash provided by operating activities | 15,750 | 114,058 |
| Investing activities: | | |
| Proceeds from sale of businesses, investments, properties and non-core assets | 32,012 | 57,752 |
| Capital expenditures | (19,615) | (10,157) |
| Net cash provided by investing activities | 12,397 | 47,595 |
| Financing activities: | | |
| Increase (decrease) in seasonal borrowings | 3,430 | (4,888) |
| Payments of debt obligations | (948) | (565) |
| Proceeds from issuance of long-term debt and seasonal borrowings | — | 121,601 |
| Payments to extinguish prepetition liabilities | — | (366,786) |
| Net cash provided by (used in) financing activities | 2,482 | (250,638) |
| Increase in cash due to changes in foreign currency exchange rates | 270 | 163 |
| Net increase (decrease) in cash and cash equivalents | 30,899 | (88,822) |
| Cash and cash equivalents at beginning of period | 104,083 | 134,982 |
| Cash and cash equivalents at end of period | $134,982 | $ 46,160 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | $ 4,257 | $ 5,945 |
| Income taxes | $ 4,896 | $ 2,382 |

* Restated for revisions pursuant to "fresh start" reporting.

See accompanying notes to consolidated financial statements.

## ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF ADDITIONAL PAID-IN CAPITAL, ACCUMULATED DEFICIT AND ACCUMULATED FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

| | 1989 | 1990* |
|---|---|---|
| | (In thousands) | |
| Additional paid-in capital | | |
| Amount at beginning of period | $ 214,103 | $ 214,115 |
| Conversion of $11.25 Convertible Preferred Stock | 12 | 10,518 |
| Elimination of balance in connection with emergence from bankruptcy | — | (224,633) |
| Amount at end of period | $ 214,115 | $ — |
| Accumulated deficit | | |
| Amount at beginning of period | $(392,027) | $(446,902) |
| Net earnings (loss) | (54,875) | 94,344 |
| | (446,902) | (352,558) |
| Elimination of accumulated deficit in connection with emergence from bankruptcy | — | 352,558 |
| Amount at end of period | $(446,902) | $ — |
| Accumulated foreign currency translation adjustments | | |
| Amount at beginning of period | $ (23,471) | $ (22,761) |
| Adjustment arising from translation of foreign currency assets and liabilities | 1,042 | 1,380 |
| Charge (credit) to operation for sale of businesses | (332) | — |
| Elimination of balance in connection with emergence from bankruptcy | — | 21,381 |
| Amount at end of period | $ (22,761) | $ — |

* Restated for revisions pursuant to "fresh start" reporting.

See accompanying notes to consolidated financial statements.

## 1. Summary of Significant Accounting Policies

*Basis of Consolidation and Presentation*

The consolidated financial statements include the accounts of Allegheny International and its subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation. In 1988, Allegheny International and certain of its subsidiaries filed petitions for relief under Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court, for the Western District of Pennsylvania (see Note 2). The accompanying financial statements were prepared on a "going concern" basis that contemplated the realization of assets and the payment of liabilities in the ordinary course of business; however, substantially all current and long-term liabilities recorded at the time the petitions for reorganization under Chapter 11 were filed were reclassified as long-term prepetition liabilities since their disposition was dependent upon the outcome of the Chapter 11 proceedings. The fiscal 1989 financial statements neither included any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might have been necessary had Allegheny International been unable to continue as a going concern, nor did such financial statements include all the adjustments relating to the recoverability and classification of recorded asset amounts or all adjustments relating to the establishment, settlement and classification of liabilities that were required in connection with restructuring Allegheny International as it reorganized under Chapter 11 of the federal bankruptcy laws.

On September 28, 1990, Sunbeam-Oster Company, Inc. (Sunbeam-Oster) acquired (the Acquisition) all the remaining assets and assumed certain liabilities of Allegheny International. Further information concerning this transaction and the approved plan of reorganization is contained in Note 2. Sunbeam-Oster accounted for the reorganization using "fresh start" reporting in accordance with the AICPA's Statement of Position on "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" (the SOP), and the assets and liabilities at September 30, 1990, were restated to allocate the reorganization value in conformity with Accounting Principles Board Opinion No. 16. In accordance with the SOP, the effect of the changes in balance sheet accounts to reflect "fresh start" reporting have been included as a component of reorganization items on the 1990 consolidated statement of operations.

For financial reporting purposes, prepetition liabilities were adjusted to the expected amount of the allowed claim when the amount of such claim could be reasonably estimated (generally deemed to have occurred when all parties agreed to all significant terms of the settlement). These adjustments are separately reflected as reorganization items on the statements of operations.

*Fiscal Year*

The Company's 1989 and 1990 fiscal years ended on the Sunday nearest September 30. Accordingly, the Company's 1990 fiscal year is for the 12 month period commencing October 2, 1989 and ending September 30, 1990. The Company's 1989 fiscal year is for the 12 month period commencing on October 3, 1988 and ending October 1, 1989.

*Discontinued Operations*

The consolidated financial statements segregate continuing operations from discontinued operations (see Note 4). Data presented in these notes pertain only to continuing operations unless otherwise stated.

**1. Summary of Significant Accounting Policies—(Continued)**

*Revenue Recognition*

Revenues are recognized upon shipment of merchandise to a customer.

*Retirement Benefits*

The Company has noncontributory defined benefit plans covering most of its U.S. employees. Employees of non-U.S. subsidiaries generally receive retirement benefits from company-sponsored plans or from statutory plans administered by governmental agencies in their countries. Pension expense for ERISA-covered, defined benefit plans is determined under the provisions of Statement No. 87 of the Financial Accounting Standards Board, "Employers' Accounting for Pensions".

In addition, the Company provides health care and life insurance benefits to certain of its retired employees. The cost of providing such benefits is recognized as expense when payments are made. However, in connection with "fresh start" reporting as previously discussed, the Company recorded a provision and established an accrual at September 30, 1990 for the actuarially determined present value of postretirement health and life insurance benefits relating to divested business units.

*Advertising*

The Company matches advertising and promotion expenses with sales for interim reporting purposes. Advertising and promotion expenses estimated for a full year are charged to earnings for interim reporting purposes pro rata in proportion to the relationship that the sales in such period bear to the sales estimated for the full year.

*Warranty*

The Company charges to current operations an amount it estimates will be needed to cover future warranty obligations for products sold during the current period.

*Income Taxes*

Deferred income taxes are not provided on the undistributed earnings of foreign subsidiaries, since such earnings are considered to be permanently reinvested.

*Earnings (Loss) Per Share of Common Stock*

Primary per share amounts are determined by dividing earnings available to common shareholders (net earnings or loss less dividend requirements, whether or not accrued or paid, and accretion requirements, whether or not recorded, of the $2.19 Cumulative Preference Stock and $11.25 Convertible Preferred Stock) by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding. Common stock equivalents included stock options and stock awards.

Fully diluted per share amounts are computed on the additional assumption that the $11.25 Convertible Preferred Stock was converted into common stock at the beginning of each year with appropriate adjustments being made to earnings available to common shareholders for dividend and accretion requirements of the $11.25 Convertible Preferred Stock.

**2. Bankruptcy and Reorganization**

On February 20 and May 3, 1988, Allegheny International, Inc. and certain of its subsidiaries (collectively, the Debtors) filed petitions under Chapter 11 with the Bankruptcy Court for the Western District of Pennsylvania (the Court).

The Debtors' Plan of Reorganization (the Stock Plan) was filed with the Court on December 29, 1989. On January 24, 1990, Japonica Partners, a Rhode Island limited partnership (Japonica Partners) and the general partner of Sunbeam-Oster Equities, L.P., a Delaware limited partnership formed by Japonica Partners (SOE), filed its Plan of Reorganization with the Court.

On September 13, 1990, the Court approved a modified Stock Plan (the Modified Plan). In accordance with the Modified Plan and pursuant to an Asset Purchase Agreement, dated as of September 28, 1990, Sunbeam-Oster acquired all of the remaining assets of Allegheny International (through a reorganization) including the capital stock of the direct subsidiaries of Allegheny International in consideration of the assumption by Sunbeam-Oster of certain liabilities of the Debtors and the satisfaction of the interests of the equity holders of Allegheny International (the Equity Holders) and the allowed claims of certain creditors of the Debtors (the Creditors).

In connection with the initial capitalization of Sunbeam-Oster, SOE purchased 300 shares of common stock at $2.33 per share. In addition, pursuant to the Modified Plan, on September 28, 1990, 30,678,684 shares of common stock were issued to SOE in satisfaction of Allegheny International secured bank claims held by SOE. The share data herein gives effect to a 3-for-1 stock split declared on December 10, 1990.

The Modified Plan also provided for certain Creditors and Equity Holders to be granted an election (the Election) to satisfy their claims and interests through the receipt of either (i) cash or (ii) newly issued common stock or redeemable warrants. The election period ended on November 12, 1990. Pursuant to the Modified Plan, Japonica Partners was permitted to decide whether Creditors and Equity Holders who failed to effectively exercise their Election would receive cash or securities. On November 28, 1990, the Company issued a press release announcing that cash would be distributed to such Creditors and Equity Holders. On or about December 12, 1990, an aggregate of approximately $85,200 in cash, 33,176,406 shares of common stock and 5,623,783 redeemable warrants were distributed, or reserved for distribution, to Creditors and Equity Holders. In consideration of the $85,200 used to fund this cash distribution, the Company issued 839,974 shares of 9.5% Convertible Exchangeable Preferred Stock to the limited partners of SOE (the Limited Partners). SOE received approximately $2,300 in cash, 32,874,462 shares of common stock and 4,422,178 redeemable warrants. Accordingly, SOE owns approximately 99.6% of the issued and outstanding common stock (95.1% on a fully diluted basis) of Sunbeam-Oster.

Certain of Allegheny International's subsidiaries involved principally in discontinued finance operations (the Continuing Debtors) remain in Chapter 11 proceedings.

**3. Reorganization Items**

As part of the bankruptcy claims negotiation process, Allegheny International reached agreements with respect to the allowed amounts of certain claims, and reflected the adjustments to estimated allowed claims in the statements of operations as a component of reorganization items. The statements

**3. Reorganization Items—(Continued)**

of operations include the following amounts of expense (income) representing settlements of estimated allowed claims:

| | 1989 | 1990 |
|---|---|---|
| Insurance claims | $ — | $ 22,975 |
| Debt obligations | — | 10,237 |
| Interest expense on unsecured debt obligations | — | 38,016 |
| Rejected executory contracts | (3,439) | — |
| Income tax obligations | — | (46,269) |
| | $(3,439) | $ 24,959 |

In connection with the adoption of "fresh start" reporting to record the emergence from bankruptcy, assets and liabilities were revalued at fair value in accordance with the purchase accounting procedures prescribed by Accounting Principles Board Opinion No. 16. Included in the 1990 statement of operations are the following components of expense (income) reflecting the revaluation of assets and liabilities:

| | |
|---|---|
| Revaluation of property, plant and equipment | $(80,116) |
| Adjustment to intangible assets pursuant to Modified Plan | (41,896) |
| Pension and postretirement benefit obligations | 32,471 |
| Adjustments to other assets and liabilities | (9,038) |
| | $(98,579) |

Costs incurred by Allegheny International with respect to the bankruptcy administration process (principally professional fees) have been classified as reorganization items.

Interest income earned by Allegheny International on cash accumulated since the Chapter 11 filings, and which was invested in cash equivalents, also is categorized as a component of reorganization items.

**4. Discontinued Operations**

In 1987, Allegheny International decided to dispose of or liquidate all nonconsumer products businesses. As a result of this decision, Allegheny International classified all such businesses as discontinued operations in 1987 and recorded provisions for their estimated operating losses and losses on disposition. The fiscal 1989 and 1990 operating earnings or losses of Allegheny International's discontinued operations, as well as any gain or loss on sale in fiscal 1989, have been credited or charged (as appropriate) to previously established accruals.

During fiscal 1989 proceeds from the sale of businesses classified as discontinued, after considering certain post closing adjustments, were $24,509, principally cash.

During fiscal 1990, Allegheny International sold its investment in Titanium Metals Corporation of America for cash consideration of $50,000 and recorded a gain of $25,257 on the transaction. Also, during fiscal 1990, Allegheny International increased by $14,704 its estimates of the future costs and

**4. Discontinued Operations—(Continued)**

losses to be incurred in connection with environmental cleanup matters relating to discontinued operations and the liquidation of its finance and real estate development assets.

In addition, the carrying values of (i) the assets of Sunbeam-Oster's finance and real estate development operations, (ii) the rail anchor business and (iii) retained assets and liabilities of previously divested businesses were reevaluated pursuant to "fresh start" reporting and a net charge of $7,889 was recorded in fiscal 1990 to recognize management's estimate of the lower value of the assets and a higher level of retained liabilities.

**5. Short-Term Borrowings and Bank Credit Arrangements**

On July 30, 1987, Allegheny International refinanced its outstanding bank borrowings with a short-term secured revolving (seasonal) credit agreement (the Revolving Credit Agreement). The Revolving Credit Agreement permitted Allegheny International to borrow, repay and reborrow amounts not to exceed $239,400, subject to reductions equal to the proceeds from the sale of businesses and assets and reductions as scheduled in the agreement. The loans and credit extended pursuant to the Revolving Credit Agreement were secured by, among other things, the capital stock of certain of Allegheny International's subsidiaries, which subsidiaries represented substantially all of Allegheny International's assets. Borrowings under the Revolving Credit Agreement bore interest at the prime rate plus 0.85% prior to the Chapter 11 filing and at the prime rate plus 3.35% thereafter.

On February 23, 1988, Allegheny International, Sunbeam Corporation (Sunbeam), Almet/Lawnlite, Inc.(Sunbeam-Casual), and Sunbeam Holdings, Inc. (Holdings) entered into a credit agreement with Chemical Bank and Marine Midland Bank, N.A. (the Credit Agreement) under which Sunbeam and Sunbeam-Casual (collectively, the Borrowers) could initially borrow, repay and reborrow and request the issuance of letters of credit in amounts up to $175,000. There were no borrowings outstanding under the Credit Agreement during either of fiscal 1989 or 1990, but it was used for the issuance of letters of credit during those periods.

As security for the repayment of such indebtedness, the Bankruptcy Court granted to Chemical and Marine Midland a super priority claim status under the Bankruptcy Code and a first priority security interest and lien in the assets of Sunbeam, Sunbeam-Casual and Holdings, subject to valid and perfected prepetition security interests. In addition, the Borrowers granted to Chemical and Marine Midland a first priority security interest in their equipment, inventories, receivables, general intangibles, insurance proceeds and all proceeds of the foregoing as security for borrowings under the Credit Agreement.

Borrowings under the Credit Agreement bore interest at the prime rate plus 1½% and could be used only for working capital or operating purposes, or as otherwise permitted by the Credit Agreement and authorized by an order of the Bankruptcy Court.

The Credit Agreement terminated on September 28, 1990. At that date, there were no borrowings outstanding under the Credit Agreement, but there were $47,029 in letters of credit outstanding.

## 6. Prepetition Liabilities

Prepetition liabilities included (i) substantially all current and long-term liabilities of the Debtors as of February 20 or May 3, 1988 (as appropriate), (ii) adjustments to reflect prepetition liabilities at the expected amount of allowed claims when a reasonable estimate thereof could be made (see Note 3), and (iii) interest accrued subsequent to February 20, 1988 on secured prepetition debt obligations.

## 7. Redeemable Preferred Stocks

The $2.19 Cumulative Preference Stock ($2.19 Preference Stock), by its terms was redeemable by Allegheny International in whole or in part at a price of $25.99 per share to June 30, 1990, and thereafter, the per share amount was to be reduced by $.10 each subsequent July 1 to a minimum of $25.00 per share on July 1, 1999, plus in all cases dividends which had accrued but were not paid.

The $11.25 Convertible Preferred Stock ($11.25 Preferred Stock), issued as a series of Allegheny International's cumulative preferred stock, was convertible into common stock at the rate of 1.724 shares of common stock for each share of $11.25 Preferred Stock, and by its terms was redeemable at Allegheny International's option at $100.00 per share, plus dividends which had accrued but were not paid.

Allegheny International neither declared nor paid dividends on either the $2.19 Preference Stock or the $11.25 Preferred Stock subsequent to the dividends which were paid on July 1, 1986. Under the terms of the Modified Plan, the interests of the holders of the $2.19 Preference Stock and the $11.25 Preferred Stock were satisfied in their entirety by the issuance of cash or redeemable warrants to such holders. Accordingly, both issues of redeemable preferred stock ceased to exist after September 28, 1990.

Changes in redeemable preferred stocks outstanding were as follows:

| | $2.19 Cumulative Preference Stock | | $11.25 Convertible Preferred Stock | |
|---|---|---|---|---|
| | Shares | Amount | Shares | Amount |
| Balance at October 2, 1988 | 2,814,107 | $ 66,227 | 1,915,850 | $ 167,699 |
| Conversion into common stock | — | — | (124) | (13) |
| Balance at October 1, 1989 | 2,814,107 | 66,227 | 1,915,726 | 167,686 |
| Conversion into common stock | — | — | (121,781) | (10,658) |
| Extinguishment of stock in connection with emergence from bankruptcy | (2,814,107) | (66,227) | (1,793,945) | (157,028) |
| Balance at September 30, 1990 | — | $ — | — | $ — |

## 8. Common Stock

Allegheny International's common stock consisted of 300,000,000 authorized shares, par value $.66⅔ per share.

**8. Common Stock—(Continued)**

Pursuant to the Modified Plan, the interests of the holders of Allegheny International common stock were satisfied in their entirety by the issuance of cash or redeemable warrants to such holders. Accordingly, the Allegheny International common stock ceased to exist after September 28, 1990.

Changes in common stock issued and common stock held in the treasury were as follows:

| | Common Stock Issued | | Common Stock in Treasury | |
|---|---|---|---|---|
| | Shares | Amount | Shares | Amount |
| Balance at October 2, 1988 | 13,303,156 | $ 8,869 | (2,444,238) | $(89,307) |
| Conversion of $11.25 Preferred Stock | 211 | — | — | — |
| Balance at October 1, 1989 | 13,303,367 | 8,869 | (2,444,238) | (89,307) |
| Conversion of $11.25 Preferred Stock | 209,943 | 140 | — | — |
| Extinguishment of stock in connection with emergence from bankruptcy | (13,513,310) | (9,009) | 2,444,238 | 89,307 |
| Balance at September 30, 1990 | — | $ — | — | $ — |

**9. Retirement Benefits**

Allegheny International has defined benefit retirement plans covering many domestic employees. Benefits for hourly employees generally are based on years of service while benefits for other employees are based on final average earnings, Social Security benefits and years of service. Allegheny International's policy is to fund the minimum amount required under ERISA.

Plan assets are held by an independent trustee or, in certain circumstances, by insurance carriers. The plans' assets include cash and cash equivalents, corporate and government bonds, common stocks, mutual funds, real estate, and venture capital limited partnership interests.

In 1986, Allegheny International adopted the expense recognition provisions of Statement No. 87 of the Financial Accounting Standards Board, "Employers' Accounting for Pensions", for its U.S. defined benefit pension plans.

**9. Retirement Benefits—(Continued)**

Net periodic pension cost for Allegheny International's U.S. defined benefit pension plans included the following components:

| | 1989 | 1990 |
|---|---|---|
| Service cost—benefits earned during the period | $ 1,035 | $ 903 |
| Interest cost on projected benefit obligations | 15,025 | 12,725 |
| Actual return on plan assets | (18,102) | (12,307) |
| Net amortization and deferral | 7,519 | 310 |
| Net periodic pension cost | $ 5,477 | $ 1,631 |
| Assumptions: | | |
| Discount rate | 9.0% | 10.0% |
| Compensation inflation rate | 7.0% | 7.0% |
| Long-term rate of return on assets | 10.0% | 10.0% |

In addition, certain of Allegheny International's U.S. operating units provide defined contribution profit sharing plans which cover all eligible employees (as defined) of such operating units. Substantially all contributions to such plans, which amounted to $4,212 in 1989 and $3,552 in 1990, are based on the earnings of the operating units.

Effective October 2, 1989, Allegheny International adopted the minimum liability provisions of Statement No. 87. This resulted in the recognition of an additional pension liability and an intangible asset of $8,804 and $7,450, respectively, and a reduction of shareholders' equity of $1,354. At the same time, Allegheny International adopted the expense recognition provisions of Statement No. 87 for its non-U.S. defined benefit plans, which adoption did not have a material effect on the fiscal 1990 results of operations.

Total pension cost of the non-U.S. plans, including contributions to governmental agencies for non-U.S. statutory plans, was $368 in 1989 and $385 in 1990.

The total cost of providing health care and life insurance benefits to currently retired employees amounted to approximately $3,825 in 1989 and $3,425 in 1990.

**10. Income Taxes**

Loss from continuing operations before income taxes and extraordinary gain include domestic and foreign earnings (losses) as follows:

| | 1989 | 1990 |
|---|---|---|
| Domestic | $(47,320) | $(33,557) |
| Foreign | (1,632) | (25,456) |
| | $(48,952) | $(59,013) |

**10. Income Taxes—(Continued)**

Income taxes applicable to continuing operations and discontinued operations include current and deferred taxes (tax benefits) as follows:

| | 1989 | 1990 |
|---|---|---|
| Current: | | |
| Federal | $ — | $ — |
| Foreign | 7,170 | 1,947 |
| State | 227 | — |
| | 7,397 | 1,947 |
| Deferred: | | |
| Federal | 498 | 498 |
| Foreign | (1,972) | — |
| | (1,474) | 498 |
| | $ 5,923 | $ 2,445 |

Total income taxes (tax benefits) have been classified in the statements of operations as follows:

| | 1989 | 1990 |
|---|---|---|
| Continuing operations | $ 5,923 | $ 3,745 |
| Discontinued operations | — | (1,300) |
| | $ 5,923 | $ 2,445 |

The primary sources of deferred income taxes and the tax effect thereon are as follows:

| | 1989 | 1990 |
|---|---|---|
| Plant rationalization costs | $ (2,126) | $ — |
| Other | 652 | 498 |
| | $ (1,474) | $ 498 |

A reconciliation of income tax expense of continuing operations with the expected income tax benefit computed by applying the statutory federal income tax rate to earnings (loss) from continuing operations before income taxes and extraordinary gain is as follows:

| | 1989 | 1990 |
|---|---|---|
| Income tax benefit computed at the federal statutory tax rate of 34% | $(16,644) | $(20,064) |
| Nondeductible amortization | 2,049 | 1,372 |
| Nontaxable income resulting from "fresh start" reporting | — | (33,517) |
| Foreign earnings taxed at rates other than the federal statutory tax rate | 4,267 | 9,131 |
| Foreign losses with no tax benefit | 1,486 | 2,419 |
| Federal tax benefit of operating losses not recognized | 14,503 | 43,930 |
| Other | 262 | 474 |
| | $ 5,923 | $ 3,745 |

**10. Income Taxes—(Continued)**

As part of the bankruptcy claims negotiation process, Allegheny International reached settlements with the Internal Revenue Service and several state taxing authorities for tax years through and including 1987. The final settlement amounts were less than the amounts recorded as prepetition liabilities. Accordingly, excess federal and state income tax accruals aggregating $46,269 were credited to income in fiscal 1990 and were classified as a component of reorganization items.

**11. Leases**

Rental expense for operating leases amounted to $10,097 in 1989 and $11,186 in 1990, while rental income under noncancelable subleases amounted to $1,632 in 1989 and $1,042 in 1990.

**12. Supplementary Statement of Operations Data**

| | 1989 | 1990 |
|---|---|---|
| Interest expense, net: | | |
| Interest expense | $ 36,524 | $ 34,404 |
| Interest income | (4,122) | (2,615) |
| | $ 32,402 | $ 31,789 |

Due to the Chapter 11 filings, Allegheny International suspended the accrual of interest on its unsecured prepetition debt instruments. As a result, approximately $33,200 and $33,300 of interest expense was not accrued in fiscal 1989 and 1990, respectively.

| | 1989 | 1990 |
|---|---|---|
| Other (income) expense, net: | | |
| Foreign exchange (gain) loss | $ 4,088 | $ (1,301) |
| (Gain) loss on disposition of properties and investments | 717 | 4,450 |
| Other | 2,580 | 560 |
| | $ 7,385 | $ 3,709 |
| Research and development expense | $ 9,041 | $ 6,329 |
| Maintenance and repairs | $ 21,387 | $ 18,362 |
| Advertising and sales promotion | $ 48,557 | $ 49,308 |
| Export sales to unaffiliated customers | $ 25,616 | $ 31,003 |

**13. Information About Allegheny International's Business**

The Company's operations comprise one line of business—home use durable products. The only classes of products which contributed more than 10% to consolidated sales were outdoor home use durable products and indoor home use durable products. Sales of outdoor home use durable products amounted to $315,841 in 1989 and $323,944 in 1990. Sales of indoor home use durable products were $589,987 in 1989 and 492,804 in 1990.

**13. Information About Allegheny International's Business—(Continued)**

The Company's largest customer accounted for approximately 11% of consolidated sales in 1990. The Company's four next largest customers comprised an additional 22% of sales in 1990.

Operating profit by geographic area does not include corporate administrative expense, the amortization of trademarks, tradenames and goodwill, interest expense, income taxes or other income. Identifiable assets are those assets used directly in the operations, and exclude corporate assets and the net assets of discontinued operations. Sales between geographic area are not material and are made primarily at cost plus a markup.

Financial information by geographic area follows:

| | 1989 | 1990 |
|---|---|---|
| Net sales: | | |
| United States | $781,872 | $732,027 |
| Canada and Latin America | 122,729 | 111,689 |
| Other | 15,649 | 15,162 |
| | $920,250 | $858,878 |
| Operating profit (loss): | | |
| United States | $ 38,490 | $ 36,395 |
| Canada and Latin America | 14,169 | 8,559 |
| Other | (3,516) | (1,172) |
| Corporate administrative expense | (22,850) | (16,363) |
| Amortization expense | 2,578 | 2,571 |
| Rationalization and restructuring charges: | | |
| United States | (24,446) | (107,104) |
| Canada and Latin America | — | (8,282) |
| Other | (2,000) | (4,776) |
| Operating earnings (loss) | (2,731) | (95,314) |
| Other (income) expense, net | 7,385 | 3,709 |
| Interest expense, net | 32,402 | 31,789 |
| Reorganization items | 6,434 | (71,799) |
| Loss from continuing operations before income taxes and extraordinary gain | $(48,952) | $(59,013) |
| Identifiable assets: | | |
| United States | $511,434 | $ — |
| Canada and Latin America | 86,664 | — |
| Other | 20,140 | — |
| Total identifiable assets | 618,238 | — |
| Corporate assets | 185,977 | — |
| Net assets of discontinued operations | 54,726 | — |
| Total assets | $858,941 | $ — |

**14. Quarterly Financial Data (Unaudited)**

| | Oct.-Dec. | Jan.-Mar. | Apr.-June | July-Sept. |
|---|---|---|---|---|
| | (In millions, except per share data) | | | |
| Fiscal 1990: | | | | |
| Net sales | $207.5 | $249.5 | $231.5 | $170.4 |
| Cost of goods sold | 155.8 | 205.1 | 190.6 | 131.0 |
| Selling, general and administrative expense | 29.9 | 29.0 | 29.4 | 25.3 |
| Depreciation and amortization expense | 5.3 | 5.6 | 5.4 | 5.2 |
| Corporate administrative expense | 4.5 | 4.3 | 4.8 | 2.8 |
| Rationalization and restructuring charges | 5.9 | 15.4 | 15.0 | 83.8 |
| Operating earnings (loss) | 6.1 | (9.9) | (13.7) | (77.7) |
| Earnings (loss) from continuing operations before extraordinary gain | (3.1) | (20.6) | (22.1) | (17.0) |
| Net earnings (loss) | (3.1) | (7.4) | (32.1) | 136.9 |
| Primary earnings (loss) per share of Common Stock:(a)(b) | | | | |
| Continuing operations | $ (.98) | $(2.58) | $(2.61) | $(2.17) |
| Net earnings (loss) | (.98) | (1.37) | (3.51) | 11.66 |

(a) Fully diluted per share amounts are antidilutive and, accordingly, are not presented.

(b) As a result of changes in the number of shares outstanding, the sum of the quarterly earnings per share amounts, which are based on average shares outstanding during each quarter, may not be equal to the annual earnings per share amount, which is based on average shares outstanding during the year.

During the fiscal years ending September 30, 1990 and October 1, 1989, charges include provisions for: 1) the costs associated with the consolidation of certain domestic manufacturing activities of $23.0 and $14.0, respectively, 2) the integration of the Sunbeam and Oster small kitchen appliance operations of $25.0 and $7.4 million, respectively, 3) the costs associated with the discontinuance of several unprofitable or low margin product lines of $15.9 million in 1990, 4) the discontinuation of manufacturing activities in Canada and the liquidation of the business and assets of the bedding products manufacturing operation in the United Kingdom of $11.6 million in 1990, 5) the downsizing and relocation of two European marketing operations of $1.4 and $2.0 million, respectively, 6) the downsizing and relocation of the corporate office of $2.0 and $3.0 million, respectively, 7) the costs associated with the settlement of certain unresolved claims and disputed items of the Predecessor of $25.7 million in 1990 and 8) the Fresh Start accounting adjustments associated with Sunbeam-Oster's continuing businesses of $15.5 million in 1990.

**15. Legal Proceedings**

The Company is involved in various lawsuits from time to time arising in the ordinary course of business and otherwise. In management's opinion, the outcome of these matters is not expected to have a material adverse effect on the Company's financial condition or future results of operations. The bulk of this litigation relates to matters preceding Allegheny International's reorganization.

## 16. Environmental Matters

The Company is subject to certain federal, state and local environmental laws and regulations. The Company is complying with those laws and regulations through remediation and other activities involving multiple sites, almost all of which relate principally to certain divested operations. Numerous third parties, including the Company, have been named in connection with certain of the sites that are subject to CERCLA. Although compliance involves some continuing costs, such costs are not expected to have a material effect upon the Company.

## 17. Summarized Financial Information of Sunbeam Corporation

Following is summarized financial data of Sunbeam Corporation, a wholly-owned subsidiary of Allegheny International, which has publicly-held debentures outstanding:

| Summarized Results of Operations | 1989 | 1990 |
|---|---|---|
| Net sales | $910,132 | $849,732 |
| Cost of goods sold | 715,955 | 675,290 |
| Depreciation and amortization expense | 16,851 | 18,621 |
| Selling, general and administrative expense | 131,696 | 117,538 |
| Rationalization and restructuring charges | 22,527 | 94,887 |
| Operating earnings (loss) | 23,103 | (56,604) |
| Loss from continuing operations before extraordinary items | (38,719) | (44,923) |
| Net loss | (32,803) | (38,935) |

**No dealer, salesperson or other individual has been authorized to give any information or to make any representations not contained in this Prospectus in connection with the offering contained herein and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or the Underwriters. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy, the Common Stock offered hereby in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the facts set forth in this Prospectus or in the affairs of the Company since the date hereof or since the dates as of which information is set forth herein.**

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# 20,000,000 Shares

Sunbeam-Oster

## Common Stock

**PROSPECTUS**

**Merrill Lynch & Co.**

**Dillon, Read & Co. Inc.**

**Donaldson, Lufkin & Jenrette**
**Securities Corporation**

**PaineWebber Incorporated**

**, 1992**

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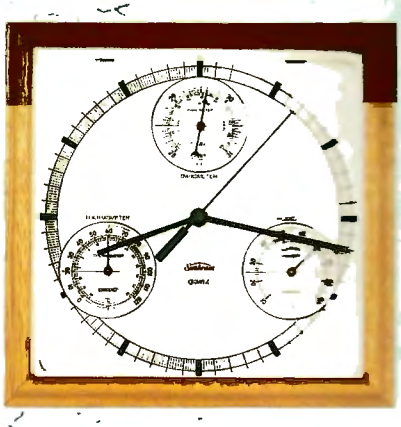

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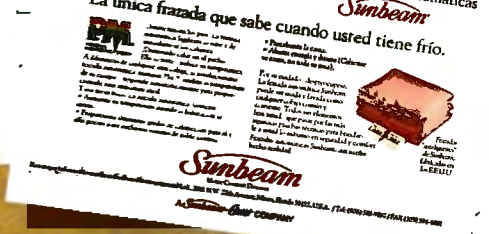


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