

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

-----	x	
	:	
<b>In re</b>	:	<b>Chapter 11 Case No.</b>
	:	
<b>SUNBEAM CORPORATION,</b>	:	<b>01-40291 (AJG)</b>
	:	
<b>Debtor.</b>	:	
	:	
-----	x	

**NOTICE OF ORDER (i) APPROVING THE DEBTOR'S DISCLOSURE  
STATEMENT, (ii) ESTABLISHING RECORD HOLDER DATE, (iii) APPROVING  
SOLICITATION PROCEDURES, FORM OF BALLOTS, AND MANNER OF  
NOTICE, AND (iv) FIXING THE DATE, TIME AND PLACE FOR THE  
CONFIRMATION HEARING AND THE DEADLINE FOR FILING  
OBJECTIONS THERETO**

TO ALL CREDITORS, EQUITY INTEREST HOLDERS AND PARTIES IN  
INTEREST:

PLEASE TAKE NOTICE THAT:

1. On April 30, 2001, the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), approved the Debtor's Amended Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code, dated April 26, 2001 (as same may be amended, the "Disclosure Statement"), filed by Sunbeam Corporation, as debtor and debtor in possession (the "Debtor"), as containing adequate information within the meaning of section 1125 of the Bankruptcy Code.
2. All persons and entities entitled to vote on the Debtor's Second Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated April 26, 2001 (as same may be amended, the "Plan"), shall deliver their Ballots by mail, hand delivery or overnight courier no later than 4:00 p.m. Eastern Time on June 28, 2001 (the "Voting Deadline") to the Balloting Agent at:

Template 06C 002

ERIDS 06C01

SUNBEAM CORPORATION  
BANKRUPTCY SERVICES, INC.  
Heron Tower, 70 East 55th Street, 6th Floor  
New York, New York 10022  
Attn: Kathy Gerber

The Debtor shall have the ability to extend the voting deadline at the Debtor's sole discretion. If the Debtor chooses to extend the voting deadline, the Debtor will provide notice of such extension through the Dow Jones News Service.

3. For voting purposes, the date the Court entered the Order approving the Disclosure Statement shall be the "Record Holder Date" for the holders of claims and interests.
4. The Debtor shall mail the Solicitation Packages to holders of claims, as of the Record Holder Date, in the Voting Class.
5. With respect to Ballots submitted by a holder of a claim:
  - a. any Ballot which is properly completed, executed and timely returned to the Balloting Agent that does not indicate an acceptance or rejection of the Plan shall be deemed to be a vote to accept the Plan;
  - b. any Ballot which is returned to the Balloting Agent indicating acceptance or rejection of the Plan but which is unsigned shall not be counted;
  - c. whenever a creditor casts more than one Ballot voting the same claim prior to the Voting Deadline, the last timely Ballot received by the Balloting Agent shall be counted,
  - d. if a creditor casts simultaneous duplicative Ballots voted inconsistently, then such Ballots shall count as one vote accepting the Plan;
  - e. each creditor shall be deemed to have voted the full amount of its claim;
  - f. creditors shall not split their vote within a claim, thus each creditor shall vote all of its claim within a particular class either to accept or reject the Plan;
  - g. any Ballots that partially reject and partially accept the Plan shall not be counted;
  - h. any Ballot received by the Balloting Agent by telecopier, facsimile or other electronic communication shall not be counted; and
  - i. any Ballot which is returned to the Balloting Agent indicating acceptance or rejection of the Plan, but which is signed by an agent of the claim

holder, shall be counted so long as the capacity of such agent is reflected on the Ballot.

6. The hearing on confirmation of the Plan is scheduled for July 17, 2001 at 9:30 a.m. Eastern Time, at the Bankruptcy Court, One Bowling Green, New York, New York. This hearing may be adjourned from time to time without further notice other than an announcement of the adjourned date(s) at the hearing and at any adjourned hearing(s).
7. Any objection to confirmation of the Plan must be (a) filed with the Clerk of the Bankruptcy Court, together with proof of service, no later than 4:00 o'clock p.m. Eastern Time, on June 28, 2001, and (b) must be served so as to be received on or before 4:00 o'clock p.m. Eastern Time on June 28, 2001 on (i) Attorneys for the Debtor, Weil, Gotshal & Mange LLP, 767 Fifth Avenue, New York, NY 10153, Attn: Harvey R. Miller, Esq.; (ii) Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn: Paul J. Schwartzberg, Esq., Assistant U.S. Trustee; (iii) Co-attorneys for the DIP Lenders, Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York 10019, Attn: Chaim J. Fortgang, Esq.; (iv) Co-attorneys for the DIP Lenders, Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York 10017, Attn: Steven M. Fuhrman, Esq.; and (v) Attorneys for the Creditors' Committee, Kasowitz, Benson, Torres & Friedman LLP, 1633 Broadway, New York, New York 10019, Attn: David M. Friedman, Esq. Any objection to confirmation of the Plan must be in writing and (a) must state the name and address of the objecting party and the amount of its claims or the nature of its interest, and (b) must state, with particularity, the nature of its objection. **Any confirmation objection not filed and served as set forth herein shall be deemed waived and shall not be considered by the Bankruptcy Court.**

DATED: New York, New York  
May 22, 2001

Harvey R. Miller (HM 6078)  
Lori R. Fife (LF 2839)  
George A. Davis (GD 2761)  
WEIL, GOTSHAL & MANGES LLP  
767 Fifth Avenue  
New York, New York 10153  
Telephone: (212) 310-8000  
Fax: (212) 310-8007

ATTORNEYS FOR DEBTOR AND  
DEBTOR IN POSSESSION

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

	----- X	
	:	
In re	:	Chapter 11 Case No.
	:	
SUNBEAM CORPORATION,	:	01-40291 (AJG)
	:	
Debtor.	:	
	:	
	----- X	

**NOTICE OF NON-VOTING STATUS FOR DEBTOR'S AMENDED PLAN OF  
REORGANIZATION FOR HOLDERS OF CLAIMS IN CLASS 4 (GENERAL  
UNSECURED CLAIMS), CLASS 5A (SUBORDINATED NOTE CLAIMS),  
CLASS 5B (SUBORDINATED NOTEHOLDER SECURITIES CLAIMS), CLASS  
6 (SUNBEAM AFFILIATE CLAIMS), CLASS 7 (PUNITIVE DAMAGE CLAIMS),  
AND FOR HOLDERS OF INTERESTS IN CLASS 8A (EQUITY INTERESTS)  
AND CLASS 8B (EQUITY HOLDER SECURITIES CLAIMS)**

**PLEASE TAKE NOTICE THAT:**

1. On April 26, 2001, Sunbeam Corporation, as debtor and debtor in possession (the "Debtor"), filed the Debtor's Second Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (as same may be amended, the "Plan"). On April 30, 2001, the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), approved the Debtor's Amended Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code filed by the Debtors on April 26, 2001 (as same may be amended, the "Disclosure Statement") as containing adequate information within the meaning of section 1125 of the Bankruptcy Code. All capitalized terms used herein have the meaning assigned to such terms in the Plan.
2. **IF YOU HOLD A CLASS 4 GENERAL UNSECURED CLAIM**, the Plan provides as follows: The holder of General Unsecured Claims shall not receive any distributions on account of such Claims. On the Effective Date, all General Unsecured Claims shall be extinguished. AS A HOLDER OF AN IMPAIRED CLAIM RECEIVING NO DISTRIBUTIONS UNDER THE PLAN, YOU ARE DEEMED TO HAVE REJECTED THE PLAN PURSUANT TO SECTION 1126(G) OF THE BANKRUPTCY CODE AND ARE NOT ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN.
3. **IF YOU HOLD A CLASS 5A SUBORDINATED NOTE CLAIM**, the Plan provides as follows: The holders of Subordinated Note Claims shall not receive any distributions on account of such Claims. On the Effective Date, all



Subordinated Note Claims shall be extinguished. AS A HOLDER OF AN IMPAIRED CLAIM RECEIVING NO DISTRIBUTIONS UNDER THE PLAN, YOU ARE DEEMED TO HAVE REJECTED THE PLAN PURSUANT TO SECTION 1126(g) OF THE BANKRUPTCY CODE AND ARE NOT ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN.

4. **IF YOU HOLD A CLASS 5B SUBORDINATED NOTEHOLDER SECURITIES CLAIM**, the Plan provides as follows: In accordance with Section 5.2 of the Plan, the holders of Subordinated Noteholder Securities Claims shall not receive any distributions on account of such Claims. AS A HOLDER OF AN IMPAIRED CLAIM RECEIVING NO DISTRIBUTIONS UNDER THE PLAN, YOU ARE DEEMED TO HAVE REJECTED THE PLAN PURSUANT TO SECTION 1126(g) OF THE BANKRUPTCY CODE AND ARE NOT ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN.
5. **IF YOU HOLD A CLASS 6 SUNBEAM AFFILIATE CLAIM**, the Plan provides as follows: Each holder of an Allowed Sunbeam Affiliate Claim shall not receive any distributions on account of such Claims. On the Effective Date, all Sunbeam Affiliates Claims shall be offset and extinguished. AS A HOLDER OF AN IMPAIRED CLAIM RECEIVING NO DISTRIBUTIONS UNDER THE PLAN, YOU ARE DEEMED TO HAVE REJECTED THE PLAN PURSUANT TO SECTION 1126(g) OF THE BANKRUPTCY CODE AND ARE NOT ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN.
6. **IF YOU HOLD A CLASS 7 (PUNITIVE DAMAGE CLAIM)**, the Plan provides as follows: The holders of Punitive Damage Claims shall not receive any distributions on account of such Claims. AS A HOLDER OF AN IMPAIRED INTEREST RECEIVING NO DISTRIBUTIONS UNDER THE PLAN, YOU ARE DEEMED TO HAVE REJECTED THE PLAN PURSUANT TO SECTION 1126(g) OF THE BANKRUPTCY CODE AND ARE NOT ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN.
7. **IF YOU HOLD A CLASS 8A (EQUITY INTERESTS)**, the Plan provides as follows: The holders of Equity Interests shall not receive any distributions on account of such Equity Interests. On the Effective Date, all Equity Interests shall be extinguished. AS A HOLDER OF AN IMPAIRED INTEREST RECEIVING NO DISTRIBUTIONS UNDER THE PLAN, YOU ARE DEEMED TO HAVE REJECTED THE PLAN PURSUANT TO SECTION 1126(g) OF THE BANKRUPTCY CODE AND ARE NOT ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN.
8. **IF YOU HOLD A CLASS 8B (EQUITY HOLDER SECURITIES CLAIM)**, the Plan provides as follows: In accordance with Section 5.2 of the Plan, the holders of Equity Holder Securities Claims shall not receive any distributions on account of such Claims. AS A HOLDER OF AN IMPAIRED CLAIM RECEIVING NO DISTRIBUTIONS UNDER THE PLAN, YOU ARE DEEMED TO HAVE REJECTED THE PLAN PURSUANT TO SECTION 1123(g) OF

THE BANKRUPTCY CODE AND ARE NOT ENTITLED TO VOTE TO  
ACCEPT OR REJECT THE PLAN.

9. The hearing on confirmation of the Plan is scheduled for July 17, 2001 at 9:30 a.m. Eastern Time, at the Bankruptcy Court, One Bowling Green, New York, New York. This hearing may be adjourned from time to time without further notice other than an announcement of the adjourned date(s) at the hearing and at any adjourned hearing(s).
10. Any objection to confirmation of the Plan must be (a) filed with the Clerk of the Bankruptcy Court, together with proof of service, no later than 4:00 o'clock p.m. Eastern Time, on June 28, 2001, and (b) must be served so as to be received on or before 4:00 o'clock p.m. Eastern Time on June 28, 2001 on (i) Attorneys for the Debtor, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, NY 10153, Attn: Harvey R. Miller, Esq., (ii) Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn: Paul J. Schwartzberg, Esq., Assistant U.S. Trustee, (iii) Attorneys for the DIP Lenders, Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York 10019, Attn: Chaim J. Fortgang, Esq.; (iv) Co-attorneys for the DIP Lenders, Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York 10017, Attn: Steven M. Fuhrman, Esq.; and (v) Attorneys for the Creditors' Committee, Kasowitz, Benson, Torres & Friedman LLP, 1633 Broadway, New York, New York 10019, Attn: David M. Friedman, Esq. Any objection to confirmation of the Plan must be in writing and (a) must state the name and address of the objecting party and the amount of its claims or the nature of its interest and (b) must state, with particularity, the nature of its objection. **Any confirmation objection not filed and served as set forth herein shall be deemed waived and shall not be considered by the Bankruptcy Court.**

DATED: New York, New York  
May 22, 2001

Harvey R. Miller (HM 6078)  
Lori R. Fife (LF 2839)  
George A. Davis (GD 2761)  
WEIL, GOTSHAL & MANGES LLP  
767 Fifth Avenue  
New York, New York 10153  
Telephone: (212) 310-8000  
Fax: (212) 310-8007

ATTORNEYS FOR DEBTOR AND  
DEBTOR IN POSSESSION

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

-----		X
	:	
In re	:	Chapter 11 Case No.
	:	
SUNBEAM CORPORATION,	:	01-40291 (AJG)
	:	
Debtor.	:	
	:	
-----		X

**DEBTOR'S AMENDED DISCLOSURE STATEMENT  
PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE**

**WEIL, GOTSHAL & MANGES LLP  
Attorneys For The Debtor  
767 Fifth Avenue  
New York, New York 10153  
(212) 310-8000**

**Dated: New York, New York  
April 26, 2001**

## TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION .....	1
A. HOLDERS OF CLAIMS ENTITLED TO VOTE .....	2
B. VOTING PROCEDURES .....	3
C. CONFIRMATION HEARING .....	4
II. OVERVIEW OF THE PLAN .....	5
III. GENERAL INFORMATION .....	7
A. OVERVIEW OF CHAPTER 11 .....	7
B. DESCRIPTION AND HISTORY OF BUSINESS .....	7
C. MARKET INFORMATION .....	9
IV. EVENTS PRECEDING THE COMMENCEMENT OF THE CHAPTER 11 CASE .....	10
A. COLEMAN, SIGNATURE BRANDS AND FIRST ALERT ACQUISITIONS .....	11
B. DEBT FINANCING .....	13
C. SUBORDINATED NOTES EXCHANGE OFFER .....	13
D. AMENDMENTS TO BANK CREDIT AGREEMENT .....	13
E. RESTATEMENT OF FINANCIAL RESULTS; CHANGE OF AUDITORS .....	14
F. MANAGEMENT AND BOARD CHANGES .....	15
G. SETTLEMENT OF COLEMAN RELATED CLAIMS .....	16
H. SECURITIES LITIGATION AND RELATED CLAIMS .....	16
1. Shareholder Litigation .....	17
a. Florida District Court Consolidated Shareholder Litigation .....	17
b. Alabama State Court Shareholder Litigation .....	18
2. Noteholder Litigation .....	18
a. Florida District Court Consolidated Noteholder Litigation .....	18
b. Texas State Court Noteholder Litigation .....	18
c. Wisconsin State Court Noteholder Litigation .....	19
3. Derivative Actions .....	19
a. Florida State Court Derivative Litigation .....	19
b. Delaware Chancery Court Warrant Litigation .....	21
c. Florida District Court Derivative Action .....	21

**TABLE OF CONTENTS**  
(continued)

	<u>Page</u>
4. Other Actions.....	22
a. Former Officer and Director Indemnification Litigation.....	22
b. Former Officer and Director Employment Contract Arbitration .....	22
5. SEC Investigation .....	23
I. PRICEWATERHOUSECOOPERS LITIGATION.....	24
J. INTERCOMPANY RECEIVABLES.....	24
K. THE SMOKE ALARM CLASS ACTION LITIGATION.....	24
L. 2000 FINANCIAL PERFORMANCE .....	25
M. PREPETITION NEGOTIATIONS.....	26
V. THE REORGANIZATION CASE.....	26
A. COMMENCEMENT OF THE CHAPTER 11 CASE.....	26
B. ADMINISTRATION OF THE CHAPTER 11 CASE .....	27
1. Operational Matters .....	27
2. Cash Management. ....	27
3. Debtor in Possession and Receivables Financing.....	27
C. CREDITORS' COMMITTEE .....	27
VI. THE PLAN OF REORGANIZATION.....	27
A. CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS .....	28
1. Administrative Expense Claims .....	28
2. Compensation and Reimbursement Claims .....	29
3. Priority Tax Claims .....	29
4. Class 1 – Other Priority Claims .....	29
5. Class 2 – Other Secured Claims .....	30
6. Class 3 – Secured Bank Claims .....	30
7. Class 4 – General Unsecured Claims.....	31
8. Class 5A – Subordinated Note Claims .....	31
9. Class 5B – Subordinated Noteholder Securities Claim .....	31
10. Class 6 – Sunbeam Affiliate Claims.....	32
11. Class 7 – Punitive Damage Claims.....	32
12. Class 8A – Equity Interests .....	32
13. Class 8B – Equity Holder Securities Claims .....	33

**TABLE OF CONTENTS**  
(continued)

	<u>Page</u>
B. SECURITIES TO BE ISSUED UNDER THE PLAN .....	33
1. Reorganized Sunbeam Common Stock .....	33
2. Reorganized Sunbeam Stock Option Plans .....	33
C. METHOD OF DISTRIBUTION UNDER THE PLAN .....	34
D. TIMING OF DISTRIBUTIONS UNDER THE PLAN .....	35
E. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES .....	35
F. PROVISIONS FOR TREATMENT OF DISPUTED CLAIMS .....	37
G. CONDITIONS PRECEDENT TO CONFIRMATION OF THE PLAN .....	37
H. CONDITIONS PRECEDENT TO EFFECTIVENESS OF THE PLAN .....	38
I. IMPLEMENTATION AND EFFECT OF CONFIRMATION OF THE PLAN .....	39
J. DISCHARGE AND INJUNCTION .....	39
K. VOTING .....	40
1. Voting of Claims .....	40
2. Elimination of Vacant Classes .....	40
3. Nonconsensual Confirmation .....	40
L. SUMMARY OF OTHER PROVISIONS OF THE PLAN .....	40
1. Retiree Benefits .....	40
2. Continuation of Pension Plans .....	41
3. By-laws and Certificates of Incorporation .....	41
4. Amendment or Modification of the Plan .....	41
5. Assumed Indemnification Obligations .....	41
6. Limited Releases .....	42
7. Cancellation of Existing Securities and Agreements .....	42
8. Revocation or Withdrawal of the Plan .....	43
9. Termination of Committee .....	43
10. Claims Extinguished .....	43
11. Effectuating Documents and Further Transactions .....	43
12. Corporate Action .....	43
13. Exculpation .....	44
14. Plan Supplement .....	44
15. Retention of Derivative Securities Litigation Claims .....	44

**TABLE OF CONTENTS**  
(continued)

	<u>Page</u>
16. Retention of Jurisdiction.....	45
17. Exemption from Transfer Taxes.....	46
18. Post-Effective Date Fees and Expenses.....	46
19. Payment of Statutory Fees.....	46
20. Severability.....	46
21. Binding Effect.....	46
22. Governing Law .....	47
23. Withholding and Reporting Requirements .....	47
24. Sections 1125 and 1126 of the Bankruptcy Code.....	47
25. Allocation of Plan Distributions .....	47
26. Hart-Scott-Rodino Compliance .....	47
27. Minimum Distributions .....	47
28. Notices.....	48
<b>VII. CONFIRMATION AND CONSUMMATION PROCEDURE .....</b>	<b>49</b>
A. SOLICITATION OF VOTES.....	49
B. THE CONFIRMATION HEARING.....	49
C. CONFIRMATION.....	50
1. Acceptance.....	51
2. Unfair Discrimination and Fair and Equitable Tests .....	51
3. Feasibility .....	52
4. Best Interests Test.....	53
D. CONSUMMATION .....	54
<b>VIII. MANAGEMENT OF REORGANIZED SUNBEAM.....</b>	<b>54</b>
A. BOARD OF DIRECTORS AND MANAGEMENT.....	54
1. Board of Directors .....	54
2. Officers .....	54
3. Identity of the Debtor’s Executive Officers.....	55
B. COMPENSATION OF THE DEBTOR’S EXECUTIVE OFFICERS.....	55
C. REORGANIZED SUNBEAM STOCK OPTION PLANS .....	56
1. Background.....	56
2. Material Terms .....	56
a. Exercise Price and Vesting Schedule .....	56

**TABLE OF CONTENTS**  
**(continued)**

	<u>Page</u>
b. Administration .....	57
c. Eligibility .....	57
d. Amendment and Termination .....	57
e. Fair Market Value of Reorganized Sunbeam Common Stock .....	57
f. Payment of the Option Exercise Price .....	57
g. Non Assignment or Transfer .....	58
h. Treatment of Options upon Termination without Cause .....	58
i. Adjustments .....	58
j. Definition of Change in Control .....	59
k. Limitations on Incentive Stock Options .....	59
3. Certain Federal Income Tax Consequences .....	59
a. Incentive Stock Options .....	60
b. Non-Qualified Stock Options (“NQSO”) .....	60
c. Stock Appreciation Rights (“SAR”) .....	60
d. Change in Control .....	61
D. CONTINUATION OF EXISTING BENEFIT PLANS AND D&O INSURANCE .....	61
E. POST-EFFECTIVE DATE SECURITY OWNERSHIP OF CERTAIN OWNERS .....	61
IX. SECURITIES LAWS MATTERS .....	62
A. BANKRUPTCY CODE EXEMPTIONS FROM REGISTRATION REQUIREMENTS .....	62
B. REGISTRATIONS RIGHTS AGREEMENT AND SHAREHOLDERS AGREEMENT .....	65
1. Registration Rights Agreement .....	65
2. Shareholders Agreement .....	65
X. VALUATION .....	66
XI. CERTAIN RISK FACTORS TO BE CONSIDERED .....	68
A. CERTAIN BANKRUPTCY LAW CONSIDERATIONS .....	68
1. Risk of Non-Confirmation of the Plan .....	68
2. Non-Consensual Confirmation .....	68
3. Risk of Non-Occurrence of the Effective Date .....	69
4. Risks Related to the Subsidiary Debtors Plan .....	69



**TABLE OF CONTENTS**  
(continued)

	<u>Page</u>
B. RISKS TO RECOVERY BY HOLDERS OF SECURED BANK CLAIMS .....	69
1. Possible Economic Slowdown.....	69
2. Integration of Coleman, First Alert and Signature Brands .....	69
3. International Exposure.....	70
4. Need to Develop New Products.....	70
5. Competitive Conditions .....	70
6. Customers .....	70
7. Critical Raw Materials and Components .....	71
8. Dependence Upon Third-Party Suppliers and Service Providers .....	71
9. Production Related Risks.....	71
10. Weather Conditions .....	71
11. Reliance on Key Personnel.....	72
12. Adverse Publicity .....	72
13. Ability to Refinance Certain Indebtedness .....	72
14. Foreign Working Capital Lines .....	72
15. Significant Holders .....	72
16. Risks of Non-Reporting .....	73
17. Absence of Public Market .....	73
18. Projected Financial Information .....	73
19. Hart-Scott-Rodino Act Requirements.....	73
XII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN .....	74
1. Existing Tax Attributes.....	74
2. Cancellation of Debt.....	75
3. Limitation on NOL Carryforwards and Other Tax Attributes .....	75
4. Alternative Minimum Tax .....	77
5. Deduction of Interest Paid or Accrued with Respect to the New Convertible Secured Notes .....	77
6. Possible Transfer of Assets.....	77
XIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN.....	78
A. LIQUIDATION UNDER CHAPTER 7 .....	78
B. ALTERNATIVE PLAN OF REORGANIZATION.....	78

**TABLE OF CONTENTS**  
**(continued)**

	<b><u>Page</u></b>
XIV. CONCLUSION AND RECOMMENDATION.....	79

**TABLE OF CONTENTS**  
**(continued)**

EXHIBIT A	Plan of Reorganization
EXHIBIT B	Disclosure Statement Order
EXHIBIT C	Sunbeam Corporation's Audited Consolidated Financial Statements for the fiscal year ended December 31, 2000
EXHIBIT D	Sunbeam Corporation's Quarterly Report for the Quarter Ended September 30, 2000
EXHIBIT E	Projected Financial Information
EXHIBIT F	Liquidation Analysis

## I. INTRODUCTION

Sunbeam Corporation ("Sunbeam Corporation" or the "Debtor") submits this amended Disclosure Statement pursuant to section 1125 of title 11 of the United States Code (the "Bankruptcy Code") to holders of claims against and equity interests in the Debtor in connection with (i) the solicitation of acceptances of the Debtor's Second Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated April 26, 2001 (as the same may be amended, the "Plan"), filed by the Debtor with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") and (ii) the hearing to consider confirmation of the Plan (the "Confirmation Hearing") to be scheduled on July 17, 2001. Substantially all of the direct and indirect domestic subsidiaries of the Debtor (the "Subsidiary Debtors"<sup>1</sup>) are debtors-in-possession in separately administered chapter 11 cases pending in the Bankruptcy Court, and have filed with the Bankruptcy Court a separate joint plan of reorganization, dated April 26, 2001 (as the same may be amended, the "Subsidiary Debtors Plan" and, together with the Plan, the "Plans") and a related disclosure statement. Unless otherwise defined herein, all capitalized terms contained herein shall have the meanings ascribed to them in the Plan.

Attached as Exhibits to this Disclosure Statement are copies of the following documents:

- The Plan (Exhibit A);
- Order of the Bankruptcy Court dated April 30, 2001 (the "Disclosure Statement Order"), among other things, approving this Disclosure Statement and establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan (Exhibit B);
- Sunbeam Corporation's Audited Consolidated Financial Statements for the fiscal year ended December 31, 2000 (Exhibit C);
- Sunbeam Corporation's Quarterly Report for the Quarter ended September 30, 2000 (Exhibit D);
- Projected Financial Information (Exhibit E); and
- Liquidation Analysis (Exhibit F).

In addition, a Ballot for the acceptance or rejection of the Plan is enclosed with the Disclosure Statement submitted to the holders of Claims that the Debtor believes may be entitled to vote to accept or reject the Plan.

---

<sup>1</sup> The Subsidiary Debtors are AI Realty Marketing of New York, Inc.; Beacon Exports, Inc.; BRK Brands, Inc.; CC Outlet, Inc.; CMO, Inc.; Coleman Argentina, Inc.; Coleman International Holdings, LLC; Coleman Powermate, Inc.; Coleman Puerto Rico, Inc.; Coleman Venture Capital, Inc.; Coleman Worldwide Corp.; DDG I, Inc.; Family Gard, Inc.; First Alert, Inc.; General Archery Industries, Inc.; GHI I, Inc.; JGK, Inc.; Kaimona, Inc.; Kansas Acquisition Corp.; L.A. Services, Inc.; Laser Acquisition Corp.; Nippon Coleman, Inc.; Packs & Travel Corporation; Pearson Holdings, Inc.; PH III, Inc.; River View Corporation of Barling, Inc.; SI II, Inc.; Sierra Corporation of Fort Smith, Inc.; Sunbeam Americas Holdings, Ltd.; Sunbeam Health & Safety Company; Sunbeam Latin America, LLC; Sunbeam Products, Inc.; Sunbeam Services, Inc.; Survival Gear, Inc.; Thalia Products Inc.; The Coleman Company, Inc.; THL-FA IP Corp; Vero Dunes Venturer, Inc.; and Woodcraft Equipment Company.

On April 30, 2001, after notice and a hearing, the Bankruptcy Court signed the Disclosure Statement Order approving this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable hypothetical, reasonable investors typical of the Debtor's creditors to make an informed judgment whether to accept or reject the Plan. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.

The Disclosure Statement Order, a copy of which is annexed hereto as Exhibit B, sets forth in detail the deadlines, procedures and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting purposes and the applicable standards for tabulating Ballots. In addition, detailed voting instructions accompany each Ballot. Each holder of a Claim entitled to vote on the Plan should read the Disclosure Statement, the Plan, the Disclosure Statement Order and the instructions accompanying the Ballot in their entirety before voting on the Plan. These documents contain important information concerning the classification of Claims and Equity Interests for voting purposes and the tabulation of votes. No solicitation of votes to accept the Plan may be made except pursuant to section 1125 of the Bankruptcy Code.

#### **A. HOLDERS OF CLAIMS ENTITLED TO VOTE**

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired and that are not deemed to have rejected a proposed chapter 11 plan are entitled to vote to accept or reject such plan. Classes of claims or equity interests in which the holders of claims or equity interests are unimpaired under a chapter 11 plan are deemed to have accepted the plan and are not entitled to vote to accept or reject the plan. Classes of claims or equity interests in which the holders of claims or equity interests will receive no recovery under a chapter 11 plan are deemed to have rejected the plan and are not entitled to vote to accept or reject the plan. For a detailed description of the treatment of Claims and Equity Interests under the Plan, see Section VI. of the Disclosure Statement.

Classes 3, 4, 5A, 5B, 6, 7, 8A and 8B of the Plan are impaired. Holders of Allowed Claims in Class 3 will receive distributions under the Plan. As a result, holders of Claims in Class 3 are entitled to vote to accept or reject the Plan. Classes 4, 5A, 5B, 6, 7, 8A and 8B of the Plan, consisting of General Unsecured Claims, Subordinated Note Claims, Subordinated Noteholder Securities Claims, Sunbeam Affiliate Claims, Punitive Damage Claims, Equity Interests and Equity Holder Securities Claims, respectively, will not receive any distributions under the Plan. As a result, holders of Claims and Equity Interests in these Classes are conclusively presumed to have rejected the Plan. Classes 1 and 2 of the Plan are unimpaired. As a result, holders of Claims in those Classes are conclusively presumed to have accepted the Plan.

The Bankruptcy Code defines "acceptance" of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. For a more detailed description of the requirements for confirmation of the Plan, see Section VII.C. of the Disclosure Statement.

If a Class of Claims entitled to vote on the Plan rejects the Plan, the Debtor reserves the right to amend the Plan or request confirmation of the Plan pursuant to section

1129(b) of the Bankruptcy Code or both. Section 1129(b) permits the confirmation of a plan of reorganization notwithstanding the nonacceptance of a plan by one or more impaired classes of claims or equity interests. Under that section, a plan may be confirmed by a bankruptcy court if it does not "discriminate unfairly" and is "fair and equitable" with respect to each nonaccepting class. For a more detailed description of the requirements for confirmation of a nonconsensual plan, see Section VII.C.2. of the Disclosure Statement.

With respect to those Classes of Claims and Equity Interests that are deemed to have rejected the Plan, i.e., Class 4 (General Unsecured Claims), Class 5A (Subordinated Note Claims), Class 5B (Subordinated Noteholder Securities Claims), Class 6 (Sunbeam Affiliate Claims), Class 7 (Punitive Damage Claims), Class 8A (Equity Interests) and Class 8B (Equity Holder Securities Claims), the Debtor shall request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code.

## **B. VOTING PROCEDURES**

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. Please vote and return your Ballot(s) to:

SUNBEAM CORPORATION  
c/o Bankruptcy Services, Inc.  
Heron Tower  
70 East 55th Street, 6th Floor  
New York, New York 10022

**DO NOT RETURN ANY NOTES OR SECURITIES WITH YOUR BALLOT.**

**TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED BY NO LATER THAN 4:00 P.M., EASTERN TIME, ON JUNE 28, 2001. ANY EXECUTED BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN SHALL BE DEEMED TO CONSTITUTE AN ACCEPTANCE OF THE PLAN.**

Pursuant to the Disclosure Statement Order, the Bankruptcy Court set April 30, 2001 as the record date for voting on the Plan. Accordingly, only holders of record as of April 30, 2001 that otherwise are entitled to vote under the Plan will receive a Ballot and may vote on the Plan.

Holders of Allowed Secured Bank Claims will receive under the Plan 100% of the shares of common stock of Reorganized Sunbeam and, in their capacity as the shareholders of Reorganized Sunbeam immediately following the Effective Date, also shall indicate on their Ballots their approval or rejection of the Reorganized Sunbeam Stock Option Plans. Any executed Ballots with respect to Secured Bank Claims which are timely received but which do not indicate either approval or rejection of the Reorganized Sunbeam Stock Option Plans will be deemed to constitute an approval of the Reorganized Sunbeam Stock Option Plans. See Section VIII.D. for a description of the Reorganized Sunbeam Stock Option Plans.

If you are a holder of a Claim entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot or lost your Ballot, or if you have any questions concerning the Disclosure Statement, the Plan or the procedures for voting on the Plan, please call Ms. Kathy Gerber of Bankruptcy Services, Inc. at (212) 376-8494, extension 114.

### **C. CONFIRMATION HEARING**

Pursuant to section 1128 of the Bankruptcy Code, the Confirmation Hearing will be held on July 17, 2001, commencing at 9:30 a.m. Eastern Time, before the Honorable Arthur J. Gonzalez, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004, or such other location as the Bankruptcy Court directs. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received by no later than June 28, 2001, at 4:00 p.m. Eastern Time, in the manner described below in Section VII.B. of the Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION STATED SINCE THE DATE HEREOF. HOLDERS OF CLAIMS ENTITLED TO VOTE SHOULD CAREFULLY READ THE DISCLOSURE STATEMENT, IN ITS ENTIRETY, INCLUDING THE PLAN, PRIOR TO VOTING ON THE PLAN.

FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND EQUITY INTERESTS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN, BUT THE PLAN ITSELF QUALIFIES ALL SUMMARIES. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING. THE DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE, OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, AND NOTHING STATED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTOR OR HOLDERS OF CLAIMS OR EQUITY INTERESTS. CERTAIN OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, BY NATURE, ARE FORWARD-LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. ALL HOLDERS OF CLAIMS SHOULD CAREFULLY READ AND CONSIDER FULLY THE RISK FACTORS SET FORTH IN ARTICLE XI. OF THIS DISCLOSURE STATEMENT.

SUMMARIES OF CERTAIN PROVISIONS OF AGREEMENTS REFERRED TO IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE COMPLETE AND ARE SUBJECT TO, AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO, THE FULL TEXT AND TO ALL OF THE PROVISIONS OF THE APPLICABLE AGREEMENT, INCLUDING THE DEFINITIONS OF TERMS CONTAINED IN SUCH AGREEMENT.

THE DEBTOR BELIEVES THAT THE PLAN WILL ENABLE IT TO SUCCESSFULLY REORGANIZE AND ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTOR, ITS CREDITORS AND ALL PARTIES IN INTEREST.

## II. OVERVIEW OF THE PLAN

The following table briefly summarizes the classification and treatment of Claims and Equity Interests under the Plan:

### SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN

<u>Class</u>	<u>Type of Claim or Equity Interest</u>	<u>Treatment</u>	<u>Estimated Recovery</u>
--	Administrative Expense Claims	Unimpaired; paid in full, in Cash, or in accordance with the terms and conditions of transactions or agreements relating to obligations incurred in the ordinary course of business during the pendency of the Chapter 11 Case or assumed by the Debtor in Possession.	100%
--	Priority Tax Claims	Unimpaired; except to the extent paid prior to Effective Date or agrees to a different treatment, at the option of Reorganized Sunbeam either (i) paid in full, in Cash, or (ii) paid over a six-year period from the date of assessment as provided in section 1129(a)(9)(C) of the Bankruptcy Code with interest payable at a rate of 8.0% per annum or as otherwise established by the Bankruptcy Court; provided, however, that the Debtor must obtain the consent of the Banks in order to elect option (i).	100%
1	Other Priority Claims	Unimpaired; except to the extent paid prior to Effective Date or agrees to a different treatment, paid in full, in Cash.	100%
2	Other Secured Claims	Unimpaired; except to the extent paid prior to Effective Date or agrees to a different treatment, at the option of Reorganized Sunbeam either (i) reinstated by curing all outstanding defaults, with all legal, equitable and contractual rights remaining unaltered, (ii) paid in full, in Cash, plus interest required to be paid pursuant to section 506(b) of the Bankruptcy Code, or (iii) fully and completely satisfied by delivery or retention of the Collateral securing the Other Secured Claims and payment of interest required to be paid pursuant to section 506(b) of the Bankruptcy Code; provided, however, that the Debtor must obtain the consent of the Banks in order to elect option (ii).	100%



<u>Class</u>	<u>Type of Claim or Equity Interest</u>	<u>Treatment</u>	<u>Estimated Recovery</u>
3	Secured Bank Claims <sup>2</sup>	Impaired; distribution of a Pro Rata Share of (i) (A) 100% of the Reorganized Sunbeam Common Stock, (B) \$200,000,000 in principal amount of the New Secured Term Debt and (C) \$600,000,000 in principal amount of the New Convertible Secured Notes; and (ii) the releases set forth in Section 11.4 of the Plan. In addition, each holder of an Allowed Secured Bank Claim shall be entitled to retain all amounts paid to it or on its behalf as adequate protection or otherwise, and Reorganized Sunbeam will continue to pay the professional fees of the holders of the Allowed Secured Bank Claims after the Confirmation Date with respect to matters relating to the Plan or the Chapter 11 Case in accordance with the terms and conditions of the orders approving the Post-Petition Bank Credit Agreement.	56.2% <sup>3</sup>
4	General Unsecured Claims	Impaired; no distribution.	0%
5A	Subordinated Note Claims <sup>4</sup>	Impaired; no distribution.	0%
5B	Subordinated Noteholder Securities Claims	Impaired; no distribution.	0%
6	Sunbeam Affiliate Claims	Impaired; no distribution.	0%
7	Punitive Damage Claims	Impaired; no distribution.	0%
8A	Equity Interests	Impaired; no distribution.	0%

---

<sup>2</sup> The Secured Bank Claims shall be deemed Allowed Claims in the aggregate amount of \$1,602,685,539.

<sup>3</sup> The estimated recoveries for holders of Allowed Secured Bank Claims are based upon (i) the current estimate of the value of the Reorganized Sunbeam Common Stock to be distributed under the Plan (aggregating approximately \$100,000,000) and (ii) the assumption that the New Secured Term Debt and the New Convertible Secured Notes to be distributed under the Plan are valued at par. To the extent that the actual value of the Reorganized Sunbeam Common Stock varies from the amount estimated or the value of the New Secured Term Debt and the New Convertible Secured Notes varies from par, the recoveries of holders of Allowed Secured Bank Claims may be higher or lower.

<sup>4</sup> The Subordinated Note Claims shall be deemed Allowed Claims solely for purposes of the Plan in the aggregate amount of \$864,261,481. Allowance of the Subordinated Note Claims is subject to confirmation of the Plan.

<u>Class</u>	<u>Type of Claim or Equity Interest</u>	<u>Treatment</u>	<u>Estimated Recovery</u>
8B	Equity Holder Securities Claims	Impaired; no distribution.	0%

### III. GENERAL INFORMATION

#### A. OVERVIEW OF CHAPTER 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business for the benefit of itself, its creditors and its equity interest holders. In addition to permitting the rehabilitation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the commencement date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor-in-possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against and equity interests in a debtor. Confirmation of a plan of reorganization by the bankruptcy court binds the debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of a debtor. Subject to certain limited exceptions, the order approving confirmation of a chapter 11 plan discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan.

Certain holders of allowed claims against and interests in a debtor are permitted to vote to accept or reject the plan. Prior to soliciting acceptances of the proposed plan, however, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding the plan.

#### B. DESCRIPTION AND HISTORY OF BUSINESS

Sunbeam Corporation is the ultimate parent corporation of the Subsidiary Debtors, certain non-debtor domestic subsidiaries and certain non-debtor foreign subsidiaries (collectively, the "Non-Debtor Affiliates").<sup>5</sup> Sunbeam Corporation, the Subsidiary Debtors and

<sup>5</sup> The principal non-debtor foreign subsidiaries are: Application Des Gaz, S.A.S. (France); Bafiges S.A.S. (France); BRK Brands Europe Limited (England and Wales); Camping Gaz CS Spol S.R.O. (Czech Republic); Camping Gaz GmbH (Austria); Camping Gaz Great Britain, L.T.D. (Great Britain); Camping Gaz International Deutschland GmbH (Germany); Camping Gaz International Portugal, L.T.D. (Portugal); Camping Gaz Italie S.r.L. (Italy); Camping Gaz Kft (Hungary); Camping Gaz Suisse A.G. (Switzerland); Coleman Argentina S.A. (Argentina); Coleman Asia Limited (Hong Kong); Coleman Benelux B.V. (Netherlands); Coleman Brands Pty Limited (Australia); Coleman do Brasil Ltda. (Brasil); Coleman Deutschland GmbH (Germany); Coleman Europe S.A./N.V. (Belgium); Coleman International SARL

the Non-Debtor Affiliates, are referred to herein as the “Sunbeam Group”. The Sunbeam Group manufactures, markets and distributes durable household and outdoor leisure consumer products through mass market and other consumer channels in the United States and internationally. The Sunbeam Group also sells its products to professionals and commercial end users such as small businesses. The Sunbeam Group’s principal products include household kitchen appliances; health monitoring and care products for home use; scales for professional and business uses; electric blankets and throws; clippers and trimmers for professional and animal uses; smoke and carbon monoxide detectors; outdoor barbecue grills; camping equipment, including tents, lanterns, sleeping bags and stoves; coolers; backpacks; and portable generators and compressors. The Sunbeam Group also operates 17 retail stores in the United States and Canada, which sell primarily Coleman brand products for retail sale to consumers.

The Sunbeam Group’s operations are managed through four groups: Household, Outdoor Leisure, International and Corporate. The Household group includes the following segments:

- Appliances: Including mixers, blenders, food steamers, coffeemakers, toasters, irons and garment steamers.
- Health Products: Including vaporizers, humidifiers, massagers, hot and cold packs, blood pressure monitors and scales.
- Personal Care Products: Including professional clippers.<sup>6</sup>
- Blankets: Including electric blankets, heated throws and mattress pads.
- Safety Products: Including smoke and carbon monoxide detectors, fire extinguishers and home safety equipment.

The Outdoor Leisure group includes the following segments:

- Outdoor Recreation Products: Including tents, sleeping bags, coolers, camping stoves, lanterns, frame backpacks and outdoor heaters.

---

(LLC) (Switzerland); Coleman Japan Co.s, Ltd. (Japan); Coleman Japan K.K. (Japan); Coleman Life Styles KK (Japan); Coleman Mexico S.A. de C.V. (Mexico); Coleman SVB S.r.L (Italy); Coleman Taymar Limited (England and Wales); Coleman UK Holdings Limited (England and Wales); Coleman UK PLC (England and Wales); Electronica BRK de Mexico (Mexico); Oster de Venezuela (Venezuela); Oster GmbH (Germany); Productos Coleman, S.A. (Spain); SI China Ventures, Ltd. (Hong Kong); Sunbeam Corporation (Canada) Limited (Ontario); Sunbeam Corporation Europe SARL (France); Sunbeam Holdings S.A. de C.V. (Mexico); Sunbeam International (Asia), Ltd. (Hong Kong); Sunbeam Japan KK (Japan); Sunbeam Mexicana S.A. de C.V. (Mexico); Sunbeam Oster de Acuna S.A. de C.V. (Mexico); Sunbeam Oster de Matamoros S.A. de C.V. (Mexico); and Sunbeam Oster International (FSC), Inc. (Barbados).

<sup>6</sup> On August 14, 2000, the Sunbeam Group announced that it intends to sell its professional clippers business, which manufactures and markets professional barber, beauty and animal grooming products under the Oster® brand name. The Sunbeam Group is currently conducting the sale process for the sale of such business. Should such sale be consummated, the net proceeds will be used to reduce the DIP Credit Facility.

- Outdoor Cooking Products: Including gas and charcoal outdoor grills and grill parts and accessories.
- Powermate Products: Including portable power generators and air compressors.
- Timberland Branded Products: Including adventure travel gear, backpacks, hard cases and luggage.

The International group includes the following regional subdivisions:

- Europe: Manufacture, sales and distribution of Campingaz® products, and sales and distribution in Europe, Africa and the Middle East of other Sunbeam Group products.
- Latin America: Manufacture, sales and distribution throughout Latin America of small appliances, and sales and distribution of personal care products, professional clippers and related products, camping products and Powermate products.
- Japan: Sales and distribution of primarily outdoor recreation products.
- Canada: Sales and distribution of substantially all of the Sunbeam Group's products.
- East Asia: Sales and distribution in all areas of East Asia (other than Japan) of substantially all of the Sunbeam Group's products.

The Corporate group provides management, accounting, legal, risk management, treasury, human resources, tax and management information services to all operating groups and also conducts the Sunbeam Group's licensing activities.

For the fiscal year ended December 31, 2000, the Sunbeam Group, on a consolidated basis, reported net sales of approximately \$2,076,395,000 and operating losses of approximately \$1,186,290,000. Operating losses for the year ended December 31, 2000 included a \$1,052,278,000 charge relating to the impairment of goodwill which resulted from Sunbeam Corporation's 1998 acquisitions of Coleman and Signature Brands. As of December 31, 2000, the Sunbeam Group's consolidated books and records reflected assets totaling approximately \$1,787,651,000 and liabilities totaling approximately \$3,206,890,000 resulting in a net deficit of \$1,419,239,000 and after deducting intangible assets, an adjusted deficit of \$2,068,332,000. As of the Commencement Date, the Sunbeam Group had approximately 10,900 full-time and part-time employees of which approximately 6,200 are employed in the United States. The Sunbeam Group is party to collective bargaining agreements with its hourly employees located at its manufacturing plants in Aurora, Illinois and Bridgeview, Illinois. In addition, the Sunbeam Group's production employees in France and Italy and its employees in Mexico and Venezuela are represented by unions.

### C. MARKET INFORMATION

As of November 14, 2000, there were approximately 107,303,692 shares of Sunbeam Corporation's common stock issued and outstanding held by approximately 4,400

holders of record. All Equity Interests in Sunbeam Corporation, including all shares of Sunbeam Corporation's common stock, will be cancelled on the Effective Date pursuant to the Plan. The following table sets forth, for the periods indicated, the high and low sale prices per share for Sunbeam Corporation's common stock, which, prior to the Commencement Date, was publicly traded under the symbol "SOC" on the New York Stock Exchange (the "NYSE")<sup>7</sup>:

		<u>High</u>	<u>Low</u>
FYE 12/31/00	First Fiscal Quarter	\$6.06	\$3.88
	Second Fiscal Quarter	\$4.19	\$2.94
	Third Fiscal Quarter	\$3.50	\$1.25
	Fourth Fiscal Quarter	\$1.50	\$.25
FYE 12/31/99	First Fiscal Quarter	\$7.88	\$5.50
	Second Fiscal Quarter	\$9.13	\$5.63
	Third Fiscal Quarter	\$8.00	\$5.63
	Fourth Fiscal Quarter	\$6.25	\$3.88

#### IV. EVENTS PRECEDING THE COMMENCEMENT OF THE CHAPTER 11 CASE

Sunbeam Corporation has been operating with significant debt since March 1998, when prior management caused Sunbeam Corporation to borrow approximately \$2,000,000,000 under a new Bank Credit Agreement among Sunbeam Corporation, certain Subsidiary Debtors and certain Non-Debtor Affiliates, as guarantors, and the Banks (as amended, modified and supplemented through and including the Commencement Date, the "Bank Credit Agreement"), and through the issuance of zero coupon debentures due 2018 (the "Subordinated Notes") pursuant to the trust indenture, dated as of March 25, 1998, between Sunbeam Corporation, as issuer of the Subordinated Notes and the Indenture Trustee (the "Subordinated Notes Indenture"). See IV.B. below. The approximately \$2,000,000,000 was used to fund the acquisition of The Coleman Company, Inc. ("Coleman"), Signature Brands, Inc. ("Signature Brands") and First Alert, Inc. ("First Alert"), and to repay or defease (and pay associated penalties and premiums) debt at such companies and certain indebtedness of Sunbeam Corporation. Immediately prior to the Commencement Date, Sunbeam Corporation's principal liquidated institutional debt obligations were as follows: (i) approximately \$1,725,030,966 under the Bank Credit Agreement (inclusive of \$72,051,975 of letters of credit later rolled into the Post-Petition Bank Credit Agreement (the "DIP Credit Facility") and \$50,293,452 of supplemental revolving loans subsequently repaid with borrowings under the DIP Credit Facility) and (ii) approximately \$864,000,000 in accreted amount of the Subordinated Notes.

Furthermore, since approximately the second quarter of 2000, the Sunbeam Group's sales have been adversely affected by a reduction in retailer purchases generally, as retailers sought to reduce their inventories in many of the categories in which the Sunbeam Group participates, and slowing retail sales of consumer durables generally since the first quarter of

<sup>7</sup> The NYSE delisted Sunbeam Corporation's stock as of the Commencement Date.

2000. The Sunbeam Group's sales also were adversely affected by reduced sales of certain outdoor products, including portable generators, that had unusually high sales during 1999 due to Year 2000 concerns ("Year 2000 Products") and the absence of severe storm activity during 2000 which also adversely affected sales of Year 2000 Products. The foregoing has significantly reduced the Sunbeam Group's sales and earnings, and the reduction in sales coupled with the extreme size of Sunbeam Corporation's debt has resulted in Sunbeam Corporation being unable to support its debt service requirements.

As a result, in late 2000, Sunbeam Corporation determined that the most effective and efficient manner in which to address its excessive debt obligations, while at the same time minimizing disruption to the business operations and businesses of the Sunbeam Group, was to effectuate a restructuring of Sunbeam Corporation and the Subsidiary Debtors under the auspices of chapter 11 of the Bankruptcy Code. To that end, Sunbeam Corporation and the Subsidiary Debtors have reached an agreement with the Banks as to the terms, conditions and provisions of such restructuring. Such agreement is incorporated in the Plan and the Subsidiary Debtors Plan.

Pursuant to the Plan, as described herein, the holders of Secured Bank Claims will receive (i) \$200,000,000 in New Secured Term Debt of Reorganized Sunbeam and \$600,000,000 of New Convertible Secured Notes of Reorganized Sunbeam (collectively, the "New Secured Debt") and (ii) 100% of the Reorganized Sunbeam Common Stock, subject to options to be issued to employees. Inasmuch as the enterprise value of the Sunbeam Group, as described herein and in the Subsidiary Debtors' disclosure statement, is less than the claims of the Banks, all other pre-Commencement Date creditors of Sunbeam Corporation and all holders of equity interests in Sunbeam Corporation will receive no recovery.

Pursuant to the Subsidiary Debtors Plan, which is described, in detail, in a separate disclosure statement filed with the Bankruptcy Court, the holders of secured Bank guarantee claims against the Subsidiary Debtors will receive secured guarantees from each of the Subsidiary Debtors of the New Secured Debt (issued by Sunbeam Corporation pursuant to the Plan). All other creditors of the Subsidiary Debtors, including trade creditors, service providers and retailers, and all equity interest holders, will be rendered unimpaired pursuant to the Subsidiary Debtors Plan, other than intercompany claims which are extinguished under the Plan and Subsidiary Debtors Plan.

The financial restructuring contemplated under the Plans will reduce Sunbeam Corporation's outstanding debt obligations to levels more manageable and consistent with the business operations and projected financial performance of the Sunbeam Group, while minimizing disruption and harm to the business operations of the Sunbeam Group. The financial restructuring contemplated under the Plans also will enhance the Sunbeam Group's ability to effectively compete and maintain critical relationships with its suppliers and retail vendors.

#### **A. COLEMAN, SIGNATURE BRANDS AND FIRST ALERT ACQUISITIONS**

On March 2, 1998, Sunbeam Corporation announced that it had entered into separate agreements to acquire three businesses: Coleman, Signature Brands and First Alert.

On March 30, 1998, pursuant to a merger agreement dated as of February 27, 1998, Sunbeam Corporation, through a wholly owned subsidiary, acquired approximately 81% of the then outstanding shares of Coleman common stock from an affiliate of MacAndrews & Forbes Holdings Inc. ("M&F"), in exchange for 14,099,749 shares of Sunbeam Corporation's common stock and approximately \$160,000,000 in cash. In addition, Sunbeam Corporation

assumed or repaid approximately \$1,016,000,000 in debt of Coleman and its parent corporations. Immediately after the acquisition, as a result of the exercise of Coleman employee stock options, Sunbeam Corporation's ownership of Coleman decreased to about 79% of the outstanding shares of Coleman common stock.

On April 3, 1998, Sunbeam Corporation acquired more than 90% of the stock of each of Signature Brands and First Alert in cash tender offers. On April 6, 1998, Sunbeam Corporation acquired the remaining shares of each of Signature Brands and First Alert in merger transactions. Sunbeam Corporation paid approximately \$255,000,000 in cash, including the satisfaction of antecedent debt obligations, to acquire Signature Brands. Sunbeam Corporation paid approximately \$133,000,000 in cash and assumed approximately \$49,000,000 in debt, a total consideration of approximately \$182,000,000, to acquire First Alert. Signature Brands was a leading manufacturer of a comprehensive line of consumer and professional products, including coffee makers marketed under the Mr. Coffee® brand name and consumer and professional scales marketed under the Health o Meter® and Pelouze® brand names. Subsequent to the acquisition, Signature Brands was merged with and into Sunbeam Products. First Alert is the worldwide leader in residential safety equipment, including smoke and carbon monoxide detectors marketed under the First Alert® brand name.

In January 2000, pursuant to a second merger agreement dated February 27, 1998 (the "Coleman Merger Agreement"), Sunbeam Corporation acquired the remaining publicly held Coleman shares pursuant to a merger transaction (the "Coleman Minority Close-Out"). In connection with the Coleman Minority-Close-Out, the remaining Coleman stockholders (other than stockholders seeking appraisal rights under Delaware law) received 0.5677 of a share of Sunbeam Corporation's common stock and \$6.44 in cash for each share of Coleman common stock they owned, aggregating approximately 6,700,000 shares of Sunbeam Corporation's common stock and \$87,000,000 in cash. The approximate \$87,000,000 aggregate cash payment included \$4,800,000 related to the cash out of the remaining Coleman employee options, in accordance with the Coleman Merger Agreement, which occurred in December 1999.

In the fourth quarter of 1998, Sunbeam Group recorded a \$62.5 million charge for the write-off of the carrying value of First Alert's goodwill. As a result of the significant losses incurred by First Alert, as well as its future prospects, Sunbeam Corporation determined that the goodwill relating to the First Alert acquisition was impaired and, based on the determination of fair value, wrote off the net carrying value of the goodwill. This charge is reflected in SG&A expense in the 1998 Consolidated Statement of Operations.

During the fourth quarter of 2000, as a result of the general weakening in the business from the prior year, combined with significant acquisition related debt, as well as the future prospects of the businesses, Sunbeam Corporation determined that the goodwill resulting from the acquisitions of Coleman and Signature Brands was impaired. As a result, based upon estimates of the fair value of Coleman and Signature Brands, Sunbeam Group recorded a \$1.052 billion charge that is reflected in the operating loss in the Consolidated Statements of Operations. The goodwill impairment charge recorded is comprised of all of the remaining carrying value of the goodwill associated with Sunbeam Corporation's acquisition of Coleman (approximately \$916 million) and Signature Brands (approximately \$136 million).

## **B. DEBT FINANCING**

In March 1998, in order to finance the acquisitions of Coleman, Signature Brands and First Alert, and to effectuate the repayment of substantially all of the outstanding indebtedness of Sunbeam Corporation and the three acquired companies (Coleman, Signature Brands and First Alert), Sunbeam Corporation (i) completed an offering of the Subordinated Notes pursuant to the Subordinated Notes Indenture, at a yield to maturity of 5% (or approximately \$2,014,000,000 principal amount at maturity), which resulted in approximately \$730,000,000 of net proceeds to Sunbeam Corporation, and (ii) borrowed approximately \$1,325,000,000 under the Bank Credit Agreement.

The Subordinated Notes are obligations of Sunbeam Corporation only and are unsecured. Pursuant to Article 10 of the Subordinated Notes Indenture, the Subordinated Notes and the claims of the Subordinated Noteholders are contractually subordinate in right of payment to the payment in full of the claims of the Banks. Obligations to the Banks under the Bank Credit Agreement are secured by liens on and security interests in substantially all of the assets of Sunbeam Corporation and substantially all of the Subsidiary Debtors, as well as by a pledge of the stock of substantially all of the Subsidiary Debtors.

## **C. SUBORDINATED NOTES EXCHANGE OFFER**

In July 2000, in an effort to address its leveraged capital structure, Sunbeam Corporation announced an offer to acquire all of the currently outstanding Subordinated Notes in exchange for secured notes and shares of Sunbeam Corporation common stock (the "Exchange Offer"). The holders of the Subordinated Notes were, apparently, unwilling to participate in the Exchange Offer under the proposed terms. On September 12, 2000, Sunbeam Corporation withdrew and terminated the Exchange Offer without accepting and paying for any tendered Subordinated Notes.

## **D. AMENDMENTS TO BANK CREDIT AGREEMENT**

As a result of, among other things, operating losses incurred during the first half of 1998, Sunbeam Corporation did not achieve the specified financial ratios required under the Bank Credit Agreement for June 30, 1998 and it appeared unlikely that Sunbeam Corporation would achieve the specified financial ratios for September 30, 1998. Consequently, in June 1998, Sunbeam Corporation and the Banks entered into an amendment, dated as of June 30, 1998, that waived through December 31, 1998 all defaults arising from the failure of Sunbeam Corporation to satisfy the specified financial ratios for June 30, 1998 and September 30, 1998. Pursuant to an amendment with Sunbeam Corporation dated as of October 19, 1998, the Banks extended such waivers through April 10, 1999 and also waived through such date all defaults arising from any failure by Sunbeam Corporation to satisfy the specified financial ratios for December 31, 1998. In April 1999, such waivers were extended and the Banks agreed to defer scheduled amortization payments through April 10, 2000. On April 10, 2000, such waivers were extended and the Banks agreed to defer scheduled amortization payments through April 14, 2000.

On April 14, 2000, Sunbeam Corporation and the Banks entered into a further amendment to the Bank Credit Agreement that, among other things, waived until April 10, 2001 all defaults arising from any failure by Sunbeam Corporation to satisfy certain financial ratios for any fiscal quarter end occurring and deferred scheduled amortization payments through March 31, 2001. As part of such amendment, Sunbeam Corporation agreed to a minimum cumulative earnings before interest, taxes, depreciation and amortization ("EBITDA") covenant



to be tested at the end of each month occurring on or prior to March 31, 2001. On August 10, 2000, Sunbeam Corporation and the Banks entered into an amendment to the Bank Credit Agreement in order to (i) adjust downwards the cumulative EBITDA test for July 31, 2000 and each remaining month-end through March 31, 2001 and (ii) provide Sunbeam Corporation with additional needed liquidity under a supplemental \$50,000,000 reducing revolving credit facility under the Bank Credit Agreement (the "Bank Credit Supplemental Revolver") with a final maturity date of December 31, 2000. Prior to the November 10, 2000 amendment described below, the terms of the documents governing the Bank Credit Supplemental Revolver required that such facility be reduced by \$10,000,000 on the last day of each month commencing with August 31, 2000 and that loans thereunder could not exceed a borrowing base calculated based on domestic inventory of certain of the Sunbeam Group's business units.

As a result of continuing sales declines and operating losses during the third quarter of 2000, Sunbeam Corporation did not achieve for September 30, 2000 the reduced cumulative EBITDA test agreed to pursuant to the August 10, 2000 amendment, and it appeared unlikely that Sunbeam Corporation would satisfy the test going forward. Consequently, in November 2000, Sunbeam Corporation and the Banks entered into an amendment to the Bank Credit Agreement dated as of November 10, 2000 that (i) waived all defaults arising from the failure of Sunbeam Corporation to satisfy the cumulative EBITDA test for any period ending on or prior to December 31, 2000; (ii) provided that, on or before December 31, 2000, Sunbeam Corporation and the Banks would amend the cumulative EBITDA test to establish monthly EBITDA levels for the 2001 calendar year which were reasonably satisfactory to the Banks and which would be based on Sunbeam Corporation's 2001 business plan; (iii) increased availability under the Bank Credit Supplemental Revolver to \$50,000,000 and eliminated the previously required \$10,000,000 monthly principal reduction or any limitation based on the borrowing base; and (iv) extended the maturity date for the Bank Credit Supplemental Revolver to April 10, 2001. The November 10, 2000 amendment also provided that the \$19,100,000 term loan payment and the \$8,500,000 amendment fee for the previously agreed to April 15, 1999 amendment, both of which originally were scheduled to be paid on November 30, 2000, would be deferred until April 10, 2001. The November 10, 2000 amendment included certain other terms and provisions relating to payments due and borrowings under the Bank Credit Agreement in 2001.

On January 26, 2001 and January 30, 2001, respectively, Sunbeam Corporation and the Banks entered into amendments pursuant to which the Banks agreed to defer in excess of \$40,000,000 in interest payments due and owing as of such dates.

#### **E. RESTATEMENT OF FINANCIAL RESULTS; CHANGE OF AUDITORS**

On June 25, 1998, approximately three and one-half months after the acquisitions of Coleman, Signature Brands and First Alert, Sunbeam Corporation announced that its then independent auditors, Arthur Andersen LLP ("Arthur Andersen") would not consent to the inclusion of their opinion on Sunbeam Corporation's 1997 financial statements in a registration statement that Sunbeam Corporation was planning to file with the Securities and Exchange Commission. On June 30, 1998, Sunbeam Corporation announced that the audit committee of its board of directors would conduct a review of the accuracy of Sunbeam Corporation's 1997 financial statements and that, pending completion of such review, those financial statements and the report of Arthur Andersen should not be relied upon. Sunbeam Corporation retained Deloitte & Touche LLP ("Deloitte & Touche") to assist the audit committee in such review, along with Arthur Andersen. On August 6, 1998, Sunbeam Corporation announced that the audit committee had determined that Sunbeam Corporation would be required to restate its financial statements for

1997, the first quarter of 1998 and possibly 1996, and that the adjustments, while not then quantified, would be material.

On October 20, 1998, Sunbeam Corporation announced the restatement of its financial results for a six-quarter period from the fourth quarter of 1996 through the first quarter of 1998. In general, such restatements were required because the previously issued financial statements overstated losses for 1996, overstated profits for 1997 and understated losses for the first quarter of 1998. Sunbeam Corporation concluded, among other things, that (i) for certain periods revenue was incorrectly recognized (principally "bill and hold" and guaranteed sales transactions), (ii) certain costs and allowances were not accrued or were incorrectly recorded (principally allowances for sales returns, co-op advertising, customer deductions and reserves for product liability and warranty expense) and (iii) certain costs were incorrectly included in and charged to restructuring, asset impairment and other costs.

On November 20, 1998, Sunbeam Corporation announced that its audit committee had recommended, and its board of directors had approved, the appointment of Deloitte & Touche to replace Arthur Andersen as Sunbeam Corporation's independent auditors for fiscal year 1998.

#### **F. MANAGEMENT AND BOARD CHANGES**

On June 13, 1998, Sunbeam Corporation's board of directors removed "for cause" Albert J. Dunlap as Sunbeam Corporation's Chairman and Chief Executive Officer. On June 16, 1998, Russell A. Kersh was terminated "for cause" as Sunbeam Corporation's Vice Chairman and Chief Financial Officer. Both Dunlap's and Kersh's employment agreements provided for their termination "for cause" for the "willful failure of the executive to substantially perform his duties." The Debtor believes that Dunlap's and Kersh's conduct demonstrated a willful failure to substantially perform their job responsibilities, including (i) concealing relevant and material facts from Sunbeam Corporation's Board of Directors relating to certain sales and accounting practices utilized and/or authorized by them, (ii) misrepresenting the Sunbeam Group's results and operations, (iii) breaching their fiduciary duties of loyalty and candor to the Board of Directors, and (iv) abdicating their responsibilities as Chief Executive Officer and Chief Financial Officer, respectively.

On June 13, 1998 Peter A. Langerman was elected as Sunbeam Corporation's non-executive Chairman of the Board. Mr. Langerman, an outside director of Sunbeam Corporation from 1990 to 1999, is President and Chief Executive Officer of Franklin Mutual Advisers, Inc., the investment advisor to Franklin Mutual Series Fund, Inc. Jerry W. Levin was elected a director and Chief Executive Officer of Sunbeam Corporation on June 16, 1998, and was elected President on August 12, 1998. Mr. Levin was Chairman and Chief Executive Officer of Coleman at the time Sunbeam Corporation acquired its controlling interest in Coleman, and previously was the Chairman and Chief Executive Officer of Revlon, Inc., an affiliate of M&F.

In June 1998, Mr. Levin, Howard Gittis (of M&F) and Lawrence Sondike (of Franklin Mutual Advisers, Inc.) were elected to Sunbeam Corporation's board of directors. William T. Rutter resigned from the board effective July 8, 1998, and Faith Whittlesey was elected to fill the vacancy on the audit committee resulting from Mr. Rutter's resignation. Messrs. Dunlap and Kersh resigned from the board effective August 5, 1998. In January 1999, Mr. Sondike resigned from the board and, in February 1999, John H. Klein of Bi-Logix, Inc. was elected as a director. In March 1999, Mr. Levin became Chairman of the board of directors, succeeding Mr. Langerman.

## **G. SETTLEMENT OF COLEMAN RELATED CLAIMS**

On August 12, 1998, Sunbeam Corporation announced that, following an investigation and negotiations conducted by a special committee of Sunbeam Corporation's board, consisting of four outside directors not affiliated with M&F, Sunbeam Corporation had entered into a settlement agreement with M&F in connection with M&F's potential claims against Sunbeam Corporation arising in connection with M&F's sale of its interest in Coleman to Sunbeam Corporation (the "M&F Settlement Agreement"). Pursuant to the M&F Settlement Agreement, (i) Sunbeam Corporation was released from certain threatened claims of M&F and its subsidiaries arising from the acquisition of M&F's interest in Coleman, (ii) M&F agreed to provide certain management personnel and assistance to Sunbeam Corporation and (iii) Sunbeam Corporation agreed to issue to a subsidiary of M&F (the "M&F Subsidiary") a warrant, expiring August 24, 2003, to purchase up to 23,000,000 shares of Sunbeam Corporation's common stock at an exercise price of \$7.00 per share, subject to anti-dilution provisions.

On October 21, 1998, Sunbeam Corporation announced that it had entered into a Memorandum of Understanding to settle, subject to court approval, certain class actions brought by public stockholders of Coleman challenging the Coleman Minority Close-Out pursuant to the Coleman Merger Agreement (the "Coleman Settlement"). In July 1999, the Coleman Settlement was signed and was approved by the Court in November 1999. Under the terms of the Coleman Settlement, Sunbeam Corporation issued to Coleman's public stockholders, in connection with and at the time of the Coleman Minority Close-Out, warrants, expiring August 24, 2003, to purchase 4,980,000 shares of Sunbeam Corporation's common stock at \$7.00 per share, less approximately 498,000 warrants issued to plaintiffs' attorneys for their fees and expenses. These warrants generally have the same terms as the warrants issued to the M&F Subsidiary.

## **H. SECURITIES LITIGATION AND RELATED CLAIMS**

Sunbeam Corporation is currently a defendant in various securities and related litigations initiated by both stockholders and Subordinated Noteholders involving the alleged harm resulting from or otherwise relating, among other things, to the events which led to the above described accounting restatement (described in Section IV.E above) and earnings projections made by Sunbeam Corporation under the tenure of former management. All securities litigation claims against Sunbeam Corporation, whether asserted by purchasers of Sunbeam Corporation common stock or Subordinated Noteholders, as well as certain other claims relating to the securities litigation claims and the accounting restatement, including indemnification, reimbursement and contribution claims against Sunbeam Corporation, are subordinated pursuant to section 510(b) of the Bankruptcy Code and will receive no distributions under the Plan. Such claims are classified in Class 5B (Subordinated Noteholder Securities Claims) and Class 8B (Equity Holder Securities Claims) of the Plan. In addition, certain of the securities litigation claims are derivative claims which, as of the Commencement Date, pursuant to section 541 of the Bankruptcy Code, became property of the estate of Sunbeam Corporation. Such derivative claims, defined as "Derivative Securities Litigation Claims" in the Plan, shall be preserved for the benefit of and retained by Reorganized Sunbeam pursuant to Section 7.2 of the Plan. The following is a summary of the principal securities litigation claims pending against Sunbeam Corporation, all of which are stayed pursuant to section 362 of the Bankruptcy Code:

## **1. Shareholder Litigation**

### **a. Florida District Court Consolidated Shareholder Litigation**

On April 23, 1998, two class action lawsuits were filed on behalf of purchasers of Sunbeam's common stock in the U.S. District Court for the Southern District of Florida (the "Florida District Court") against Sunbeam Corporation and certain of its present and former directors and former officers alleging violations of the federal securities laws as discussed below. After that date, approximately fifteen similar class actions were filed in the same court. One of the lawsuits also named as a defendant Arthur Andersen, Sunbeam Corporation's independent accountants for the period covered by the lawsuit.

On June 16, 1998, the Florida District Court entered an order consolidating all these suits and all similar actions subsequently filed into the action captioned In re Sunbeam Corp. Securities Litigation, Case No. 98-CV-8258 (the "Consolidated Federal Actions"). On January 6, 1999, plaintiffs filed a consolidated amended class action complaint against Sunbeam Corporation, certain of its present and former directors and former officers, and Arthur Andersen. The consolidated amended class action complaint alleges, among other things, that defendants made material misrepresentations and omissions regarding Sunbeam Corporation's business operations and future prospects in an effort to artificially inflate the price of Sunbeam Corporation's common stock and call options, and that, in violation of section 20(a) of the Exchange Act, the individual defendants exercised influence and control over Sunbeam Corporation, causing Sunbeam Corporation to make material misrepresentations and omissions. The consolidated amended complaint seeks an unspecified award of money damages. In February 1999, plaintiffs moved for an order certifying a class consisting of all persons and entities who purchased Sunbeam Corporation's common stock or who purchased call options or sold put options with respect to Sunbeam Corporation's common stock during the period April 23, 1997 through June 30, 1998, excluding the defendants, their affiliates and employees of Sunbeam Corporation. The motion for class certification was renewed on December 13, 2000. In March 1999, all defendants who had been served with the consolidated amended class action complaint moved to dismiss it and the court granted the motion only as to certain non-employee current and former directors and a former officer, and denied it as to the other defendants. Arthur Andersen has filed counterclaims against Sunbeam Corporation and a third-party complaint against a former director of Sunbeam Corporation and against unnamed third party corporations. On July 31, 2000, the court dismissed the former director from Arthur Andersen's counterclaims. On June 30, 2000, the plaintiffs filed a second amended complaint against most of the same defendants (although two of Sunbeam Corporation's former outside directors were not included as defendants in the second amended complaint) alleging the same principal claims as the prior amended complaint described above.

In September 1998, an action was filed in the 56th Judicial District Court of Galveston County, Texas, captioned U.S. National Bank of Galveston, et al. v. Sunbeam Corp., Case No. 98-CV-0828, alleging various claims in violation of the Texas Securities Act and Texas Business & Commercial Code as well as common law fraud as a result of Sunbeam Corporation's alleged misstatements and omissions regarding Sunbeam Corporation's financial condition and prospects during a period beginning May 1, 1998 and ending June 16, 1998, in which the U.S. National Bank of Galveston, Kempner Capital Management, Inc. and Legacy Trust Company engaged in transactions in Sunbeam Corporation's common stock on their own behalf and on behalf of their respective clients. Sunbeam Corporation is the only named defendant in this action. The complaint requests recovery of compensatory damages, punitive damages and

expenses in an unspecified amount. This action was subsequently transferred to the Florida District Court and consolidated with the Consolidated Federal Actions.

**b. Alabama State Court Shareholder Litigation**

On September 13, 1999, an action naming Sunbeam Corporation and Arthur Andersen as defendants was filed in the Circuit Court for Montgomery County, Alabama, captioned Clay v. Sunbeam Corp. et al., Case No. CV-99-2799. The plaintiffs in this action are purchasers of Sunbeam Corporation's common stock during the period March 19, 1998 through May 6, 1998. The plaintiffs allege, among other things, that the defendants violated the Alabama Securities Laws. The plaintiffs seek compensatory and punitive damages in an unspecified amount. Arthur Andersen has filed a cross claim against Sunbeam Corporation for contribution and indemnity. Sunbeam Corporation has filed a motion to dismiss. In May 2000, the plaintiffs in this action filed an amended complaint, which added allegations of violations of the federal securities laws. This action was transferred to the Florida District Court and consolidated with the Consolidated Federal Actions.

**2. Noteholder Litigation**

**a. Florida District Court Consolidated Noteholder Litigation**

In October 1998, a class action lawsuit was filed in the Florida District Court, captioned Camden Asset Management v. Sunbeam Corp., et al., Case No. 98-8773, on behalf of certain purchasers of Subordinated Notes against Sunbeam Corporation and certain of Sunbeam Corporation's former officers and directors. In April 1999, a class action lawsuit was filed in the Florida District Court, captioned Camden Asset Management v. Sunbeam Corp. et al., Case No. 99-8275, on behalf of the persons who purchased Subordinated Notes during the period from March 20, 1998 through June 30, 1998, inclusive, but after the initial offering of such Subordinated Notes, against Sunbeam Corporation, Arthur Andersen and certain former officers and directors. The Florida District Court consolidated the two cases and the plaintiffs have filed a consolidated class action on behalf of the persons who purchased Subordinated Notes in the initial offering and in the market during the period March 20, 1998 through June 30, 1998. The amended complaint alleges, among other things, violations of the federal and state securities laws and common law fraud. The plaintiffs seek, among other things, either unspecified monetary damages or rescission of their purchase of the Subordinated Notes. This action is coordinated with the Consolidated Federal Actions.

**b. Texas State Court Noteholder Litigation**

Sunbeam Corporation was named as a defendant in an action filed on November 20, 1998 in the District Court of Tarrant County, Texas, 48th Judicial District, on November 20, 1998, captioned HBK Investments L.P. v. Sunbeam Corp., Case No. 48-176227-98. The plaintiffs in this action are purchasers of the Subordinated Notes. The plaintiffs alleged that Sunbeam Corporation violated the Texas Securities Act and the Texas Business & Commercial Code and committed state common law fraud by materially misstating the financial position of Sunbeam Corporation in connection with the offering and sale of the Subordinated Notes. The complaint seeks rescission, as well as compensatory and exemplary damages in an unspecified amount. Sunbeam Corporation specially appeared to assert an objection to the Texas court's exercise of personal jurisdiction over Sunbeam Corporation, and the court dismissed the case without prejudice. The plaintiffs appealed, which appeal was denied. The plaintiffs appealed to the Texas Supreme Court, which denied the plaintiffs' petition. In October 2000, the plaintiffs

also filed a complaint against Sunbeam Corporation's subsidiary Sunbeam Products, Inc., in the District Court for Dallas County alleging substantially the same allegations as the complaint filed against Sunbeam Corporation in Tarrant County.

**c. Wisconsin State Court Noteholder Litigation**

In September 2000, an action naming Sunbeam Corporation as a defendant was filed in the Circuit Court for Ozaukee County, Wisconsin, captioned Stark Investments L.P. v. Sunbeam Corp., Case No. 00-CV-246. The plaintiffs allege that Sunbeam Corporation violated the federal securities laws in connection with the offering and sale of Subordinated Notes. The plaintiffs seek rescission and damages. Sunbeam Corporation has removed the action to federal court. This action has been transferred for pre-trial purposes by the Judicial Panel on Multi-District Litigation to the Florida District Court and has been consolidated with the Florida District Court Consolidated Noteholder Litigation. See Section IV.H.2.a for a description of the Florida District Court Consolidated Noteholder Litigation.

**3. Derivative Actions**

**a. Florida State Court Derivative Litigation**

In April 1998, an action was commenced in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida, captioned Krim v. Dunlap et al., Case No. 98-3168, as a shareholders' derivative action. The action was brought by a purported Sunbeam Corporation shareholder and names as defendants Sunbeam Corporation's former Chief Executive Officer, Albert J. Dunlap, former Executive Vice President, Finance and Administration, Russell A. Kersh, former Executive Vice President, Consumer Products Worldwide, Donald R. Uzzi, Sunbeam Corporation's directors Charles M. Elson and Faith Whittlesey, former directors Howard G. Kristol, Peter A. Langerman and William T. Rutter, and Sunbeam Corporation's former auditors, Arthur Andersen LLP. The action also names Sunbeam Corporation as a nominal defendant.

The second amended complaint alleges that the individual defendants permitted Sunbeam Corporation to engage in or failed to detect that Sunbeam Corporation was engaging in improper accounting methods and inaccurate financial disclosures during 1996, 1997 and the first quarter of 1998. It further alleges that Arthur Andersen failed to conduct its 1996 and 1997 audits of Sunbeam Corporation in accordance with generally accepted auditing standards and was aware, or recklessly or negligently failed to detect, that Sunbeam Corporation's financial statements were not fairly presented in accordance with generally accepted accounting principles. The second amended complaint asserts claims for breach of fiduciary duty against all defendants, a claim for a declaratory judgment that Dunlap and Kersh were not entitled to any compensation or benefits arising from their employment at Sunbeam Corporation, and claims for negligence, negligent misrepresentation and breach of contract against Arthur Andersen. The second amended complaint alleges that Sunbeam Corporation suffered several types of damages as a result of the defendants' actions, including (i) being exposed to liability in federal lawsuits alleging securities fraud, (ii) being subjected to an investigation by the United States Securities and Exchange Commission, (iii) suffering a reduction in its credit rating with a resulting impairment of Sunbeam Corporation's liquidity, and (iv) suffering injury to its reputation and goodwill. The second amended complaint further alleges that Arthur Andersen is additionally liable for all fees it received from Sunbeam Corporation for auditing and accounting services performed in connection with the 1996 and 1997 audits.

Each of the defendants has filed motions to dismiss the Krim action on the grounds that the derivative plaintiff failed to serve a pre-suit demand on Sunbeam Corporation's board of directors requesting that it take action on behalf of Sunbeam Corporation. In addition, Arthur Andersen LLP moved to dismiss the action on the grounds that the claims for breach of fiduciary duty, negligence and negligent misrepresentation are barred by the economic loss doctrine and that the breach of contract claim is barred by the plaintiff's failure to attach a copy of the contract to the complaint. None of the motions to dismiss has been decided by the Court.

Sunbeam Corporation believes the claims against Arthur Andersen are potentially meritorious and that Sunbeam Corporation suffered substantial injury as a result of Arthur Andersen's conduct. If Sunbeam Corporation were to pursue claims against Arthur Andersen, it can be expected that Arthur Andersen would defend itself vigorously and would assert several defenses and offsets in addition to the defenses raised on its motion to dismiss. As a result of the complexity of the case, and the potential defenses and offsets Arthur Andersen may assert, it is not possible to estimate with any certainty the likelihood of success of any action against Arthur Andersen or the amount of any judgment Sunbeam Corporation could obtain in connection with such an action. Sunbeam Corporation has not undertaken a detailed assessment of the value of its potential claim against Arthur Andersen and the law relating to the claim is uncertain and not fully developed. Assuming Sunbeam Corporation is successful, and Arthur Andersen's defenses and claims for offsets are defeated, damages against Arthur Andersen could range from all or a portion of the approximately \$1,000,000 in fees it was paid for its audits of Sunbeam Corporation's 1996 and 1997 financial statements to potentially substantial additional damages if Sunbeam Corporation could show such damages were proximately caused by Arthur Andersen's failure to perform adequate audits of Sunbeam's financial statements. A substantial amount of discovery has already been completed as a result of the discovery already conducted in the many investigations and lawsuits and it may be possible for Sunbeam Corporation to utilize such discovery in a suit against Arthur Andersen. Sunbeam Corporation anticipates that an action would involve complicated pretrial proceedings and a lengthy trial. While difficult to estimate, such an action would likely take at least one to three years to prosecute (exclusive of appeals) and could cost Sunbeam Corporation (inclusive of the claims against Dunlap and Kersh described below) at least \$2,000,000 to \$10,000,000 in legal and consulting fees and other expenses. Sunbeam Corporation believes a judgment against Arthur Andersen would be collectible.

As to the claims against Dunlap and Kersh, Sunbeam Corporation believes that viable breach of fiduciary duty claims could be asserted against them for their actions as Chief Executive Officer and Chief Financial Officer. In addition to the claims already asserted, Sunbeam Corporation believes that additional claims relating to their failure to disclose to the Board of Directors certain sales and accounting practices utilized and/or authorized by them violated their fiduciary duties to Sunbeam Corporation. Both are expected to put up vigorous defenses and the outcome is uncertain. Sunbeam Corporation believes that viable claims exist and that it has a reasonable probability of obtaining a substantial judgment against both for the very significant and obvious diminution in the value of Sunbeam Corporation which occurred as a result of their breach of fiduciary duties. If Sunbeam Corporation is successful, the amount of damages could be several hundred million dollars, although it is difficult to estimate with certainty the amount of damages that could be proven at trial. Sunbeam Corporation has concerns as to whether any judgment obtained in the range sought could be collected against either Dunlap or Kersh and believes it may not be likely that insurance coverage (exclusive of those that have settled with Sunbeam Corporation) would be available. All of the insurance carriers are vigorously contesting coverage. A substantial amount of discovery has already been completed as a result of the discovery already conducted in the many investigations and lawsuits. If the claims against Dunlap and Kersh are pursued in the same litigation against Arthur Andersen as

described above, the costs for pursuit of such claims would be included in the costs described above. If the claims are pursued separate from the litigation with Arthur Andersen, the costs through trial would be approximately \$750,000 to \$1,000,000. Sunbeam Corporation does not believe that meritorious claims exist against any of the other former or the current outside directors of Sunbeam Corporation named in this action.

**b. Delaware Chancery Court Warrant Litigation**

During 1998, purported class actions and derivative lawsuits were filed in the Court of Chancery of the State of Delaware in New Castle County by stockholders of Sunbeam Corporation against Sunbeam Corporation, M&F and certain of Sunbeam Corporation's present and former directors. These complaints allege, among other things, that the defendants breached their fiduciary duties when Sunbeam Corporation entered into the M&F Settlement Agreement. The derivative actions were consolidated. The plaintiffs voluntarily dismissed this action.

**c. Florida District Court Derivative Action**

In October 1998, an action was commenced in the United States District Court for the Southern District of Florida, captioned Shallal v. Elson, Case No. 00-CV-8297, as a shareholders' derivative suit. The case was dismissed without prejudice in April 1999 in favor of similar lawsuits filed in the Court of Chancery of the State of Delaware described in Section IV.H.3.b. After the Delaware cases were voluntarily dismissed, the Shallal case was refiled in April 2000. The renewed Shallal case was brought by purported Sunbeam shareholders and names as defendants Sunbeam Corporation's former Chief Executive Officer, Albert J. Dunlap, its former Executive Vice President, Finance and Administration, Russell A. Kersh, its directors Charles M. Elson, Faith Whittlesey and Howard Gittis, its Chief Executive Officer and Chairman of the Board of Directors, Jerry Levin, and its former directors Howard G. Kristol, Peter A. Langerman and William T. Rutter. The Complaint also names M&F as a defendant and names Sunbeam Corporation as a nominal defendant.

The Shallal complaint alleges, among other things, that the defendants breached their fiduciary duties when Sunbeam Corporation entered into a settlement agreement with the M&F Subsidiary that sold Sunbeam Corporation a controlling interest in Coleman. In the settlement agreement, the M&F Subsidiary released Sunbeam Corporation from threatened claims arising out of Sunbeam Corporation's acquisition of its interest in Coleman, and M&F agreed to provide management support to Sunbeam Corporation. Under the settlement agreement, the M&F Subsidiary was granted a warrant expiring August 24, 2003 to purchase up to an additional 23 million shares of Sunbeam Corporation's common stock at an exercise price of \$7 per share, subject to anti-dilution provisions.

In addition to the claims relating to the M&F settlement, the complaint alleges that the individual defendants breached their fiduciary duties by, among other things, permitting Sunbeam Corporation to issue materially false and misleading statements regarding Sunbeam Corporation's financial condition. The plaintiff seeks, among other things, rescission of the warrants issued to the M&F Subsidiary, an injunction preventing the issuance of warrants, and damages.

On January 3, 2001, the Court dismissed the Shallal complaint without prejudice, concluding that the plaintiffs had failed to make a pre-suit demand on Sunbeam Corporation's board of directors requesting that it take action on behalf of Sunbeam Corporation and had failed to adequately allege that such a demand would have been futile. On February 14, 2001, the



plaintiffs sent a letter to Sunbeam Corporation's board of directors demanding that Sunbeam Corporation take appropriate legal action against defendants Dunlap, Kersh, Kristol, Rutter, Elson, Langerman and Whittlesey for participating in or failing to detect improper accounting practices at Sunbeam Corporation during 1997 through the first quarter of 1998. Thereafter, the Shallal plaintiffs filed a motion with the Bankruptcy Court requesting authority to bring claims against such individuals on Sunbeam Corporation's behalf, which motion was denied without prejudice by the Bankruptcy Court at a hearing held on April 19, 2001.

The claims the Shallal plaintiffs have demanded in their February 14, 2001 letter, that Sunbeam Corporation bring against Messrs. Dunlap, Kersh, Kristol, Rutter, Elson, Langerman and Mrs. Whittlesey, appear to be substantially the same claims asserted against these individuals in Krim v. Dunlap. Sunbeam Corporation's assessment of these claims is discussed above.

The Shallal plaintiffs' claims relating to Sunbeam Corporation's settlement with the M&F Subsidiary, although alleged in their complaint, were not included in their February 14, 2001 demand letter. Nevertheless, because any holder of the warrant issued to the M&F Subsidiary or similar warrants issued to former Coleman Company shareholders will not receive any distributions under the Plan, Sunbeam Corporation believes there is no value to any claim that such warrants were issued improperly.

The Shallal plaintiffs filed a motion with the Bankruptcy Court seeking an order lifting the automatic stay in the Sunbeam Corporation chapter 11 case in order to permit them to pursue the allegations raised in the February 14, 2001 letter. On April 19, 2001 the Bankruptcy Court denied this motion.

#### **4. Other Actions**

##### **a. Former Officer and Director Indemnification Litigation**

Messrs. Dunlap and Kersh have commenced an action against Sunbeam Corporation in the Chancery Court for the State of Delaware, captioned Dunlap and Kersh v. Sunbeam Corp., Case No. 17048, seeking advancement from Sunbeam Corporation of their alleged expenses incurred in connection with defending themselves in the various actions described above in which they are defendants and the investigation by the SEC described in Section IV.G. below. Sunbeam Corporation has defended against these claims, contending, among other things, that the expenses for which advancement is sought are unreasonable.

##### **b. Former Officer and Director Employment Contract Arbitration**

On February 9, 1999, Messrs. Dunlap and Kersh filed a Statement of Claim with the American Arbitration Association ("AAA") in Miami, Florida seeking payment of the remaining portions of their respective employment agreements. Sunbeam Corporation defended against the claims of Dunlap and Kersh by asserting both that their conduct was sufficient to permit Sunbeam Corporation to terminate them "for cause" under their respective employment agreements (thus relieving Sunbeam Corporation of any obligations to either of them) and that they fraudulently induced Sunbeam Corporation into giving them new contracts in the first quarter of 1998, replacing contracts originally entered into with Messrs. Dunlap and Kersh in 1996. Sunbeam Corporation also asserted a counterclaim against Dunlap and Kersh claiming fraud in the inducement of their 1998 employment contracts seeking to recover all amounts paid by Sunbeam Corporation as a result of the new agreements. Dunlap and Kersh have defended

against the counterclaim by asserting that Sunbeam Corporation offered them new contracts without any representations on their part. Alternatively, they argue that any information they provided to the Board of Directors was based on information received from others which they believed to be true. Further they argue that the restricted stock they received had little to no value because of the time restrictions on the sale of the stock coupled with the drop in the value of the stock after new management was hired.

As of the date Sunbeam Corporation filed its chapter 11 case on February 6, 2001, the parties had completed six weeks of testimony in the arbitration proceeding, with five additional weeks scheduled. Sunbeam Corporation had just begun introducing evidence as to its counterclaim when the arbitration was stayed under the automatic stay provisions of the Bankruptcy Code. If Sunbeam Corporation chooses to pursue its counterclaims against Dunlap and Kersh, it will seek to recover all of the monies paid to Dunlap and Kersh under their 1998 contracts. Sunbeam Corporation believes that it will take another four weeks of arbitration and approximately \$500,000 to \$750,000 in legal fees to complete this case. Sunbeam Corporation also anticipates approximately \$100,000 in arbitrators fees. Sunbeam Corporation believes that there is a reasonable likelihood of success on its counterclaim.

If Sunbeam Corporation were to prevail on its fraudulent inducement counterclaim, the amount of damages including interest to date would be at least \$22,000,000. Dunlap and Kersh might still be entitled to recover the remaining portions of their 1996 employment contracts as a set off if Sunbeam Corporation cannot prove that it met the definition of a "for cause" termination as defined in their 1996 employment contracts, or if the arbitration panel believes that Sunbeam Corporation's alleged failure to strictly comply with the procedural mechanisms set forth in their contracts for a "for cause termination" estops Sunbeam Corporation from asserting that the terminations were "for cause." Sunbeam Corporation estimates the amount of this set off would be approximately \$1,300,000. In the event that Dunlap and Kersh prevail on this claim, they might also be entitled to a claim for attorneys' fees if their position in the arbitration is determined to be "substantially upheld." Sunbeam Corporation believes there to be an issue as to whether it will be able to collect a judgment of the magnitude requested from Dunlap and Kersh should such a judgment be entered against them, but does believe that assets will be available from which a substantial recovery would be possible (not taking into account liability, if any, of Messrs. Dunlap and Kersh to Sunbeam Corporation under the Krim case or in connection with the class action lawsuits being pursued against Messrs. Dunlap and Kersh or the investigation by the Securities and Exchange Commission).

## **5. SEC Investigation**

By letter dated June 17, 1998, the staff of the Division of Enforcement of the SEC advised Sunbeam Corporation that it was conducting an informal inquiry into Sunbeam Corporation's accounting policies and procedures and requested that Sunbeam Corporation produce certain documents. In July 1998, the SEC issued a Formal Order of Private Investigation, pursuant to which subpoenas were served on Sunbeam Corporation requiring the production of certain documents. Sunbeam Corporation has provided numerous documents to the SEC staff and continues to cooperate with the SEC staff. Sunbeam Corporation has, however, declined to provide the SEC with material that Sunbeam Corporation believes is subject to the attorney-client privilege and the work product immunity. The staff of the SEC has informed Sunbeam Corporation that it has completed its investigation, and has submitted to Sunbeam Corporation a proposed order which provides that Sunbeam Corporation will cease and desist from future violations of the antifraud and other provisions of the federal securities laws, but does not provide for the imposition of monetary penalties. Sunbeam Corporation and the staff of the

SEC are in discussions regarding the foregoing. Sunbeam Corporation cannot predict at this time the timing or outcome of these discussions.

#### **I. PRICEWATERHOUSECOOPERS LITIGATION**

On June 6, 2000, and September 1, 2000, Sunbeam Corporation filed its initial complaint and amended complaint, respectively in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida, captioned Sunbeam Corporation v. PricewaterhouseCoopers LLP, Case No. CL-003444 AN, against PricewaterhouseCoopers LLP ("PWC"). Sunbeam Corporation alleges that that it hired PWC to devise and implement a restructuring or "turnaround" plan for the company and that PWC failed to complete its duties as agreed and in the manner of care consistent with professional business consulting. Specifically, Sunbeam Corporation alleges: (1) negligence, (2) professional malpractice, (3) breach of contract, and (4) breach of fiduciary duty as a result of PWC's 1996 retention as restructuring consultant. On October 2, 2000, PWC moved to dismiss Sunbeam Corporation's amended complaint. The Court entered an order denying the motion to dismiss as to all of the claims except the claim for breach of fiduciary duty. In its answer, PWC asserted several defenses, including that the claims contained in the amended complaint: (1) fail to state a cause of action, (2) are not stated with the requisite specificity, (3) are barred by the statute of limitation, (4) are barred by the doctrine enunciated in Cenco, Inc. v. Seidman & Seidman, 686 F.2d 449 (7th Cir. 1982), (5) are barred by the doctrine of judgmental immunity, (6) are barred by the business judgment rule, and other miscellaneous defenses. This litigation is currently in the discovery phase which is expected to last for the next 12 to 18 months. While difficult to estimate, Sunbeam Corporation's legal fees for this would be approximately \$1,000,000 to \$2,500,000. If successful in this action, Sunbeam Corporation believes recoverable damages in the case could be anywhere from the payments made to PWC in connection with the engagement (approximately \$8,000,000) to a more significant number representing losses proximately caused by PWC's negligence.

#### **J. INTERCOMPANY RECEIVABLES**

Prior to the Commencement Date, certain of the funds borrowed by Sunbeam Corporation under the Bank Credit Agreement and Subordinated Notes Indenture were contributed to its subsidiaries (the Sunbeam Affiliates) to (1) fund the acquisition of Coleman, Signature Brands and First Alert, (2) replace third party borrowings of acquired companies, and (3) provide working capital. The contributions have been recorded in the Debtor's books and records as intercompany receivables and, to the extent they bear interest, as intercompany debt obligations for tax purposes. In most cases, (particularly those where no interest was charged), these contributions actually reflect equity investments by Sunbeam Corporation to each of its operating units. Often notes were issued to reflect such contributions. These notes have been pledged to the Bank Group. Therefore, to the extent such receivables represent true obligations of the Sunbeam Affiliates, they are the collateral security of the Bank Group. As of January 1, 2001, the aggregate amount of recorded receivables due Sunbeam Corporation from the Sunbeam Affiliates (net of amounts payable by Sunbeam Corporation to the Sunbeam Affiliates) was approximately \$2.3 billion.

#### **K. THE SMOKE ALARM CLASS ACTION LITIGATION**

Two putative nationwide class action lawsuits were filed in May 1998. One action, captioned Linda Schmulbach and Arnold Brown v. Pittway Corporation, BRK Brands, Inc., and First Alert, Inc. ("Schmulbach"), was filed in Illinois state court and the other action, captioned, Natasha Claybrook, et al. v. BRK Brands, Inc., f/k/a First Alert, Sunbeam Corporation

a/k/a Sunbeam Products, Inc. and First Alert, Inc. ("Claybrook"), was filed in federal district court in Alabama. The plaintiffs in the Schmulbach and Claybrook actions alleged, among other things, that the defendants failed to adequately inform consumers of the varying performance characteristics of ionization and photoelectric smoke alarms.

Defendants reached a settlement with the plaintiffs in the Claybrook litigation to resolve all similar claims nationwide. Linda Schmulbach and Arnold Brown chose not to opt out of the settlement and filed an objection to the settlement with the district court.

The district court approved the settlement and held, in its November 20, 2000 memorandum opinion, that each of Ms. Schmulbach's and Mr. Brown's objections were without merit and/or had no basis in fact. The district court, in its November 20, 2000 final order, also permanently enjoined the prosecution of other actions, including the Schmulbach action, relating to the claims resolved in the Claybrook action. Ms. Schmulbach and Mr. Brown filed a notice of appeal with the Eleventh Circuit Court of Appeals on December 15, 2000. On March 20, 2001, the Eleventh Circuit stayed the action pending further orders of the Bankruptcy Court. With the Debtor's consent, on April 11, 2001, the Bankruptcy Court modified the automatic stay solely to the extent necessary to permit the appeal to proceed.

Sunbeam Corporation believes the appeal to be without merit. The Schmulbach objectors did not introduce any evidence supporting their objections at the fairness hearing despite repeated requests for such evidence made by the district court. As a result, under the applicable abuse of discretion standard, the appeal is unlikely to succeed.

Nevertheless, the Schmulbach objectors assert on appeal that: (i) the settlement approved by the district court provided illusory benefits to the class; (ii) the nationwide notice of class certification and settlement failed to include a description of the Schmulbach action; and (iii) the district court lacked jurisdiction to enjoin the Schmulbach action from proceeding.

In approving the settlement, the district court held: (i) the settlement agreement provides a comprehensive program that includes both injunctive and monetary relief designed to promote fire safety for class members; (ii) the objection as to the inadequacy of notice was without merit; and (iii) it had the power to enjoin parallel state suits under the All Writs Act, 28 U.S.C. § 1651(a), and the "necessary in aid of" exception to the Anti-Injunction Act, 28 U.S.C. § 2283.

Sunbeam Corporation does not believe that the district court will be reversed and, consequently, the appeal will have no effect on the Chapter 11 Case and Plan.

#### **L. 2000 FINANCIAL PERFORMANCE**

As of December 1999, after giving effect to monies borrowed for the Coleman Minority Close-Out, Sunbeam Corporation had approximately \$1,519,000,000 in borrowings and had availability to borrow approximately an additional \$96,000,000 under the Bank Credit Agreement. The remaining \$80,000,000 of availability under the Bank Credit Agreement was committed for outstanding letters of credit. The limited availability under the Bank Credit Agreement, together with required interest payments under such facility, severely limited the cash flow available to fund the Sunbeam Group's operations. Sunbeam Corporation's excessive leverage had significant and material consequences. For example, Sunbeam Corporation became more vulnerable to interest rate fluctuations because the indebtedness under its Bank Credit Agreement, among other debt, was at variable interest rates. Sunbeam Corporation's ability to

obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes also was impaired. A substantial portion of the Sunbeam Group's cash flow from operations was dedicated to the payment of principal and interest on Sunbeam Corporation's indebtedness, and as a result, cash available for its operations, capital expenditures and other purposes was extremely limited. Sunbeam Corporation was and is substantially more leveraged than most of its competitors, placing it at a distinct competitive disadvantage.

In addition to financing constraints, as described above, the Sunbeam Group experienced lower than expected sales in the year 2000. The reduction in sales was due in part to a reduction in retailer purchases generally as retailers sought to reduce their inventories and slowing retail sales generally since the first quarter of 2000. The Sunbeam Group's overall sales also were adversely affected by reduced sales of Year 2000 Products. Moreover, the absence of severe storm activity during 2000 adversely affected sales of Year 2000 Products. These factors, among others, led to a significant reduction in the Sunbeam Group's sales and earnings during 2000.

The Sunbeam Group's sales declines were exacerbated by Sunbeam Corporation's highly leveraged debt structure. Sunbeam Corporation's debt levels became significantly more difficult to support as sales and operating performance deteriorated in 2000. Absent the commencement of the chapter 11 cases, in April 2001, Sunbeam Corporation would have become obligated to (i) repay outstanding borrowings of \$50,000,000 under the Bank Credit Supplemental Revolver, (ii) repay \$196,100,000 under the term loan portion of the Bank Credit Agreement, and (iii) pay an \$8,500,000 amendment fee (relating to an April 15, 1999 amendment to the Bank Credit Agreement). Furthermore, absent the commencement of the Chapter 11 Case and the ability to borrow under the \$285,000,000 debtor in possession financing facility provided by the Banks and the \$200,000,000 receivables financing program provided by General Electric Capital Corporation ("GECC"), the Sunbeam Group would not have had sufficient liquidity to fund operating expenses and to build inventory for its outdoor business. At the close of business on Friday, February 2, 2001, Sunbeam Corporation and the Subsidiary Debtors had cash of approximately \$15,000,000 and nominal remaining availability under the Bank Credit Agreement.

#### **M. PREPETITION NEGOTIATIONS**

Commencing in the fourth quarter of 2000, Sunbeam Corporation and the Subsidiary Debtors, together with their attorneys and financial advisors, initiated discussions with the Banks as to a restructuring of the outstanding debt obligations, which led to negotiations as to a consensual chapter 11 plan of reorganization. Such negotiations have resulted in an agreement on the part of the Banks to support and vote in favor of the Plan and the Subsidiary Debtors Plan.

#### **V. THE REORGANIZATION CASE**

##### **A. COMMENCEMENT OF THE CHAPTER 11 CASE**

The Chapter 11 Case was commenced on February 6, 2001 and the Plan was filed contemporaneously therewith. The Debtor continues to operate its business and manage its properties as a debtor-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

## **B. ADMINISTRATION OF THE CHAPTER 11 CASE**

### **1. Operational Matters.**

On the Commencement Date, Sunbeam Corporation obtained a series of orders from the Bankruptcy Court designed to minimize any disruption of business operations and to facilitate their reorganization. The Bankruptcy Court entered orders authorizing Sunbeam Corporation, among other things, to pay prepetition wages and benefits to employees and to continue prepetition insurance policies and plans.

### **2. Cash Management.**

On the Commencement Date, Sunbeam Corporation obtained an order from the Bankruptcy Court authorizing it to continue to operate under the cash management system and procedures that were in place prior to the Commencement Date.

### **3. Debtor in Possession and Receivables Financing.**

On the Commencement Date, Sunbeam Corporation and the Subsidiary Debtors obtained interim orders from the Bankruptcy Court authorizing Sunbeam Corporation and the Subsidiary Debtors (through borrowings from Sunbeam Corporation) to borrow up to \$200,000,000 under a \$285,000,000 debtor-in-possession financing facility provided by the Banks. As a result of financial performance that exceeds the performance anticipated in structuring the DIP Credit Facility, Sunbeam Corporation and the lenders under the DIP Credit Facility are in discussions regarding a reduction in the commitments under the DIP Credit Facility. In addition, the Subsidiary Debtors obtained an interim order from the Bankruptcy Court authorizing them to access all available liquidity under a \$200,000,000 post-petition receivables financing program provided by GECC. The Bankruptcy Court entered final orders approving the debtor-in-possession financing facility and post-petition receivables financing program on March 2, 2001 and February 27, 2001, respectively. Liquidity under the debtor-in-possession financing facility and the receivables financing program has been and will continue to be used by Sunbeam Corporation and the Subsidiary Debtors to finance their seasonal inventory build and conduct normal business operations.

## **C. CREDITORS' COMMITTEE**

On February 13, 2001, the United States Trustee, pursuant to section 1102 of the Bankruptcy Code, appointed a statutory committee of unsecured creditors in Sunbeam Corporation's Chapter 11 Case. The creditors' committee is comprised of the following members: H.B.K. Master Fund, L.P.; Conseco Capital Management; St. Paul Fire & Marine/Seaboard Surety; T. Rowe Price Recovery Fund II, L.P.; Albert Fried & Company; Moses Marx; KS Capital Partners; Elliot International & Associated Entities; and Oaktree Capital Management.

## **VI. THE PLAN OF REORGANIZATION**

The Plan provides for a major restructuring of the Debtor's institutional and other obligations. In essence, pursuant to the Plan, the holders of Secured Bank Claims, aggregating \$1,602,685,539, will receive, in exchange for such claims, (i) \$200,000,000 in New Secured Term Debt of Reorganized Sunbeam and \$600,000,000 of New Convertible Secured Notes of Reorganized Sunbeam and (ii) 100% of the Reorganized Sunbeam Common Stock, subject to

options to be issued to employees. Inasmuch as the enterprise value of the Sunbeam Group, as described herein and in the Subsidiary Debtors' disclosure statement, is less than the claims of the Banks, all other pre-Commencement Date creditors of Sunbeam Corporation, including, without limitation, the holders of Subordinated Note Claims, Subordinated Noteholder Securities Claims and Equity Holder Securities Claims, and all holders of Equity Interests in Sunbeam Corporation, will receive no recovery under the Plan.

The Debtor believes that (i) through the Plan, holders of Allowed Secured Bank Claims will obtain a greater recovery from the estate of the Debtor than the recovery that they would receive if the assets of the Debtor were liquidated under chapter 7 of the Bankruptcy Code and (ii) the Plan will afford the Debtor the opportunity and ability to continue in business as a viable going concern and preserve ongoing employment for the Debtor's employees.

The Plan is annexed hereto as Exhibit A and forms a part of this Disclosure Statement. The summary of the Plan set forth below is qualified in its entirety by reference to the provisions of the Plan.

**A. CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS**

The Plan classifies Claims and Equity Interests separately and provides different treatment for different Classes of Claims and Equity Interests in accordance with the provisions of the Bankruptcy Code. As described more fully below, the Plan provides, separately for each Class, that holders of certain Claims will receive various amounts and types of consideration, thereby giving effect to the different rights of holders of Claims and Equity Interests in each Class.

**1. Administrative Expense Claims**

Administrative Expense Claims are Claims constituting a cost or expense of administration of the Chapter 11 Case allowed under sections 503(b) and 507(a)(1) of the Bankruptcy Code. Such Claims include all actual and necessary costs and expenses of preserving the estate of the Debtor, all actual and necessary costs and expenses of operating the business of the Debtor in Possession, any indebtedness or obligations incurred or assumed by the Debtor in Possession in connection with the conduct of its business, all cure amounts owed in respect of leases and contracts assumed by the Debtor in Possession, all compensation and reimbursement of expenses to the extent Allowed by the Bankruptcy Court under section 330 or 503 of the Bankruptcy Code, and any fees or charges assessed against the estate of the Debtor under section 1930 of chapter 123 of title 28 of the United States Code.

Except to the extent that any entity entitled to payment of any Allowed Administrative Expense Claim agrees to a less favorable treatment, each holder of an Allowed Administrative Expense Claim shall receive Cash in an amount equal to such Allowed Administrative Expense Claim on the later of the Effective Date and the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as is practicable; provided, however, that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtor in Possession or liabilities arising under loans or advances to or other obligations incurred by the Debtor in Possession shall be paid in full and performed by Reorganized Sunbeam in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing or other documents relating to such transactions.

## **2. Compensation and Reimbursement Claims**

Compensation and reimbursement Claims are Administrative Expense Claims for the compensation of professionals and reimbursement of expenses incurred by such professionals pursuant to sections 503(b)(2), 503(b)(3), 503(b)(4) and 503(b)(5) of the Bankruptcy Code (the "Compensation and Reimbursement Claims"). All payments to professionals for Compensation and Reimbursement Claims will be made in accordance with the procedures established by the Bankruptcy Code, the Bankruptcy Rules and the Bankruptcy Court relating to the payment of interim and final compensation for services rendered and reimbursement of expenses. The Bankruptcy Court will review and determine all applications for compensation for services rendered and reimbursement of expenses.

Pursuant to the Plan, each holder of a Compensation and Reimbursement Claim shall (a) file its final application for the allowance of compensation for services rendered and reimbursement of expenses incurred by no later than the date that is 60 days after the Effective Date or such other date as may be fixed by the Bankruptcy Court and (b) if granted such an award by the Bankruptcy Court, be paid in full in such amounts as are Allowed by the Bankruptcy Court (i) on the date such Compensation and Reimbursement Claim becomes an Allowed Claim, or as soon thereafter as is practicable or (ii) upon such other terms as may be mutually agreed upon between such holder of a Compensation and Reimbursement Claim and Reorganized Sunbeam.

## **3. Priority Tax Claims**

Priority Tax Claims are Claims for taxes entitled to priority in payment under section 507(a)(8) of the Bankruptcy Code.

Pursuant to the Plan, except to the extent that a holder of an Allowed Priority Tax Claim has been paid by the Debtor prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, at the sole option of Reorganized Sunbeam, (a) Cash in an amount equal to such Allowed Priority Tax Claim on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable or (b) equal annual Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest at a fixed annual rate equal to 8.0%, over a period through the sixth anniversary of the date of assessment of such Allowed Priority Tax Claim, or upon such other terms determined by the Bankruptcy Court to provide the holder of such Allowed Priority Tax Claim with deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Priority Tax Claim; provided, however, that the Debtor must obtain the consent of the Banks in order to elect option (a).

## **4. Class 1 – Other Priority Claims**

Other Priority Claims are Claims that are entitled to priority in accordance with section 507(a) of the Bankruptcy Code (other than Administrative Expense Claims and Priority Tax Claims). Such Claims include unpaid Claims for (a) accrued employee compensation earned within 90 days prior to commencement of the Chapter 11 Case to the extent of \$4,300 per employee and (b) contributions to employee benefit plans arising from services rendered within 180 days prior to the commencement of the Chapter 11 Cases, but only for each such plan to the extent of (i) the number of employees covered by such plan multiplied by \$4,300, less (ii) the aggregate amount paid to such employees from the estate for wages, salaries or commissions during the 90 days prior to the Commencement Date. The Debtor believes that all Other Priority



Claims have been or will be paid pursuant to an order of the Bankruptcy Court. Accordingly, the Debtor believes that there should be no Allowed Other Priority Claims.

Pursuant to the Plan, except to the extent that a holder of an Allowed Other Priority Claim has been paid by the Debtor prior to the Effective Date or agrees to a different treatment, each holder of Allowed Other Priority Claims, if any exist, will be paid in full, in Cash, on the later of the Effective Date and the date its Other Priority Claim becomes an Allowed Claim, or as soon thereafter as is practicable.

#### **5. Class 2 – Other Secured Claims**

Other Secured Claims consist of all Secured Claims other than Secured Bank Claims and Sunbeam Affiliate Claims that are Secured Claims. The Debtor believes that the Other Secured Claims will include, among other Claims, Claims relating to mechanics' and materialmen's liens and secured tax claims.

Pursuant to the Plan, except to the extent that a holder of an Allowed Other Secured Claim has been paid by the Debtor prior to the Effective Date or agrees to a different treatment, at the option of Reorganized Sunbeam, each holder of an Allowed Other Secured Claim shall be (a) reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, (b) receive Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, on the later of the Effective Date and the date such Allowed Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable or (c) receive the Collateral securing its Allowed Other Secured Claim and any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, on the later of the Effective Date and the date such Allowed Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable; provided, however, that the Debtor must obtain the consent of the Banks in order to elect option (b).

#### **6. Class 3 – Secured Bank Claims**

The Secured Bank Claims consist of all Claims of the Banks arising under the Bank Credit Agreement. The Bank Credit Agreement means that certain Senior Credit Agreement, dated as of March 30, 1998, among Sunbeam, the Subsidiary Debtors and certain Non-Debtor Affiliates party thereto, as guarantors, and the Banks, and any and all of the documents, instruments and agreements relating thereto, including, without limitation, all guarantees and securities documents, instruments and agreements executed and delivered in connection with the Senior Credit Agreement, as same may have been amended, supplemented, modified, extended, replaced, refinanced, renewed or restated as of the Commencement Date. Pursuant to the Plan, the Secured Bank Claims are deemed Allowed Claims in the aggregate amount of \$1,602,685,539.

Pursuant to the Plan, on the Effective Date, each holder of an Allowed Secured Bank Claim as of the Record Date shall receive in full and complete settlement, satisfaction, release and discharge of its Allowed Secured Bank Claim: (i) its Pro Rata Share of (A) 100% of the Reorganized Sunbeam Common Stock, (B) \$200,000,000 in principal amount of the New Secured Term Debt and (C) \$600,000,000 in principal amount of the New Convertible Secured Notes; and (ii) the releases set forth in Section 11.4 of the Plan. In addition, each holder of an Allowed Secured Bank Claim shall be entitled to retain all amounts paid to it or on its behalf as

adequate protection or otherwise, and Reorganized Sunbeam will continue to pay the professional fees of the holders of the Allowed Secured Bank Claims after the Confirmation Date with respect to matters relating to the Plan or the Chapter 11 Case in accordance with the terms and conditions of the orders approving the Post-Petition Bank Credit Agreement.

#### **7. Class 4 – General Unsecured Claims**

The General Unsecured Claims consist of all Claims other than Secured Claims, Administrative Expense Claims, Priority Tax Claims, Other Priority Claims, Subordinated Note Claims, Punitive Damage Claims, Derivative Securities Litigation Claims, Sunbeam Affiliate Claims, Subordinated Noteholder Securities Claims and Equity Holder Securities Claims. General Unsecured Claims include, without limitation, (a) Claims arising from the rejection of leases of nonresidential real property and executory contracts, (b) Claims relating to personal injury, property damage, products liability, discrimination, employment or any other similar litigation Claims asserted against the Debtor, (c) Claims relating to other prepetition litigation against the Debtor (other than Derivative Securities Litigation Claims, Sunbeam Affiliate Claims, Subordinated Noteholder Securities Claims and Equity Holder Securities Claims), and (d) Claims, if any, of the Debtor's vendors, suppliers and service providers.

Pursuant to the Plan, the holders of General Unsecured Claims shall not receive any distributions on account of such Claims. On the Effective Date, all General Unsecured Claims shall be extinguished.

#### **8. Class 5A – Subordinated Note Claims**

The Subordinated Note Claims consist of all Claims arising under the Subordinated Notes Indenture as of the Commencement Date. The Subordinated Notes Indenture means the trust indenture, dated as of March 25, 1998, between Sunbeam, as issuer of the Subordinated Notes, and the Indenture Trustee, and all of the documents and instruments relating thereto, as amended, supplemented, modified or restated as of the Commencement Date. Pursuant to the Plan, the Subordinated Note Claims shall be deemed Allowed Claims solely for purposes of the Plan in the aggregate amount of \$864,261,481.

Pursuant to the Plan, no holder of a Subordinated Note Claim shall be entitled to receive any distribution under the Plan on account of its Subordinated Note Claim. On the Effective Date, all Subordinated Note Claims shall be extinguished.

#### **9. Class 5B – Subordinated Noteholder Securities Claim**

The Subordinated Noteholder Securities Claims consist of any and all Claims and Causes of Action, of any kind whatsoever, known or unknown, asserted or which might have been, or might in the future be, asserted in a direct or other capacity against any the Debtor arising out of, relating to or in connection with: (a) the purchase, ownership, sale or other decision or action made or taken, or declined, or failed or refused to be made or taken, or otherwise foregone, concerning or relating to the Subordinated Notes; (b) the facts, transactions, events, occurrences, acts, representations, disclosures, statements, omissions or failures to act which were alleged or could have been alleged in the pending litigation asserted against the Debtor, whether asserted individually or on behalf of a class of plaintiffs, which generally arise from allegations of alleged acts or omissions of the Debtor or any other persons or entities prior to the Commencement Date with respect to or concerning the Subordinated Notes, or the purchase, sale or ownership thereof, including, without limitation, the litigation or causes of

action set forth in Exhibit E to the Plan; (c) accounting irregularities or errors, if any, or alleged accounting irregularities or errors relating to the Debtor or the Sunbeam Group; (d) the historical or projected financial condition or results of the Sunbeam Group; (e) any restatements of the Debtor's or any member of the Sunbeam Group's financial statements or results of operations; (f) any other Claims and Causes of Action arising out of, relating to, or in connection with the Subordinated Notes that would be subject to and subordinated under section 510(b) of the Bankruptcy Code; and (g) indemnification, reimbursement or contribution Claims against the Debtor with respect to any of the foregoing. Notwithstanding the foregoing, Subordinated Noteholder Securities Claims shall not include Assumed Indemnification Claims and Derivative Securities Litigation Claims.

Pursuant to the Plan and section 510(b) of the Bankruptcy Code, the holders of Subordinated Noteholder Securities Claims shall not receive any distributions on account of such Claims and shall be enjoined from pursuing any Subordinated Noteholder Securities Claims against the Debtor or Reorganized Sunbeam.

#### **10. Class 6 – Sunbeam Affiliate Claims**

The Sunbeam Affiliate Claims consist of any Claim, whether secured or unsecured, of a Sunbeam Affiliate. As of the Commencement Date, the aggregate amount of Sunbeam Affiliate Claims was approximately \$175,499,506. However, after offset of the amounts due as of the Commencement Date from the Sunbeam Affiliates to Sunbeam Corporation, there are no remaining affiliate claims. Sunbeam Corporation's books and records reflect a net receivable balance from the Sunbeam Affiliates.

Pursuant to the Plan, each holder of a Sunbeam Affiliate Claim shall not receive any distributions on account of such Claims. On the Effective Date, all Sunbeam Affiliate Claims shall be offset and extinguished.

#### **11. Class 7 – Punitive Damage Claims**

The Punitive Damage Claims consist of any Claim arising prior to the Commencement Date, whether secured or unsecured, for any fine, penalty or forfeiture, or for multiple, exemplary or punitive damages, to the extent that such fine, penalty, forfeiture or damages is not compensation for actual pecuniary loss suffered by the holder of such Claim.

Pursuant to the Plan, the holders of Punitive Damage Claims shall not receive any distribution on account of such claims.

#### **12. Class 8A – Equity Interests**

Equity Interests consist of any share of common stock or other instrument evidencing an ownership interest in the Debtor, whether or not transferable, and any option, warrant or right, contractual or otherwise, to acquire any such interest.

Pursuant to the Plan, holders of Equity Interests shall not receive any distributions on account of such Equity Interests. On the Effective Date, all Equity Interests shall be extinguished.

### **13. Class 8B – Equity Holder Securities Claims**

The Equity Holder Securities Claims consist of any and all Claims and Causes of Action of any kind whatsoever, known or unknown, asserted or which might have been, or might in the future be, asserted in a direct or other capacity against the Debtor arising out of, relating to or in connection with: (a) the purchase, ownership, sale or other decision or action made or taken, or declined, or failed or refused to be made or taken, or otherwise foregone, concerning or relating to the Equity Interests; (b) the facts, transactions, events, occurrences, acts, representations, disclosures, statements, omissions or failures to act which were alleged or could have been alleged in the pending litigation asserted against the Debtor, whether asserted individually or on behalf of a class of plaintiffs, which generally arise from allegations of alleged acts or omissions of the Debtor or any other persons or entities prior to the Commencement Date with respect to or concerning the Equity Interests, or the purchase, sale or ownership thereof, including, without limitation, the litigation or causes of action set forth in Exhibit B to the Plan; (c) accounting irregularities or errors, if any, or alleged accounting irregularities or errors relating to the Sunbeam Group; (d) the historical or projected financial condition or results of the Sunbeam Group; (e) state law appraisal rights sought or requested in connection with or relating in any manner to the Sunbeam Group; (f) any restatements of the Debtor's or any member of the Sunbeam Group's financial statements or results of operations; (g) any other Claims and Causes of Action arising out of, relating to, or in connection with the Equity Interests that would be subject to and subordinated under section 510(b) of the Bankruptcy Code; and (h) indemnification, reimbursement or contribution Claims with respect to any of the foregoing. Notwithstanding the foregoing, Equity Holder Securities Claims shall not include Assumed Indemnification Claims and Derivative Securities Litigation Claims.

Pursuant to the Plan and section 510(b) of the Bankruptcy Code, the holders of Equity Holder Securities Claims shall not receive any distributions on account of such Claims and shall be enjoined from pursuing any Equity Holder Securities Claims against the Debtor or Reorganized Sunbeam.

#### **B. SECURITIES TO BE ISSUED UNDER THE PLAN**

##### **1. Reorganized Sunbeam Common Stock**

Pursuant to the Plan, on the Effective Date, all Equity Interests will be cancelled. Pursuant to the Plan, all of the shares of Reorganized Sunbeam Common Stock will be issued to holders of Allowed Secured Bank Claims. Such shares shall constitute 100% of the shares of Reorganized Sunbeam Common Stock outstanding as of the Effective Date.

##### **2. Reorganized Sunbeam Stock Option Plans**

Pursuant to the Plan, prior to the Effective Date, and subject to the separate affirmative vote of Class 3 (Secured Bank Claims), which Class will receive, in the aggregate, 100% of the shares of Reorganized Sunbeam Common Stock to be issued under the Plan, Reorganized Sunbeam shall adopt the Reorganized Sunbeam Stock Option Plans. An aggregate of approximately 11% of the outstanding shares of Reorganized Sunbeam Common Stock on a fully diluted basis (the "Employee Options") will be available for issuance of options and equivalent incentive awards under the terms and subject to the conditions of the Reorganized Sunbeam Stock Option Plans. Sunbeam Corporation contemplates having two separate stock option plans: one plan for executive officers and other senior management employees, and the other plan for all other employees and persons providing services to Sunbeam Corporation and its

subsidiaries. See Section VIII.C for a description of the Reorganized Sunbeam Stock Option Plans. The Reorganized Sunbeam Stock Option Plans are subject to the approval of the shareholders of Reorganized Sunbeam within twelve months of the Effective Date, and the Disclosure Statement includes, as a separate matter for approval by the Class 3 creditors (in their capacity as the shareholders of Reorganized Sunbeam immediately following the Effective Date in accordance with the Plan) the approval of the Reorganized Sunbeam Stock Option Plans.

### **C. METHOD OF DISTRIBUTION UNDER THE PLAN**

All distributions under the Plan shall be made by Reorganized Sunbeam as Disbursing Agent or such other entity designated by Reorganized Sunbeam as Disbursing Agent. A Disbursing Agent shall not be required to provide any bond, surety or other security for the performance of its duties, unless otherwise ordered by the Bankruptcy Court; and, in the event that a Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond, surety or other security shall be borne by Reorganized Sunbeam.

Subject to Bankruptcy Rule 9010, all distributions under the Plan shall be made to the holder of each Allowed Claim at the address of such holder as listed on the Schedules as of the Record Date (five Business Days from and after the Confirmation Date), unless the Debtor or, on and after the Effective Date, Reorganized Sunbeam, has been notified in writing of a change of address, including, without limitation, by the filing of a proof of Claim by such holder that provides an address for such holder different from the address reflected on the Schedules.

As at the close of business on the Record Date, the claims register shall be closed, and there shall be no further changes in the record holder of any Claim. The Debtor and Reorganized Sunbeam shall have no obligation to recognize any transfer of any Claim occurring after the Record Date. The Debtor and Reorganized Sunbeam shall instead be authorized and entitled to recognize and deal for all purposes under the Plan with only those record holders stated on the claims register as of the close of business on the Record Date.

Any payment of Cash made by Reorganized Sunbeam pursuant to the Plan shall, at Reorganized Sunbeam's option, be made by check drawn on a domestic bank or wire transfer. No payment of Cash less than one-hundred dollars shall be made by Reorganized Sunbeam to any holder of a Claim unless a request therefor is made in writing to Reorganized Sunbeam. No fractional shares of Reorganized Sunbeam Common Stock, or Cash in lieu thereof, shall be distributed under the Plan. When any distribution pursuant to the Plan would otherwise result in the issuance of a number of shares of Reorganized Sunbeam Common Stock that is not a whole number, the actual distribution of shares of Reorganized Sunbeam Common Stock shall be rounded as follows: (i) fractions of  $\frac{1}{2}$  or greater shall be rounded to the next higher whole number; and (ii) fractions of less than  $\frac{1}{2}$  shall be rounded to the next lower whole number. The total number of shares of Reorganized Sunbeam Common Stock to be distributed pursuant to the Plan shall be adjusted as necessary to account for rounding.

Any payment or distribution required to be made under the Plan on a day other than a Business Day shall be made on the next succeeding Business Day.

All distributions under the Plan that are unclaimed for a period of one year after distribution thereof shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and reverted in Reorganized Sunbeam and any entitlement of any holder of any Claim to such distributions shall be extinguished and forever barred.

**D. TIMING OF DISTRIBUTIONS UNDER THE PLAN**

Payments and distributions to holders of Allowed Administrative Expense Claims, Allowed Priority Tax Claims, Allowed Other Priority Claims and Allowed Other Secured Claims that are Allowed Claims on the Effective Date shall be made on the Effective Date, or as soon thereafter as is practicable.

Payments and distributions to holders of Allowed Secured Bank Claims shall be made on the Effective Date.

**E. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

The Bankruptcy Code grants the Debtor the power, subject to the approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired leases. If an executory contract or unexpired lease is rejected, the counter party to the agreement may file a claim for damages incurred by reason of the rejection. In the case of rejection of leases of real property, such damage claims are subject to certain limitations imposed by the Bankruptcy Code.

Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all executory contracts and unexpired leases that exist between the Debtor and any person shall be deemed assumed by the Debtor, as of the Effective Date, except for any executory contract or unexpired lease (i) that has been rejected pursuant to an order of the Bankruptcy Court entered prior to the Confirmation Date, (ii) as to which a motion for approval of the rejection of such executory contract or unexpired lease has been filed and served prior to the Confirmation Date or (iii) that is set forth in Schedule 6.1(a)(x) (executory contracts) or Schedule 6.1(a)(y) (unexpired leases), which Schedules shall be included in the Plan Supplement. The Debtor reserves the right, on or prior to the Confirmation Date, to amend Schedules 6.1(a)(x) or 6.1(a)(y) to delete any executory contract or unexpired lease therefrom or add any executory contract or unexpired lease thereto, in which event such executory contract(s) or unexpired lease(s) shall be deemed to be, respectively, assumed by the Debtor or rejected. The Debtor shall provide notice of any amendments to Schedules 6.1(a)(x) or 6.1(a)(y) to the parties to the executory contracts and unexpired leases affected thereby. The listing of a document on Schedules 6.1(a)(x) and 6.1(a)(y) shall not constitute an admission by the Debtor that such document is an executory contract or an unexpired lease or that the Debtor has any liability thereunder.

Pursuant to the Plan, each executory contract and unexpired lease listed or to be listed on Schedules 6.1(a)(x) or 6.1(a)(y) that relates to the use or occupancy of real property shall include (i) modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such executory contract or unexpired lease, without regard to whether such agreement, instrument or other document is listed on Schedules 6.1(a)(x) or 6.1(a)(y) and (ii) executory contracts or unexpired leases appurtenant to the premises listed on Schedules 6.1(a)(x) or 6.1(a)(y), including, without limitation, all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, usufructs, reciprocal easement agreements, vault, tunnel or bridge agreements or franchises, and any other interests in real estate or rights in rem relating to such premises to the extent any of the foregoing are executory contracts or unexpired leases, unless any of the foregoing agreements previously has been assumed or assumed and assigned by the Debtor.

Pursuant to the Plan, all of the Debtor's insurance policies and any agreements, documents or instruments relating thereto are treated as executory contracts under the Plan.

Notwithstanding the foregoing, distributions under the Plan to any holder of an Insured Claim shall be in accordance with the treatment provided under Article IV and Section 6.1(c) of the Plan. The treatment of the Debtor's insurance policies and any agreements, documents or instruments relating thereto as executory contracts under the Plan shall not constitute or be deemed a waiver of any Cause of Action that the Debtor may hold against any entity, including, without limitation, the insurer under any of the Debtor's policies of insurance.

Pursuant to the Plan, entry of the Confirmation Order shall, subject to and upon the occurrence of the Effective Date, constitute the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption of the Assumed Indemnification Claims. The Assumed Indemnification Claims shall, in all respects, irrespective of whether such obligations arise under contracts or executory contracts, survive confirmation of the Plan, remain unaffected thereby, and not be discharged irrespective of whether indemnification, defense, reimbursement or limitation is owed in connection with an event occurring before, on or after the Commencement Date.

Except as provided in Section 6.1(a) of the Plan, all savings, retirement, health care, severance, performance-based cash incentive, retention, employee welfare benefit, life insurance, disability and similar plans and agreements, all directors and officers liability and other insurance and all workers' compensation programs are treated as executory contracts under the Plan and shall, on the Effective Date, be deemed assumed by the Debtor in accordance with sections 365(a) and 1123(b)(2) of the Bankruptcy Code.

Pursuant to the Plan, subject to and upon the occurrence of the Effective Date, entry of the Confirmation Order by the Bankruptcy Court shall constitute (i) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption and assignment of the executory contracts and unexpired leases assumed and assigned pursuant to the Plan, (ii) the extension of time, pursuant to section 365(d)(4) of the Bankruptcy Code, within which the Debtor may assume, assume and assign or reject the unexpired leases pursuant to the Plan, through the date of entry of an order approving the assumption, assumption and assignment or rejection of such unexpired leases and (iii) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to Section 6.1(a) of the Plan.

Except as may otherwise be agreed to by the parties, within 30 days after the Effective Date, Reorganized Sunbeam shall cure any and all undisputed defaults under any executory contract or unexpired lease assumed by the Debtor pursuant to the Plan, in accordance with section 365(b)(1) of the Bankruptcy Code. All disputed defaults that are required to be cured shall be cured either within 30 days of the entry of a Final Order determining the amount, if any, of Reorganized Sunbeam's liability with respect thereto or as may otherwise be agreed to by the parties.

Claims arising out of the rejection of an executory contract or unexpired lease pursuant to the Plan must be filed with the Bankruptcy Court and served upon the Debtor or, on and after the Effective Date, Reorganized Sunbeam, no later than 30 days after the later of (i) notice of entry of an order approving the rejection of such executory contract or unexpired lease, (ii) notice of entry of the Confirmation Order and (iii) notice of an amendment to Schedule 6.1(a)(x) or 6.1(a)(y). All such Claims not filed within such time will be forever barred from assertion against the Debtor, its estate, Reorganized Sunbeam and its property. Unless otherwise ordered by the Bankruptcy Court, all claims arising from the rejection of executory contracts or unexpired leases shall be treated as General Unsecured Claims under the Plan.

**F. PROVISIONS FOR TREATMENT OF DISPUTED CLAIMS**

Except as to applications for allowance of compensation and reimbursement of expenses under sections 330 and 503 of the Bankruptcy Code, Reorganized Sunbeam shall, on and after the Effective Date, have the exclusive right to make and file objections to Disputed Administrative Expense Claims and Claims. On and after the Effective Date, Reorganized Sunbeam shall have the authority to compromise, settle, otherwise resolve or withdraw any objections to Administrative Expense Claims and Claims and compromise, settle or otherwise resolve Disputed Administrative Expense Claims and Disputed Claims without approval of the Bankruptcy Court. Unless otherwise ordered by the Bankruptcy Court, the Debtor and, on and after the Effective Date, Reorganized Sunbeam shall file all objections to Administrative Expense Claims that are the subject of proofs of claim or requests for payment filed with the Bankruptcy Court (other than applications for allowances of compensation and reimbursement of expenses) and Claims and serve such objections upon the holder of the Administrative Expense Claim or Claim as to which the objection is made as soon as is practicable, but in no event later than 90 days after the Effective Date or such later date as may be approved by the Bankruptcy Court.

**G. CONDITIONS PRECEDENT TO CONFIRMATION OF THE PLAN**

The Plan shall not be confirmed by the Bankruptcy Court unless and until the following conditions shall have been satisfied or waived pursuant to Section 9.4 of the Plan:

- the Class of holders of Secured Bank Claims (Class 3) shall have voted to accept the Plan by the requisite statutory majorities provided in section 1126(c) of the Bankruptcy Code;
- the class of secured Bank claims in the Subsidiary Debtors Plan shall have voted to accept the Subsidiary Debtors Plan by the requisite statutory majorities provided in section 1126(c) of the Bankruptcy Code;
- all exhibits to the Plan and the Subsidiary Debtors Plan, including those contained in the Plan Supplement and the Subsidiary Debtors Plan supplement, shall be in form and substance acceptable to the Banks;
- no default or event of default under the Post-Petition Bank Credit Agreement shall have occurred and be continuing;
- no default or event of default under the postpetition receivables program provided by GECC or the documents related thereto shall have occurred and be continuing, the postpetition receivables program provided by GECC shall be in full force and effect, and no reduction in the availability under the postpetition receivables program provided by GECC shall have occurred;
- GECC shall have agreed to continue the postpetition receivables program after the effectiveness of the Subsidiary Debtors Plan on terms acceptable to the Banks and the Debtor, or another receivables financing source, acceptable to the Banks and the Debtor, shall have agreed to provide receivables financing to the Subsidiary Debtors after the effectiveness of the Subsidiary Debtors Plan, on terms acceptable to the Banks and the Debtor;



- no material adverse effect on the business, assets, operations, property, condition (financial or otherwise) of Sunbeam Corporation or any of its subsidiaries (other than inactive subsidiaries) shall have occurred and be continuing;
- no material unanticipated claims shall have been filed or asserted in Sunbeam Corporation's Chapter 11 Case or the chapter 11 cases of the Subsidiary Debtors; and
- one or more financial institutions acceptable to the Banks and the Debtor shall have agreed to provide a working capital credit facility to Sunbeam Corporation and the Subsidiary Debtors after the effectiveness of the Plan and the Subsidiary Debtors Plan, on terms acceptable to the Banks and the Debtor.

#### **H. CONDITIONS PRECEDENT TO EFFECTIVENESS OF THE PLAN**

The Plan shall not become effective unless and until the following conditions shall have been satisfied or waived pursuant to Section 9.4 of the Plan:

- the Confirmation Order, in form and substance acceptable to the Debtor and the Banks, shall have been signed by the Bankruptcy Court on or before July 15, 2001, and shall have become a Final Order;
- the order confirming the Subsidiary Debtors Plan, in form and substance acceptable to the Debtor and the Banks, shall have been signed by the Bankruptcy Court on or before July 15, 2001, and shall have become a Final Order;
- the Effective Date shall have occurred on or before July 31, 2001;
- the Debtor shall have at least \$15,000,000 in Cash as of the Effective Date, after giving effect to the distribution of Cash projected to be made under the Plan;
- one or more financial institutions acceptable to the Banks and the Debtor shall have agreed to provide a working capital credit facility to Sunbeam Corporation and the Subsidiary Debtors after the effectiveness of the Plan and the Subsidiary Debtors Plan, on terms acceptable to the Banks and the Debtor;
- all actions, documents and agreements necessary to implement the Plan shall have been effected or executed;
- the Debtor shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions or documents that are determined by the Debtor to be necessary to implement the Plan; and
- each of the Reorganized Sunbeam Certificate of Incorporation, the Reorganized Sunbeam By-laws, the Reorganized Sunbeam Stock Option Plan, the Registration Rights Agreement and the Shareholders

Agreement, in form and substance acceptable to the Debtor and the Banks, shall have been effected or executed.

The Debtor may waive, with the consent of the Banks, by a writing signed by an authorized representative of the Debtor and subsequently filed with the Bankruptcy Court, one or more of the conditions precedent to effectiveness of the Plan set forth above (other than the conditions set forth in Section 9.1(a), 9.1(b), 9.2(a) (except as to timing and finality) and 9.2(b) (except as to timing and finality)).

In the event that one or more of the conditions to the Effective Date described above and set forth in Section 9.2 of the Plan have not occurred on or before 60 days after the Confirmation Date, (a) the Confirmation Order shall be vacated, (b) no distributions under the Plan shall be made, (c) the Debtor and all holders of Claims and Equity Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred and (d) the Debtor's obligations with respect to Claims and Equity Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Equity Interests by or against the Debtor or any other person or to prejudice in any manner the rights of the Debtor or any person in any further proceedings involving the Debtor.

#### **I. IMPLEMENTATION AND EFFECT OF CONFIRMATION OF THE PLAN**

On the Effective Date, except as otherwise provided in the Plan, the property of the estate of the Debtor shall vest in Reorganized Sunbeam. From and after the Effective Date, Reorganized Sunbeam may operate its businesses, and may use, acquire and dispose of property free of any restrictions imposed under the Bankruptcy Code. As of the Effective Date, all property of Reorganized Sunbeam shall be free and clear of all liens, claims and interests of holders of Claims and Equity Interests, except as otherwise provided in the Plan. All injunctions and stays provided for in the Chapter 11 Case under sections 105 and 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

#### **J. DISCHARGE AND INJUNCTION**

The rights afforded pursuant to the Plan and the treatment of all Claims and Equity Interests under the Plan shall be in exchange for and in complete satisfaction, discharge and release of Claims and Equity Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Commencement Date, against the Debtor and the Debtor in Possession, or any of their assets or properties. Except as otherwise provided in the Plan, (i) on the Effective Date, all such Claims against and Equity Interests in the Debtor shall be satisfied, discharged and released in full and (ii) all persons shall be precluded from asserting against Reorganized Sunbeam, its successors, or its assets or properties any other or further Claims or Equity Interests based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Confirmation Date.

Except as otherwise expressly provided in the Plan, the Confirmation Order or a separate order of the Bankruptcy Court, all entities who have held, hold or may hold Claims against or Equity Interests in the Debtor, are permanently enjoined, on and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim or Equity Interest, (ii) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against

the Debtor on account of any such Claim or Equity Interest, (iii) creating, perfecting or enforcing any encumbrance of any kind against the Debtor or against the property or interests in property of the Debtor on account of any such Claim or Equity Interest, (iv) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Debtor or against the property or interests in property of the Debtor on account of any such Claim or Equity Interest and (v) commencing or continuing in any manner any action or other proceeding of any kind with respect to any claims and Causes of Action which are extinguished, dismissed or released pursuant to the Plan. Such injunction shall extend to successors of the Debtor, including, without limitation, Reorganized Sunbeam and its respective properties and interests in property. Section 8.5 of the Plan does not enjoin, bar or otherwise impair the commencement or prosecution of direct personal claims against any Person other than the Debtor.

## **K. VOTING**

### **1. Voting of Claims**

Each holder of an Allowed Claim in an impaired Class of Claims that is entitled to vote on the Plan pursuant to Article IV of the Plan shall be entitled to vote separately to accept or reject the Plan as provided in such order as is entered by the Bankruptcy Court establishing procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other order or orders of the Bankruptcy Court.

### **2. Elimination of Vacant Classes**

Any Class of Claims that is not occupied as of the date of commencement of the Confirmation Hearing by an Allowed Claim or a Claim temporarily allowed under Bankruptcy Rule 3018 shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

### **3. Nonconsensual Confirmation**

If any impaired Class of Claims entitled to vote shall not accept the Plan by the requisite statutory majorities provided in section 1126(c) of the Bankruptcy Code, the Debtor reserves the right to amend the Plan in accordance with Section 11.10 of the Plan or undertake to have the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code or both. With respect to impaired Classes of Claims that are deemed to reject the Plan, the Debtor shall request the Bankruptcy Court to confirm the Plan under section 1129(b) of the Bankruptcy Code.

## **L. SUMMARY OF OTHER PROVISIONS OF THE PLAN**

The following subsections summarize certain other significant provisions of the Plan. The Plan should be referred to for the complete text of these and other provisions of the Plan.

### **1. Retiree Benefits**

The Plan provides that, pursuant to section 1114(a) of the Bankruptcy Code, payments, if any, due to any person for the purpose of providing or reimbursing payments for retired employees and their spouses and dependents for medical, surgical, or hospital care

benefits, or benefits in the event of sickness, accident, disability, or death under any plan, fund, or program (through the purchase of insurance or otherwise) maintained or established in whole or in part by the Debtor prior to the Commencement Date shall be continued for the duration of the period the Debtor has obligated themselves to provide such benefits.

## **2. Continuation of Pension Plans**

The Debtor or one or more of its wholly-owned subsidiaries sponsors and administers the Pension Plans. Pursuant to the Plan and the Subsidiaries Plan, the Debtor and/or one or more of its wholly owned subsidiaries will continue the Pension Plans subject to the terms of such plans and applicable law, including ERISA.

## **3. By-laws and Certificates of Incorporation**

The Reorganized Sunbeam By-laws and the Reorganized Sunbeam Certificate of Incorporation shall contain provisions necessary (a) to prohibit the issuance of nonvoting equity securities as required by section 1123(a)(6) of the Bankruptcy Code, subject to further amendment of such certificates of incorporation and by-laws as permitted by applicable law and (b) to effectuate the provisions of the Plan, in each case without any further action by the stockholders or directors of the Debtor, the Debtor in Possession or Reorganized Sunbeam.

The proposed forms of Reorganized Sunbeam Certificate of Incorporation and Reorganized Sunbeam By-laws will be included in the Plan Supplement.

## **4. Amendment or Modification of the Plan**

Alterations, amendments or modifications of or to the Plan may be proposed in writing by the Debtor at any time prior to the Confirmation Date, provided that the Plan, as altered, amended or modified, satisfies the conditions of sections 1122 and 1123 of the Bankruptcy Code, and the Debtor shall have complied with section 1125 of the Bankruptcy Code. Subject to obtaining the approval of the Banks, the Plan may be altered, amended or modified by the Debtor at any time after the Confirmation Date and before substantial consummation, provided that the Plan, as altered, amended or modified, satisfies the requirements of sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan, as altered, amended or modified, under section 1129 of the Bankruptcy Code and the circumstances warrant such alterations, amendments or modifications. A holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such holder.

## **5. Assumed Indemnification Obligations**

Pursuant to the Plan, entry of the Confirmation Order shall, subject to and upon the occurrence of the Effective Date, constitute the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption of the Assumed Indemnification Claims. The Assumed Indemnification Claims means all Claims, if any, as to which the claimant asserts rights based only upon the Assumed Corporate Indemnities. The Assumed Corporate Indemnities mean any obligation of the Debtor to defend, indemnify, reimburse or limit the liability of its present and any former officers, directors and/or employees who were officers, directors and/or employees, respectively, on or after the Commencement Date, solely in their capacity as officers, directors and/or employees, against any claims or obligations pursuant to the Debtor's certificate

of incorporation or by-laws, applicable state law or specific agreement, or any combination of the foregoing. The Assumed Indemnification Claims shall, in all respects, irrespective of whether such claims arise under contracts or executory contracts, survive confirmation of the Plan, remain unaffected thereby, and not be discharged irrespective of whether indemnification, defense, reimbursement or limitation is owed in connection with an event occurring before, on or after the Commencement Date.

## **6. Limited Releases**

Pursuant to the Plan, as of the Effective Date, the Debtor and the Debtor in Possession release all of the Releasees from any and all Causes of Action held, assertable on behalf of or derivative from the Debtor or the Debtor in Possession, in any way relating to the Debtor, the Debtor in Possession, the Chapter 11 Case, the Plan and the ownership, management and operation of the Debtor. Releasees means all present and former officers and directors of the Debtor who were directors and/or officers, respectively, on or after the Commencement Date, and any other persons who serve or served as members of management of the Debtor on or after the Commencement Date, all present and former members of the Committee, all present and former Banks and Post-Petition Banks, all present and former officers and directors and other persons who serve or served as members of the management of any present or former member of the Committee or of any present or former Bank or Post-Petition Bank, and all post-Commencement Date advisors, consultants or professionals of or to the Debtor, the Committee, the members of the Committee, the Banks and Post-Petition Banks. The foregoing shall not operate as a waiver of or release from any Causes of Action arising out of any express contractual obligation owing by any former director, officer or employee to the Debtor or any reimbursement obligation of any former director, officer or employee with respect to a loan or advance made by the Debtor to such former director, officer or employee and is not a waiver of or release for any attorneys retained in connection with this chapter 11 case from claims by their respective clients.

Except as otherwise provided under the Plan, as of the Effective Date, each of the Releasees, in any capacity, generally releases the Debtor and the Debtor in Possession, in each case in any capacity, from any and all Causes of Action held by, assertable on behalf of or derivative from such Releasee in any way relating to the Debtor, the Debtor in Possession, the Chapter 11 Case, the Plan and the ownership, management and operation of the Debtor.

## **7. Cancellation of Existing Securities and Agreements**

Pursuant to the Plan, on the Effective Date, the promissory notes, share certificates, bonds and all other instruments or documents evidencing any Claim or Equity Interest, other than an Other Secured Claim that is reinstated and rendered unimpaired pursuant to Section 4.2 of the Plan, respectively, shall be deemed cancelled without further act or action under any applicable agreement, law, regulation, order or rule, and the obligations of the Debtor under the agreements, indentures and certificates of designations governing such Claims and Equity Interests, as the case may be, shall be discharged.

Holders of promissory notes, share certificates, bonds and any and all other instruments or documents evidencing any Claim or Equity Interest shall not be required to surrender such instruments pursuant to the Plan.

## **8. Revocation or Withdrawal of the Plan**

Subject to obtaining the approval of the Banks, the Debtor reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtor revokes or withdraws the Plan prior to the Confirmation Date, then the Plan shall be deemed null and void. In such event, nothing contained in the Plan shall constitute or be deemed a waiver or release of any claims by or against the Debtor or any other person or entity or to prejudice in any manner the rights of the Debtor or any person or entity in any further proceedings involving the Debtor.

## **9. Termination of Committee**

Pursuant to the Plan, the appointment of the Committee shall terminate on the Effective Date.

## **10. Claims Extinguished**

As of the Effective Date any and all avoidance claims accruing to the Debtor and Debtor in Possession under sections 502(d), 544, 545, 547, 548, 549, 550 and 551 of the Bankruptcy Code and not then pending, shall be extinguished.

During the ninety day (90) period prior to the Commencement Date, the Debtor paid \$40,309,488 to or for the benefit of creditors pursuant to arrangements with those creditors for goods provided and services performed or to be performed. Conceivably, a portion of those payments may technically constitute voidable preferences, if determined that the payments were not made in the ordinary course of business. The recipients of those payments may assert other defenses as well. The Debtor believes that the recoveries, if any, in the context of this case after the deduction of the costs of recovery and taking into account, among other things, the fact that such avoidance recoveries constitute the collateral security of the Post-Petition Banks under the DIP Credit Facility, and the subordination provisions applicable to the holders of Subordinated Notes and other claimants would be inconsequential. The Debtor is unaware of any avoidance actions which, if successfully prosecuted, would result in a greater distribution to any creditors other than the Banks.

## **11. Effectuating Documents and Further Transactions**

Pursuant to the Plan, each of the Debtor and Reorganized Sunbeam is authorized to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan and any securities issued pursuant to the Plan.

## **12. Corporate Action**

Pursuant to the Plan, on the Effective Date, all matters provided for under the Plan that would otherwise require approval of the stockholders or directors of the Debtor or Reorganized Sunbeam, including, without limitation, the authorization to issue or cause to be issued Reorganized Sunbeam Common Stock, New Secured Term Debt, New Convertible Secured Notes, and Employee Options, the effectiveness of the Reorganized Sunbeam Certificate of Incorporation, the Reorganized Sunbeam By-laws, the Registration Rights Agreement, the Shareholders Agreement, the New Convertible Secured Notes Agreement, the election or appointment, as the case may be, of directors and officers of Reorganized Sunbeam pursuant to

the Plan and the authorization and approval of the Reorganized Sunbeam Stock Option Plan shall be deemed to have occurred and shall be in effect from and after the Effective Date pursuant to the applicable general corporation law of Delaware, the state in which the Debtor and Reorganized Sunbeam are incorporated, without any requirement of further action by the stockholders or directors of the Debtor or Reorganized Sunbeam. On the Effective Date, or as soon thereafter as is practicable, Reorganized Sunbeam shall, if required, file its amended certificate of incorporation with the Secretary of State of Delaware, in accordance with the applicable general corporation law of Delaware.

### **13. Exculpation**

Pursuant to the Plan, none of the Debtor, Reorganized Sunbeam, the Committee, the Banks, the Post-Petition Banks or GECC or any of their respective members, officers, directors, employees, advisors, professionals or agents shall have or incur any liability to any holder of a Claim or Equity Interest for any act or omission in connection with, related to, or arising out of, the Chapter 11 Case, the pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence, and, in all respects, the Debtor, Reorganized Sunbeam, the Committee, the Banks, the Post-Petition Banks and GECC and each of their respective members, officers, directors, employees, advisors, professionals and agents shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan; provided that the foregoing shall not operate as a waiver or release for any attorneys retained in connection with this chapter 11 case from claims by their respective clients; provided further that nothing in section 11.6 of the Plan shall effect a release in favor of any person other than the Debtor with respect to any debt owed to the United States Government, any state, city or municipality for any liability of such person arising under (i) the Internal Revenue Code, or any state, city or municipal tax code, (ii) the environmental laws of the United States, any state, city or municipality or (iii) any criminal laws of the United States, any state, city or municipality; and provided further that nothing in the Plan discharges, releases, or relieves the Debtor, Reorganized Sunbeam or the Releasees from any liability under Part 4, Subtitle B, Title I or under Title IV of ERISA with respect to the Pension Plans. PBGC and the Pension Plans shall not be enjoined or precluded from enforcing such liability, if any, as a result of the Plan's provisions or confirmation.

### **14. Plan Supplement**

The Reorganized Sunbeam Certificate of Incorporation, the Reorganized Sunbeam By-laws, the agreement governing the New Secured Term Debt, the New Convertible Secured Notes, the New Convertible Secured Notes Agreement, Schedules 6.1(a)(x) and 6.1(a)(y) referred to in Section 6.1 of the Plan, the Registration Rights Agreement, the Shareholders Agreement and the Reorganized Sunbeam Stock Option Plan shall be contained in the Plan Supplement and filed with the Clerk of the Bankruptcy Court at least 10 days prior to the last day upon which holders of Claims may vote to accept or reject the Plan. Upon its filing with the Bankruptcy Court, the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours. Holders of Claims or Equity Interests may obtain a copy of the Plan Supplement upon written request to the Debtor at the address set forth in Section 11.14 of the Plan.

## **15. Retention of Derivative Securities Litigation Claims**

The Derivative Securities Litigation Claims are property of the estate of the Debtor pursuant to section 541 of the Bankruptcy Code. On or after the Effective Date, all Derivative Securities Litigation Claims, whether or not pending as of the Commencement Date, shall be retained by, vest in and/or become the property of Reorganized Sunbeam. The Confirmation Order shall provide that all named plaintiffs, including certified and uncertified classes of plaintiffs, in the actions currently pending relating to the Derivative Securities Litigation Claims and their respective servants, agents, attorneys and representatives shall, on and after the Effective Date, be permanently enjoined, stayed and restrained from pursuing or prosecuting any of the Derivative Securities Litigation Claims.

## **16. Retention of Jurisdiction**

Pursuant to the Plan, the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, and related to, the Chapter 11 Case and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

- (a) To hear and determine pending applications for the assumption or rejection of executory contracts or unexpired leases, if any are pending, and the allowance of cure amounts and Claims resulting therefrom;
- (b) To hear and determine any and all adversary proceedings, applications and contested matters;
- (c) To hear and determine any objection to Administrative Expense Claims or Claims;
- (d) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;
- (e) To issue such orders in aid of execution and consummation of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;
- (f) To consider any amendments to or modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;
- (g) To hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 330, 331 and 503(b) of the Bankruptcy Code;
- (h) To hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;
- (i) To recover all assets of the Debtor and property of the Debtor's estate, wherever located;
- (j) To hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;



- (k) To hear any other matter not inconsistent with the Bankruptcy Code; and
- (l) To enter a final decree closing the Chapter 11 Case.

#### **17. Exemption from Transfer Taxes**

Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer or exchange of notes or issuance of debt or equity securities under the Plan, the creation of any mortgage, deed of trust or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including, without limitation, any merger agreements or agreements of consolidation, deeds, bills of sale or assignments executed in connection with any of the transactions contemplated under the Plan, shall not be subject to any stamp, real estate transfer, mortgage recording, sales or other similar tax. All sale transactions consummated by the Debtor and approved by the Bankruptcy Court on and after the Commencement Date through and including the Effective Date, including, without limitation, the sales, if any, by the Debtor of owned property or assets pursuant to section 363(b) of the Bankruptcy Code and the assumptions, assignments and sales, if any, by the Debtor of unexpired leases of non-residential real property pursuant to section 365(a) of the Bankruptcy Code, shall be deemed to have been made under, in furtherance of, or in connection with the Plan and, therefore, shall not be subject to any stamp, real estate transfer, mortgage recording, sales or other similar tax.

#### **18. Post-Effective Date Fees and Expenses**

From and after the Effective Date, Reorganized Sunbeam shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable fees and expenses of professional persons thereafter incurred by Reorganized Sunbeam, including, without limitation, those fees and expenses incurred in connection with the implementation and consummation of the Plan.

#### **19. Payment of Statutory Fees**

All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid on the Effective Date.

#### **20. Severability**

In the event that the Bankruptcy Court determines that any provision in the Plan is invalid, void or unenforceable, such provision shall be invalid, void or unenforceable with respect to the holder or holders of such Claims or Equity Interests as to which the provision is determined to be invalid, void or unenforceable. The invalidity, voidness or unenforceability of any such provision shall in no way limit or affect the enforceability and operative effect of any other provision of the Plan.

#### **21. Binding Effect**

The Plan shall be binding upon and inure to the benefit of the Debtor, the holders of Claims and Equity Interests and their respective successors and assigns, including, without limitation, Reorganized Sunbeam.

## **22. Governing Law**

Except to the extent the Bankruptcy Code, Bankruptcy Rules or other federal law is applicable, or to the extent an exhibit to the Plan provides otherwise, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflicts of law of such jurisdiction.

## **23. Withholding and Reporting Requirements**

In connection with the consummation of the Plan, the Debtor or Reorganized Sunbeam, as the case may be, shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements.

## **24. Sections 1125 and 1126 of the Bankruptcy Code**

As of and subject to the occurrence of the Confirmation Date, (i) the Debtor shall be deemed to have solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including, without limitation section 1125(a) of the Bankruptcy Code, and any applicable nonbankruptcy law, rule or regulation governing the adequacy of disclosure in connection with such solicitation and (ii) the Debtor, the Banks and each of their respective affiliates, agents, directors, officers, employees, advisors and attorneys) shall be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer and issuance of any securities under the Plan, and therefore are not, and on account of such offer, issuance and solicitation will not be, liable at any time for any violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or the offer and issuance of any securities under the Plan.

## **25. Allocation of Plan Distributions**

All distributions in respect of Allowed Claims will be allocated first to the portion of such Claims representing interest (as determined for federal income tax purposes), second to the original principal amount of such Claims (as determined for federal income tax purposes), and any excess to the remaining portion of such Claims.

## **26. Hart-Scott-Rodino Compliance**

Any shares of Reorganized Sunbeam Common Stock to be distributed under the Plan to any entity required to file a Premerger Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, shall not be distributed until the notification and waiting periods applicable under such Act to such entity shall have expired or been terminated.

## **27. Minimum Distributions**

No payment of Cash less than one hundred dollars shall be made by Reorganized Sunbeam to any holder of a Claim unless a request therefor is made in writing to Reorganized Sunbeam.

## 28. Notices

All notices, requests and demands to or upon the Debtor or, on and after the Effective Date, Reorganized Sunbeam, to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

*If to the Debtor or Reorganized Sunbeam:*

Sunbeam Products, Inc.  
2381 Executive Center Road  
Boca Raton, Florida 33431  
Attn: General Counsel  
Telephone: (561) 912-4438  
Facsimile: (561) 912-4612

*with a copy to:*

Weil, Gotshal & Manges LLP  
767 Fifth Avenue  
New York, New York 10153  
Attn: Lori R. Fife, Esq.  
Telephone: (212) 310-8000  
Facsimile: (212) 310-8007

*If to the Banks:*

Wachtell, Lipton, Rosen & Katz  
51 West 52d Street  
New York, New York 10019  
Attn: Chaim J. Fortgang, Esq.  
Telephone: (212) 403-1000  
Facsimile: (212) 403-2000

Simpson Thacher & Bartlett  
425 Lexington Avenue  
New York, New York 10017  
Attn: Steven M. Fuhrman, Esq.  
Telephone: (212) 455-2000  
Facsimile: (212) 455 2502

*If to the Committee:*

Kasowitz Benson Torres & Friedman LLP  
1633 Broadway  
New York, New York 10019  
Attn: David Friedman, Esq.  
Telephone: (212) 506-1700  
Facsimile: (212) 506-1800

## VII. CONFIRMATION AND CONSUMMATION PROCEDURE

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

### A. SOLICITATION OF VOTES

In accordance with sections 1126 and 1129 of the Bankruptcy Code, the Claims in Class 3 are impaired, and the holders of Allowed Claims in such Class are entitled to vote to accept or reject the Plan. Classes 4, 5A, 5B, 6, 7, 8A and 8B – General Unsecured Claims, Subordinated Note Claims, Subordinated Noteholder Securities Claims, Sunbeam Affiliate Claims, Punitive Damage Claims, Equity Interests and Equity Holder Securities Claims, respectively -- are impaired and shall not receive any distributions under the Plan. Accordingly, the holders of Claims or Equity Interests in such Classes are conclusively presumed to have rejected the Plan, and the solicitation of acceptances with respect to such Classes is not required under section 1126(f) of the Bankruptcy Code. Claims in Classes 1 and 2 are unimpaired. Accordingly, the holders of Allowed Claims in each of such Classes are conclusively presumed to have accepted the Plan, and the solicitation of acceptances with respect to such Classes is not required under section 1126(f) of the Bankruptcy Code.

As to the classes of claims entitled to vote on a plan, the Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class that have timely voted to accept or reject a plan.

A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

**In addition to voting to accept or reject the Plan, holders of Allowed Secured Bank Claims (Class 3) shall separately indicate on their Ballot their approval or rejection of the Reorganized Sunbeam Stock Option Plans.**

**The Reorganized Sunbeam Stock Option Plans will only be effective upon approval by the separate affirmative vote of Class 3 (Allowed Secured Bank Claims), which Class will receive, in the aggregate, 100% of the shares of Reorganized Sunbeam Common Stock to be issued under the Plan. Any executed Ballots which are timely received but which do not indicate either approval or rejection of the Reorganized Sunbeam Stock Option Plans will be deemed to constitute an approval of the Reorganized Sunbeam Stock Option Plans. See Section VI.B. for a description of the Reorganized Sunbeam Stock Option Plans.**

### B. THE CONFIRMATION HEARING

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing. The Confirmation Hearing in respect of the Plan has been scheduled for July 17, 2001, commencing at 9:30 a.m. Eastern Time, before the Honorable Arthur J. Gonzalez, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004, or such other location as the Bankruptcy Court directs. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date

made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing. Any objection to confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or the number of shares of common stock of the Debtor held by the objector. Any such objection must be filed with the Bankruptcy Court and served so that it is received by the Bankruptcy Court with a copy to Chambers, together with proof of service thereof, and served upon the following parties on or before June 28, 2001 at 4:00 p.m. Eastern Time:

Sunbeam Corporation  
2381 Executive Center Road  
Boca Raton, Florida 33431  
Attn: General Counsel

Weil, Gotshal & Manges LLP  
Attorneys for the Debtor  
767 Fifth Avenue  
New York, New York 10153  
Attn: Harvey R. Miller, Esq.

Wachtell, Lipton, Rosen & Katz  
Attorneys for the Banks  
51 West 52d Street  
New York, New York 10019  
Attn: Chaim J. Fortgang

Simpson Thacher & Bartlett  
Attorneys for the Banks  
425 Lexington Avenue  
New York, New York 10017  
Attn: Steven M. Fuhrman, Esq.

The Office of the United States Trustee  
33 Whitehall Street, 21st Floor  
New York, New York 10004  
Attn: Paul K. Schwartzberg, Esq.

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. **UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

### **C. CONFIRMATION**

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan is (i) accepted by all impaired classes of claims and equity interests or, if rejected by an impaired class, that the plan “does not discriminate unfairly” and is “fair and equitable” as to such class, (ii) feasible and (iii) in the “best interests” of creditors and stockholders that are impaired under the plan.

## **1. Acceptance**

Class 3 (Secured Bank Claims) is impaired under the Plan and holders of Allowed Claims in such Class are entitled to vote to accept or reject the Plan. Classes 4, 5A, 5B, 6, 7, 8A and 8B of the Plan – General Unsecured Claims, Subordinated Note Claims, Subordinated Noteholder Securities Claims, Sunbeam Affiliate Claims, Punitive Damage Claims, Equity Interests and Equity Holder Securities Claims – are impaired under the Plan and shall not receive any distributions under the Plan, and, therefore, are conclusively presumed to have voted to reject the Plan. Classes 1 and 2 of the Plan are unimpaired and, therefore, are conclusively presumed to have voted to accept the Plan.

With respect to those Classes of Claims and Equity Interests that are deemed to have rejected the Plan, i.e., Class 4 (General Unsecured Claims), Class 5A (Subordinated Note Claims), Class 5B (Subordinated Noteholder Securities Claims), Class 6 (Sunbeam Affiliate Claims), Class 7 (Punitive Damage Claims), Class 8A (Equity Interests) and Class 8B (Equity Holder Securities Claims), the Debtor shall request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. The Debtor reserves the right to amend the Plan in accordance with Section 11.10 of the Plan or seek nonconsensual confirmation of the Plan under section 1129(b) of the Bankruptcy Code or both with respect to any Class of Claims that is entitled to vote to accept or reject the Plan, if such Class rejects the Plan.

## **2. Unfair Discrimination and Fair and Equitable Tests**

To obtain nonconsensual confirmation of the Plan, it must be demonstrated to the Bankruptcy Court that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to each impaired, nonaccepting class. The Bankruptcy Code provides a non-exclusive definition of the phrase “fair and equitable.” The Bankruptcy Code establishes “cram down” tests for secured creditors, unsecured creditors and equity holders, as follows:

- **Secured Creditors.** Either (i) each impaired secured creditor retains its liens securing its secured claim and receives on account of its secured claim deferred cash payments having a present value equal to the amount of its allowed secured claim, (ii) each impaired secured creditor realizes the “indubitable equivalent” of its allowed secured claim or (iii) the property securing the claim is sold free and clear of liens with such liens to attach to the proceeds of the sale and the treatment of such liens on proceeds to be as provided in clause (i) or (ii) above.
- **Unsecured Creditors.** Either (i) each impaired unsecured creditor receives or retains under the plan property of a value equal to the amount of its allowed claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan.
- **Equity Interests.** Either (i) each holder of an equity interest will receive or retain under the plan property of a value equal to the greatest of the fixed liquidation preference to which such holder is entitled, the fixed redemption price to which such holder is entitled or the value of the interest or (ii) the holder of an interest that is junior to the nonaccepting class will not receive or retain any property under the plan.

A plan of reorganization does not “discriminate unfairly” with respect to a nonaccepting class if the value of the cash and/or securities to be distributed to the nonaccepting

class is equal to, or otherwise fair when compared to, the value of the distributions to other classes whose legal rights are the same as those of the nonaccepting class.

The Debtor believes and will demonstrate at the Confirmation Hearing that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to each impaired, nonaccepting Class.

### **3. Feasibility**

The Bankruptcy Code permits a plan to be confirmed if it is not likely to be followed by liquidation or the need for further financial reorganization. For purposes of determining whether the Plan meets this requirement, the Debtor has analyzed its ability to meet its obligations under the Plan. As part of this analysis, the Sunbeam Group has prepared projections of its financial performance for each of the three fiscal years in the period ending December 31, 2003 (the “Projection Period”). These projections, and the assumptions on which they are based, are included in the Projected Financial Information, annexed hereto as Exhibit E. Based upon such projections, the Debtor believes that it will be able to make all payments and distributions required pursuant to the Plan and, therefore, that confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization.

The financial information and projections appended to the Disclosure Statement include for the three fiscal years in the Projection Period:

- Projected Consolidated Balance Sheet of Reorganized Sunbeam as of December 31, 2001, December 31, 2002 and December 31, 2003;
- Projected Consolidated Statements of Operation of Reorganized Sunbeam as of December 31, 2001, December 31, 2002 and December 31, 2003; and
- Projected Consolidated Statements of Cash Flow of Reorganized Sunbeam as of December 31, 2001, December 31, 2002 and December 31, 2003.

The pro forma financial information and the projections are based on the assumption that the Plan will be confirmed by the Bankruptcy Court and, for projection purposes, that the Effective Date of the Plan will occur in 2001.

The Sunbeam Group has prepared these financial projections based upon certain assumptions that it believes to be reasonable under the circumstances. Those assumptions considered to be significant are described in the financial projections, which are annexed hereto as Exhibit E. The financial projections have not been examined or compiled by independent accountants. The Debtor makes no representation as to the accuracy of the projections or the Sunbeam Group’s ability to achieve the projected results. Many of the assumptions on which the projections are based are subject to significant uncertainties. Inevitably, some assumptions will not materialize and unanticipated events and circumstances may affect the actual financial results. Therefore, the actual results achieved throughout the Projection Period may vary from the projected results and the variations may be material. All holders of Claims that are entitled to vote to accept or reject the Plan are urged to examine carefully all of the assumptions on which the financial projections are based in connection with their evaluation of the Plan.

#### **4. Best Interests Test**

With respect to each impaired Class of Claims and Equity Interests, confirmation of the Plan requires that each holder of a Claim or Equity Interest either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. To determine the recovery that holders of Claims and Equity Interests in each impaired Class would receive if the Debtor was liquidated under chapter 7, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of the Debtor's assets and properties in the context of a chapter 7 liquidation case. The Cash amount that would be available for satisfaction of Claims and Equity Interests would consist of the proceeds resulting from the disposition of the unencumbered assets and properties of the Debtor, augmented by the unencumbered Cash held by the Debtor at the time of the commencement of the liquidation case. Such Cash amount would be reduced by the costs and expenses of liquidation and by such additional administrative and priority claims that might result from the termination of the Debtor's business and the use of chapter 7 for the purposes of liquidation.

The Debtor's costs of liquidation under chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those fees that might be payable to attorneys and other professionals that such a trustee might engage. In addition, claims would arise by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by the Debtor during the pendency of the Chapter 11 Case. The foregoing types of claims and other claims that might arise in a liquidation case or result from the pending Chapter 11 Case, including any unpaid expenses incurred by the Debtor during the Chapter 11 Case, such as compensation for attorneys, financial advisors and accountants, would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition Claims.

To determine if the Plan is in the best interests of each impaired Class, the value of the distributions from the proceeds of a liquidation of the Debtor's unencumbered assets and properties, after subtracting the amounts attributable to the foregoing claims, must be compared with the value of the property offered to such Classes of Claims under the Plan.

After considering the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Case, including (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee, (ii) the erosion in value of assets in a chapter 7 case in the context of the expeditious liquidation required under chapter 7 and the "forced sale" atmosphere that would prevail and (iii) the substantial increases in claims that would be satisfied on a priority basis or on parity with creditors in the Chapter 11 Case, the Debtor has determined that confirmation of the Plan will provide each holder of an Allowed Claim with a recovery that is not less than such holder would receive pursuant to the liquidation of the Debtor under chapter 7.

The Debtor also believes that the value of any distributions to each Class of Allowed Claims in a chapter 7 case, including all Secured Claims, would be less than the value of distributions under the Plan because such distributions in a chapter 7 case would not occur for a substantial period of time. It is likely that distribution of the proceeds of the liquidation could be delayed for two years after the completion of such liquidation in order to resolve claims and prepare for distributions. In the likely event litigation was necessary to resolve claims asserted in the chapter 7 case, the delay could be prolonged.



The Debtor's Liquidation Analysis is annexed hereto as Exhibit F. The information set forth in Exhibit F provides a summary of the liquidation values of the Debtor's assets, assuming a chapter 7 liquidation in which a trustee appointed by the Bankruptcy Court would liquidate the assets of the Debtor's estate. Reference should be made to the Liquidation Analysis for a complete discussion and presentation of the Liquidation Analysis. The Liquidation Analysis was prepared by the Debtor with the assistance of Zolfo Cooper LLC.

Underlying the Liquidation Analysis are a number of estimates and assumptions that, although developed and considered reasonable by the Debtor's management, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtor and its management. The Liquidation Analysis also is based on assumptions with regard to liquidation decisions that are subject to change. Accordingly, the values reflected might not be realized if the Debtor was, in fact, to undergo such a liquidation.

#### **D. CONSUMMATION**

The Plan will be consummated on the Effective Date. The Effective Date of the Plan will occur on the first Business Day on which the conditions precedent to the effectiveness of the Plan, as set forth in Section 9.2 of the Plan, have been satisfied or waived pursuant to Section 9.4 of the Plan. For a more detailed discussion of the conditions precedent to the Effective Date of the Plan and the consequences of the failure to meet such conditions, see Section VI.H. **Notably, a material condition precedent to the Effective Date of the Plan is the confirmation and effectiveness of the Subsidiary Debtors Plan.**

The Plan is to be implemented pursuant to its terms, consistent with the provisions of the Bankruptcy Code.

### **VIII. MANAGEMENT OF REORGANIZED SUNBEAM**

#### **A. BOARD OF DIRECTORS AND MANAGEMENT**

##### **1. Board of Directors**

The initial Board of Directors of Reorganized Sunbeam shall consist of a number of individuals, to be selected by the Banks, and one of whom shall be the Chief Executive Officer and Chairman of the Board of Directors of Reorganized Sunbeam. The names of the members of the initial Board of Directors of Reorganized Sunbeam shall be disclosed prior to the date of the Confirmation Hearing. Each of the members of such initial Board of Directors shall serve in accordance with the Reorganized Sunbeam Certificate of Incorporation or Reorganized Sunbeam By-laws, as the same may be amended from time to time. On the Effective Date, the management, control and operation of Reorganized Sunbeam shall become the general responsibility of the Board of Directors of Reorganized Sunbeam.

##### **2. Officers**

The officers of the Debtor immediately prior to the Effective Date shall serve as the initial officers of Reorganized Sunbeam on and after the Effective Date. Such officers shall serve in accordance with any employment agreement with Reorganized Sunbeam and applicable nonbankruptcy law.

### 3. Identity of the Debtor's Executive Officers

Set forth below is the name, age and position with the Debtor of each executive officer of the Debtor:

<u>Name</u>	<u>Age</u>	<u>Title</u>
Jerry W. Levin	56	Chairman of the Board of Directors since March 1999, Chief Executive Officer and Director since June 1998 and President since August 1998
Paul E. Shapiro	59	Executive Vice President and Chief Administrative Officer since June 1998
Bobby G. Jenkins	39	Executive Vice President and Chief Financial Officer since June 1998
Ronald H. Dunbar	64	Senior Vice President – Human Resources since August 1998
Steven R. Isko	37	Senior Vice President and General Counsel since June 1999
Barbara L. Allen	45	Corporate Secretary since June 1999

#### B. COMPENSATION OF THE DEBTOR'S EXECUTIVE OFFICERS

The following table sets forth all cash compensation paid by the Debtor to each of the five most highly compensated executive officers of the Debtor, for services rendered in their respective capacities for the year ended December 31, 1999:

<u>Name</u>	<u>Capacity in Which Served</u>	<u>Compensation</u>		
		<u>Salary</u>	<u>Bonus*</u>	<u>Other</u>
Jerry W. Levin	Chairman of the Board and Chief Executive Officer and President	\$1,112,500	\$1,500,000	\$ 88,231
Paul E. Shapiro	Executive Vice President and Chief Administrative Officer	\$ 712,500	\$ 584,100	\$ --
Bobby G. Jenkins	Executive Vice President and Chief Financial Officer	\$ 410,000	\$ 325,000	\$ --
Jack D. Hall	Former President, International	\$ 400,000	\$ 266,600	\$ --
Ronald H. Dunbar	Senior Vice President, Human Resources	\$ 445,000	\$ 243,200	\$ --

\* Bonus earned in 1999 includes discretionary awards of \$284,000 and \$56,100 for Messrs. Levin and Jenkins, respectively.

## **C. REORGANIZED SUNBEAM STOCK OPTION PLANS**

### **1. Background**

Pursuant to the Plan, prior to the Effective Date, and subject to the separate affirmative vote of Class 3 (Secured Bank Claims), which Class will receive, in the aggregate, 100% of the shares of Reorganized Sunbeam Common Stock to be issued under the Plan, Reorganized Sunbeam shall adopt the Reorganized Sunbeam Stock Option Plans. Pursuant to the terms and subject to the conditions of the Reorganized Sunbeam Stock Option Plans, Reorganized Sunbeam shall, on the Effective Date or from time to time thereafter, issue to certain of its employees options to purchase in the aggregate approximately 11% of the outstanding shares of Reorganized Sunbeam Common Stock on a fully diluted basis or stock appreciation rights equivalent thereto (collectively the "Employee Options").

### **2. Material Terms**

#### **a. Exercise Price and Vesting Schedule**

Fifty four and one-half percent (54.5%) of the Employee Options shall be available for issuance with an exercise price for each share of Reorganized Sunbeam Common Stock equal to or not less than the initial equity value of Reorganized Sunbeam based on the valuation conducted by Wasserstein Perella & Co., Inc., less embedded debt, which initial equity value is estimated by the Debtor to be approximately \$100,000,000 ("Reorganization Equity Value") (see Valuation, Art. X) divided by the total number of outstanding shares of Reorganized Sunbeam Common Stock on a fully diluted basis as of the Effective Date ("Reorganized Equity Value Per Share"). The remaining forty five and one-half percent (45.5%) of the Employee Options shall be available for issuance as of the Effective Date in four equal tranches. The first tranche shall have a strike price equal to or not less than the Reorganization Equity Value Per Share, plus \$175 million divided by the total number of outstanding shares of Reorganized Sunbeam Common Stock on a fully diluted basis as of the Effective Date, the second tranche shall have an exercise price equal to or not less than the Reorganization Equity Value Per Share, plus \$350 million divided by the total number of outstanding shares of Reorganized Sunbeam Common Stock on a fully diluted basis as of the Effective Date, the third tranche shall have an exercise price equal to Reorganization Equity Value Per Share, plus \$525 million divided by the total number of outstanding shares of Reorganized Sunbeam Common Stock on a fully diluted basis as of the Effective Date, and the fourth tranche shall have an exercise price equal to Reorganization Equity Value Per Share, plus \$700 million divided by the total number of outstanding shares of Reorganized Sunbeam Common Stock on a fully diluted basis as of the Effective Date. Employee Options shall vest one-third upon grant, one-third upon the first anniversary date of the grant, and one-third upon the second anniversary date of the grant; provided that the holder thereof remains employed with Reorganized Sunbeam on the applicable vesting date and all outstanding non-vested Employee Options shall immediately vest upon a Change in Control (as defined below). As determined by a committee appointed by the board of directors of Reorganized Sunbeam to administer the Plan, an Employee Option may be either an "incentive stock option", as defined in Section 422(b) of the Internal Revenue Code of 1986, as amended (the "Tax Code"), or an option not intended to qualify as an incentive stock option (a "non-qualified stock option"), or a stock appreciation right in lieu of a stock option.

**b. Administration**

Under the terms of the Reorganized Sunbeam Stock Option Plans, the board of directors of Reorganized Sunbeam will designate a committee comprised of members of the board to administer each of the Reorganized Sunbeam Stock Option Plans. The committee will have the authority, subject to the provisions of the Reorganized Sunbeam Stock Option Plans, to establish rules for the proper administration of the Reorganized Sunbeam Stock Option Plans, and to take any action in connection with the Reorganized Sunbeam Stock Option Plans and Employee Options granted under the Reorganized Sunbeam Stock Option Plan as it deems necessary or advisable. Accordingly, among the committee's powers will be the authority to select recipients of Employee Options and to determine the form, amount and other terms and conditions of Employee Options. The committee also will have the power to modify or waive restrictions on Employee Options and to amend and grant extensions and accelerations of benefits under awards.

**c. Eligibility**

Employee Options will be granted to approximately 98 management level employees (grades 13 and above), and approximately 650 other employees (grades 7-12). Under one Reorganized Sunbeam Stock Option Plan, only executive officers and other senior management (currently expected to be those employees in grades 13 and above) shall be eligible to participate. In the other Reorganized Sunbeam Stock Option Plan, all other employees and consultants providing services to Reorganized Sunbeam shall be eligible to participate.

**d. Amendment and Termination**

Unless amended or terminated earlier by the committee, the Reorganized Sunbeam Stock Option Plans shall terminate on the tenth anniversary of the Effective Date. The Reorganized Sunbeam Stock Option Plans may be amended, suspended or terminated at any time by the committee without the approval of stockholders of Reorganized Sunbeam, unless such approval is otherwise required to comply with any law which the board of directors of Reorganized Sunbeam deems necessary or desirable to comply with. The rights and obligations of any Employee Option granted before any amendment of the Reorganized Sunbeam Stock Option Plans will not be adversely affected by the amendment of the Reorganized Sunbeam Stock Option Plans without the consent of the holder of such Employee Option. Further, the approval of the stockholders of Reorganized Sunbeam shall be required to increase the total number of shares of Reorganized Sunbeam Common Stock that may be issued under the Reorganized Sunbeam Stock Option Plans.

**e. Fair Market Value of Reorganized Sunbeam Common Stock**

For purposes of the Employee Options, prior to the time Reorganized Sunbeam Common Stock is publicly traded the fair market value of Reorganized Sunbeam Common Stock will be established within ninety (90) days of the end of each fiscal year of Reorganized Sunbeam by an independent appraiser selected by the board of directors of Reorganized Sunbeam ("Annual Appraisal").

**f. Payment of the Option Exercise Price**

Reorganized Sunbeam will issue shares for the Employee Options (excluding stock appreciation rights) when the purchase price is paid in full. No payment is required with

respect to stock appreciation rights. Payment for each stock option shall be made in cash. However, prior to the time Reorganized Sunbeam Common Stock is publicly traded, payment may also be made by withholding shares of such stock subject to the exercised stock option, with the permission of the committee; by delivery of shares of Reorganized Sunbeam Common Stock having a fair market value equal to the exercise price of the option; by delivery of a promissory note or other form of indebtedness with the permission of the committee; by any combination of these methods; and by any other method prescribed by the committee.

**g. Non Assignment or Transfer**

Unless otherwise permitted by the committee, Employee Options may not be assigned, transferred or pledged, and are not transferable (except, with respect to certain participants, by will, or by laws of descent and distribution). As long as a participant is living, only the participant may exercise his or her Employee Option.

**h. Treatment of Options upon Termination without Cause**

With respect to participants in the Reorganized Sunbeam Stock Option Plan covering executive officers and other senior management, upon an employee's termination without cause: (1) all non-vested employee options shall be immediately vested, (2) if an Annual Appraisal has been delivered to the board of directors of Reorganized Sunbeam within six months prior to the date of an employee's termination, the employee must exercise his or her options within ninety (90) days after the date of termination, and (3) if an Annual Appraisal has not been delivered to the board of directors of Reorganized Sunbeam within six months prior to the date of an employee's termination, then the employee must exercise his or her options within thirty (30) days after the date that the next Annual Appraisal is delivered to the board of directors of Reorganized Sunbeam. Furthermore, Reorganized Sunbeam shall have a call right on the shares of Reorganized Sunbeam Common Stock issued or issuable upon exercise of an Employee Option for ninety (90) days following exercise, at a price per share equal to that set forth in the most recent Annual Appraisal and paid at Reorganized Sunbeam's option either in cash or by promissory note; provided that if Reorganized Sunbeam paid the most recent interest payment on its New Convertible Secured Notes in cash and no default shall have occurred and be continuing with respect the New Secured Term Debt or the New Convertible Secured Notes, then at least thirty percent (30%) of the call price shall be paid in cash; and, provided, further, that such call right lapses upon an initial public offering.

For the participants in the Reorganized Sunbeam Stock Option Plan covering grades 7-12, unless otherwise agreed at the time of grant of an Employee Option, upon an employee's termination of employment without cause: (1) all non-vested Employee Options shall be immediately forfeited, and (2) prior to the time Reorganized Sunbeam Common Stock is publicly traded the employee shall not be permitted to exercise his or her vested options except in limited circumstances.

**i. Adjustments**

In the event of any change in the outstanding shares of Reorganized Sunbeam Common Stock through merger, consolidation, reorganization, recapitalization, stock dividend, stock split, reverse stock-split, split-up, split-off, spin-off, combination of shares, exchange of shares, dividend in kind or other similar change in Reorganized Sunbeam's capital structure, issuances of common stock at below fair market value (as determined by reference to the Annual Appraisal), other than pursuant to the exercise of options, redemption of common stock at above

fair market value (as determined by reference to the Annual Appraisal) or other changes in corporate structure or capitalization affecting the rights or value of the common stock, appropriate adjustments will be made by the committee to the number of shares which may be acquired under the Reorganized Sunbeam Stock Option Plans, and the number of shares and price per share under outstanding options, as shall be equitable to prevent dilution or enlargement of rights under the options. The Employee Options will be adjusted for conversion of all or part of the New Convertible Secured Notes.

**j. Definition of Change in Control**

The following events will constitute a “change in control” for the purposes of the Reorganized Sunbeam Stock Option Plans:

- any person or entity, or group of people or entities acting together, becomes an owner of at least 30% of the aggregate voting power of all outstanding securities ordinarily having the right to vote for the election of directors of Reorganized Sunbeam (“Voting Securities”) (other than holders of Secured Bank Claims which individually, on the Effective Date, own at least 30% of the Voting Securities);
- stockholders or the Board approves a plan or agreement providing for certain mergers or other combinations involving Reorganized Sunbeam (and/or Reorganized Sunbeam’s subsidiaries);
- certain changes in the composition of the Board following a public offering, if any, of Reorganized Sunbeam Common Stock;
- stockholders or the Board approves one or more plans or agreements, individually or in the aggregate, for a sale of a significant portion of the assets (on a consolidated basis, with the assets of Reorganized Sunbeam’s subsidiaries) of Reorganized Sunbeam; or
- any other event which the committee determines to constitute a change in control of Reorganized Sunbeam.

**k. Limitations on Incentive Stock Options**

To the extent that the aggregate fair market value of the stock for which incentive stock options are exercisable for the first time by a participant during any calendar year (including under any other option plans, if any) exceeds \$100,000, such options shall be treated as non-qualified stock options. Further, incentive stock options may not be granted to 10% stockholders unless the purchase price of shares issuable upon exercise of each such incentive stock option is greater than or equal to 110% of the fair market value of such shares on the date of grant and such incentive stock option by its terms is not exercisable after the expiration of five years from the date of grant.

**3. Certain Federal Income Tax Consequences**

THE STATEMENTS IN THE FOLLOWING PARAGRAPHS OF THE PRINCIPAL FEDERAL INCOME TAX CONSEQUENCES OF EMPLOYEE OPTIONS GRANTED UNDER THE REORGANIZED SUNBEAM STOCK OPTION PLAN ARE BASED ON STATUTORY AUTHORITY AND JUDICIAL AND ADMINISTRATIVE INTERPRETATIONS AS OF THE DATE OF THIS DISCLOSURE STATEMENT, WHICH ARE SUBJECT TO CHANGE AT ANY TIME (POSSIBLY WITH RETROACTIVE

EFFECT). THE LAW IS TECHNICAL AND COMPLEX, AND THE DISCUSSION BELOW REPRESENTS ONLY A GENERAL SUMMARY.

**a. Incentive Stock Options**

A deduction will not be allowed to Reorganized Sunbeam or any of its subsidiaries for federal income tax purposes with respect to the grant or exercise of a Employee Option qualifying as an incentive stock option or the disposition, after the expiration of the applicable holding period (as specified in Section 422 of the Tax Code), of the shares of Reorganized Sunbeam Common Stock acquired upon exercise of such Employee Option. In the event of a disposition of such shares prior to the expiration of the applicable holding period (a “disqualifying disposition”), a federal income tax deduction will be allowed to Reorganized Sunbeam in an amount equal to the ordinary income included in gross income by the optionee, provided that such amount constitutes an ordinary and necessary business expense to Reorganized Sunbeam and is reasonable and the limitations of Sections 162(m) and 280G of the Tax Code (discussed below) do not apply.

An employee who exercises an option qualifying as an incentive stock option by delivering shares previously acquired pursuant to the exercise of another option that qualified as an incentive stock option is treated as making a disqualifying disposition of such shares if the employee delivers such shares before the expiration of the applicable holding period with respect to such shares. Upon the exercise of an option with previously acquired shares as to which no disqualifying disposition occurs, it would appear that the employee would not recognize gain or loss with respect to such previously acquired shares.

**b. Non-Qualified Stock Options (“NQSO”)**

A NQSO is an option that does not qualify as an “incentive stock option” under Section 422(b) of the Tax Code. An individual who receives a NQSO will not recognize any taxable income upon the grant of such NQSO. Generally, upon exercise of a NQSO, an individual will be treated as having received ordinary income in an amount equal to the excess of the fair market value of the shares of stock at the time of exercise over the exercise price.

The ordinary income recognized with respect to the transfer of shares of Reorganized Sunbeam Common Stock upon exercise of a NQSO under the Reorganized Sunbeam Stock Option Plan will be subject to both wage withholding and employment taxes. In addition to the customary methods of satisfying the withholding tax liabilities that arise upon the exercise of a NQSO, if an individual may satisfy the liability in whole or in part by tendering other shares of Reorganized Sunbeam Common Stock owned by the individual, such shares will be valued at their fair market value as of the date the tax obligation arises.

A deduction for federal income tax purposes will be allowed to Reorganized Sunbeam or a subsidiary thereof in an amount equal to the ordinary income included in gross income by the individual in connection with the exercise of such Employee Option, provided that such amount constitutes an ordinary and necessary business expense and is reasonable and the limitations of Sections 162(m) and 280G of the Tax Code do not apply.

**c. Stock Appreciation Rights (“SAR”)**

An individual who receives a stock appreciation right will not recognize any taxable income upon the grant of such SAR. Generally, upon exercise of a SAR an individual

will be treated as having ordinary income at the time payment in respect of the SAR is made in an amount equal to the excess of the fair market value of the shares of stock subject to the SAR over the base value for such shares established at the time of grant.

The ordinary income recognized upon payment in respect of a SAR under the Reorganized Sunbeam Stock Option Plans will be subject to both wage withholding and employment taxes. A deduction for federal income tax purposes will be allowed to Reorganized Sunbeam or a subsidiary thereof in an amount equal to the ordinary income included in gross income by the individual in connection with the payment received in respect of a SAR, provided that such amount constitutes an ordinary and necessary business expense and is reasonable and the limitations of Sections 162(m) and 280G of the Tax Code do not apply.

**d. Change in Control**

Upon a “change in control” of Reorganized Sunbeam (not including any change of control occurring as a result of the distribution of Reorganized Sunbeam Common Stock to holders of Allowed Secured Bank Claims in Class 3 on the Effective Date or as soon thereafter as is practicable), the then outstanding Employee Options under the Reorganized Sunbeam Stock Option Plan will become fully exercisable. In general, if the total amount of payments to optionees that are contingent upon a “change of control” of Reorganized Sunbeam (as determined for purposes of Section 280G of the Tax Code), including payments upon the exercise of Employee Options under the Reorganized Sunbeam Stock Option Plan that vest upon a “change of control,” equals or exceeds three times the recipient’s “base amount” (generally, such recipient’s average annual compensation for the five years preceding the change in control), then, subject to certain exceptions, the payments may be treated as “parachute payments” under the Tax Code, in which case all or a portion of such payments would be nondeductible to Reorganized Sunbeam, and the recipient would be subject to a 20% excise tax on all or such portion of the payments.

**D. CONTINUATION OF EXISTING BENEFIT PLANS AND D&O INSURANCE**

Except as provided in Section 6.1(a) of the Plan, all savings, retirement, health care, severance, performance-based cash incentive, retention, employee welfare benefit, life insurance, disability and similar plans and agreements, all directors and officers liability and other insurance and all workers’ compensation programs are treated as executory contracts under the Plan and shall, on the Effective Date, be deemed assumed by the Debtor, in accordance with sections 365(a) and 1123(b)(2) of the Bankruptcy Code.

**E. POST-EFFECTIVE DATE SECURITY OWNERSHIP OF CERTAIN OWNERS**

The following table sets forth those holders of Secured Bank Claims which, based upon the ownership of Secured Bank Claims as of the Commencement Date, will own beneficially more than 5.0% of the Reorganized Sunbeam Common Stock and the Reorganized Sunbeam Common Stock as of the Effective Date:

<u>Name and Address of Beneficial Holder</u>	<u>Estimated % of Beneficial Ownership</u>
Morgan Stanley Senior Funding, Inc. 1221 Avenue of the Americas New York, New York 10020	40%



Bank of America, N.A. 335 Madison Avenue New York, New York 10017	30%
First Union National Bank One First Union Center 301 South College Street DC-5 Charlotte, North Carolina 28288-0737	30%

## IX. SECURITIES LAWS MATTERS

### A. BANKRUPTCY CODE EXEMPTIONS FROM REGISTRATION REQUIREMENTS

In reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and equivalent state securities laws afforded by section 1145 of the Bankruptcy Code, Reorganized Sunbeam Common Stock to be issued on the Effective Date as provided in the Plan will be exempt from the registration requirements of the Securities Act and equivalent state securities laws. Except with respect to "underwriters," section 1145(a) of the Bankruptcy Code generally exempts from such registration the issuance of securities if the following conditions are satisfied: (i) the securities are issued by a debtor (or its successor) under a plan of reorganization; (ii) the recipients of the securities hold a claim against, an interest in, or a claim for an administrative expense against the debtor; and (iii) the securities are issued entirely in exchange for the recipient's claim against or interest in the debtor, or are issued principally in such exchange and partly for cash or property. The Debtor believes that the exchange of Reorganized Sunbeam Common Stock for Claims against the Debtor under the circumstances provided in the Plan will satisfy the requirements of section 1145(a) of the Bankruptcy Code.

The shares of Reorganized Sunbeam Common Stock to be issued pursuant to the Plan on the Effective Date would be deemed to have been issued in a public offering under the Securities Act and, therefore, may be resold by any holder thereof without registration under the Securities Act, unless the holder is an "underwriter" with respect to such securities, as that term is defined in section 1145(b)(1) of the Bankruptcy Code (a "statutory underwriter"). In addition, such securities generally may be resold by the recipients thereof without registration under state securities or "blue sky" laws pursuant to various exemptions provided by the respective laws of the individual states. However, recipients of securities issued under the Plan are advised to consult with their own counsel as to the availability of any such exemption from registration under federal securities laws and any relevant state securities laws in any given instance and as to any applicable requirements or conditions to the availability thereof.

Section 1145(b)(1) of the Bankruptcy Code defines "underwriter" for purposes of the Securities Act as one who, except with respect to "ordinary trading transactions" of an entity that is not an "issuer," (A) purchases a claim against, interest in, or claim for an administrative expense, with a view to distribution of any security to be received in exchange for the claim or interest, or (B) offers to sell securities issued under a plan for the holders of such securities, or (C) offers to buy securities issued under a plan from the holders of such securities, if the offer to buy is made with a view to distribution of such securities and under an agreement made in connection with the plan, the consummation of the plan, or the offer or sale of securities under the plan, or (D) is an issuer of the securities within the meaning of section 2(11) of the Securities Act.

The term "issuer" is defined in section 2(4) of the Securities Act; however, the reference contained in section 1145(b)(1)(D) of the Bankruptcy Code to section 2(11) of the Securities Act purports to include as statutory underwriters all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. "Control" (as defined in Rule 405 under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "control person" of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. Moreover, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent (10%) or more of the securities of a reorganized debtor may be presumed to be a "control person."

To the extent that persons deemed to be "underwriters" receive Reorganized Sunbeam Common Stock pursuant to the Plan, resales by such persons would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Entities deemed to be statutory underwriters for purposes of section 1145 of the Bankruptcy Code may, however, be able, at a future time and under certain conditions described below, to sell securities without registration pursuant to the resale provisions of Rule 144 and Rule 144A under the Securities Act.

Under certain circumstances, holders of Reorganized Sunbeam Common Stock deemed to be "underwriters" may be entitled to resell their securities pursuant to the limited safe harbor resale provisions of Rule 144. Generally, Rule 144 provides that if certain conditions are met (e.g., the availability of current public information with respect to the issuer, volume limitations and notice and manner of sale requirements), specified persons who resell "restricted securities" or who resell securities which are not restricted but who are "affiliates" of the issuer of the securities sought to be resold, will not be deemed to be "underwriters" as defined in section 2(11) of the Securities Act. Because it is anticipated that Reorganized Sunbeam will not, in the near term, be subject to the periodic reporting and informational requirements of sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")<sup>8</sup>, and because Reorganized Sunbeam does not presently intend to provide the information required by paragraph (c)(2) of Rule 144, it is not contemplated that an exemption under Rule 144 would be available, except as set forth in the following sentence. Nevertheless, under paragraph (k) of Rule 144, the aforementioned condition will not limit the resale of restricted securities that are sold for the account of a holder who is not an affiliate of the company at the time of such resale and was not an affiliate of the company during the three (3) month period preceding such sale, so long as a period of at least two years has elapsed since the later of the date the securities were acquired from the issuer or an affiliate of the issuer.

---

<sup>8</sup> Based upon the number of existing holders of Allowed Bank Claims and the number of Employee Options to be issued pursuant to the Plan, as of the Effective Date, Reorganized Sunbeam will have fewer than 500 stockholders of record, as well as fewer than 500 option holders of record. As a result, Reorganized Sunbeam will not be a reporting company under the Exchange Act. Reorganized Sunbeam intends to file a Form 15 with the Securities and Exchange Commission with respect to Reorganized Sunbeam Common Stock to reflect the fact that the Reorganized Sunbeam Common Stock will not be registered under the Exchange Act and that Reorganized Sunbeam will not have the reporting obligations of a publicly owned company thereunder.

Rule 144A provides a non-exclusive safe harbor exemption from the registration requirements of the Securities Act for resales to certain “qualified institutional buyers” of securities which are “restricted securities” within the meaning of the Securities Act, irrespective of whether the seller of such securities purchased its securities with a view towards reselling such securities, if certain other conditions are met (e.g., the availability of information required by paragraph (d)(4) of Rule 144A and certain notice provisions). Under Rule 144A, a “qualified institutional buyer” is defined to include, among other persons, “dealers” registered as such pursuant to section 15 of the Exchange Act, and “banks” and “savings and loan associations” within the meaning of the Securities Act which purchase securities for their own account or for the account of another qualified institutional buyer and which (in the aggregate) own and invest on a discretionary basis at least \$100,000,000 in the securities of unaffiliated issuers and have an audited net worth of at least \$25,000,000. Subject to certain qualifications, Rule 144A does not exempt the offer or sale of securities which, at the time of their issuance, were securities of the same class of securities then listed on a national securities exchange (registered as such pursuant to section 6 of the Exchange Act) or quoted in a U.S. automated inter-dealer quotation system. Reorganized Sunbeam Common Stock will not, at the time of issuance under the Plan, be securities then so listed or quoted. However, as noted above, it is anticipated that Reorganized Sunbeam will not be subject to the periodic reporting requirements of sections 13 or 15(d) of the Exchange Act, and Reorganized Sunbeam does not currently contemplate providing holders of such securities with the information required by paragraph (d)(4) of Rule 144A. Thus, unless and until such time as Reorganized Sunbeam should elect to provide the information required by paragraph (c)(2) of Rule 144 or the information required by paragraph (d)(4) of Rule 144A, the only resale exemption available to holders of securities who are deemed to be statutory underwriters under the Bankruptcy Code would be under paragraph (k) of Rule 144, as discussed above.

Pursuant to the Plan, certificates evidencing shares of Reorganized Sunbeam Common Stock received by holders of ten percent (10%) or more of the outstanding Reorganized Sunbeam Common Stock or by holders that do not certify that they are not underwriters within the meaning of section 1145 of the Bankruptcy Code, will bear a legend substantially in the form below:

**THE SHARES OF COMMON STOCK EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION AND MAY NOT BE SOLD, OFFERED FOR SALE OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR QUALIFIED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAWS OR UNLESS THE COMPANY RECEIVES AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED.**

Any person or entity that would receive legended securities as provided above may instead receive certificates evidencing Reorganized Sunbeam Common Stock without such legend if, prior to the Effective Date, such person or entity delivers to Reorganized Sunbeam, (i) an opinion of counsel reasonably satisfactory to Reorganized Sunbeam to the effect that the shares of Reorganized Sunbeam Common Stock to be received by such person or entity are not subject to the restrictions applicable to “underwriters” under section 1145 of the Bankruptcy Code and may be sold without registration under the Securities Act and (ii) a certification that

such person or entity is not an “underwriter” within the meaning of section 1145 of the Bankruptcy Code.

Any holder of a certificate evidencing shares of Reorganized Sunbeam Common Stock bearing such legend may present such certificate to the transfer agent for the shares of Reorganized Sunbeam Common Stock for exchange for one or more new certificates not bearing such legend or for transfer to a new holder without such legend at such time as (a) such shares are sold pursuant to an effective registration statement under the Securities Act or (b) such holder delivers to Reorganized Sunbeam an opinion of counsel reasonably satisfactory to Reorganized Sunbeam to the effect that such shares are no longer subject to the restrictions applicable to “underwriters” under section 1145 of the Bankruptcy Code and may be sold without registration under the Securities Act or to the effect that such transfer is exempt from registration under the Securities Act, in which event the certificate issued to the transferee shall not bear such legend, unless otherwise specified in such opinion.

Whether or not any particular person would be deemed to be an “underwriter” of Reorganized Sunbeam Common Stock to be issued pursuant to the Plan, or an “affiliate” of Reorganized Sunbeam, would depend upon various facts and circumstances applicable to that person. Accordingly, the Debtor expresses no view as to whether any such person would be such an “underwriter” or an “affiliate”.

**IN VIEW OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER OR AN AFFILIATE OF REORGANIZED SUNBEAM, THE DEBTOR MAKES NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN REORGANIZED SUNBEAM COMMON STOCK TO BE DISTRIBUTED PURSUANT TO THE PLAN. ACCORDINGLY, THE DEBTOR RECOMMENDS THAT POTENTIAL RECIPIENTS OF SECURITIES CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.**

**B. REGISTRATION RIGHTS AGREEMENT AND SHAREHOLDERS AGREEMENT**

**1. Registration Rights Agreement**

Each holder of Allowed Secured Bank Claims receiving a distribution of Reorganized Sunbeam Common Stock pursuant to the Plan shall automatically become party to a registration rights agreement (the “Registration Rights Agreement”) and, accordingly, will be afforded the rights provided thereby and will be subject to the obligations provided therein. The Registration Rights Agreement shall be on terms and subject to conditions acceptable to the Banks. The form of Registration Rights Agreement will be included in the Plan Supplement. The certificates representing shares of Reorganized Sunbeam Common Stock issued to the holders of Allowed Secured Bank Claims will bear a legend reflecting the fact that such shares are subject to the terms of the Registration Rights Agreement.

**2. Shareholders Agreement**

Each holder of Allowed Secured Bank Claims receiving a distribution of Reorganized Sunbeam Common Stock pursuant to the Plan shall automatically become party to a shareholders agreement (the “Shareholders Agreement”) and, accordingly, will be afforded the rights provided thereby and will be subject to the obligations provided therein. The Shareholders

Agreement shall be on terms and subject to conditions acceptable to the Banks. The form of Shareholders Agreement will be included in the Plan Supplement. The certificates representing shares of Reorganized Sunbeam Common Stock issued to the holders of Allowed Secured Bank Claims will bear a legend reflecting the fact that such shares are subject to the terms of the Shareholders Agreement.

## **X. VALUATION**

The Debtor has been advised by Wasserstein Perella & Co., Inc. ("WP&Co.") with respect to the estimated enterprise value of the Sunbeam Group. The Debtor has utilized WP&Co.'s valuation analysis for the purpose of determining value available for distribution to creditors pursuant to the Plan and the relative recoveries to creditors thereunder. A copy of the entire WP&Co. valuation report is available for review upon execution of an appropriate confidentiality agreement at the offices of the Debtor's attorneys, Weil, Gotshal & Manges LLP, at the address listed on the cover page. You may arrange to view or receive a copy of the full valuation report during regular business hours by contacting Ms. Denise Sciabarassi at (212) 833-3609.

The valuation of the Sunbeam Group for purposes of the Plan is as of an assumed Effective Date of December 31, 2000 and is based on an enterprise valuation analysis (premised on publicly available information and information provided by the Debtor) undertaken by WP&Co. in December 2000. The Debtor and WP&Co. are not aware of any changes as of the date hereof that would materially alter or affect their analysis. WP&Co.'s enterprise valuation comprises the going concern value of the Sunbeam Group. Based upon the foregoing assumptions, the enterprise value of the Sunbeam Group was assumed for purposes of the Plan by the Debtor, based upon advice from WP&Co., to be approximately \$1,080,000,000. This value does not include excess Cash, if any, remaining in the Sunbeam Group after the projected Cash distributions to be made under the Plan and the Subsidiary Debtors Plan and assumes a sales price for the professional clipper business of \$110,000,000 to \$135,000,000 which exceeds recent offers. The Debtor is of the view that such excess Cash, if any, is necessary to run the business and, therefore, should not be included as excess Cash for valuation purposes.

Based upon the estimated value set forth above, the \$200,000,000 in New Secured Term Debt and the \$600,000,000 in New Convertible Secured Notes to be issued pursuant to the Plan and the approximately \$180,000,000 in embedded debt of Sunbeam Corporation and the Subsidiary Debtors projected to be outstanding as of the Effective Date, the Debtor's equity value is assumed to be \$100,000,000.

The foregoing valuation is based on a number of assumptions, including a successful reorganization of Debtor's business in a timely manner, the achievement of the forecasts reflected in the financial projections, the continuation of current market conditions through the Effective Date, and the Plan becoming effective in accordance with its terms.

The estimated value does not purport to be an appraisal or necessarily reflect the value which may be realized if assets are sold. The estimated value represents a hypothetical enterprise value of the Sunbeam Group. Such estimate reflects the application of various valuation techniques and does not purport to reflect or constitute an appraisal, a liquidation value or an estimate of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan, which may be significantly different than the amounts set forth herein. The value of operating businesses such as those operated by the Sunbeam Group is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with

changes in factors affecting the financial conditions and prospects of such a business. AS A RESULT, THE ESTIMATE OF VALUE SET FORTH HEREIN IS NOT NECESSARILY INDICATIVE OF ANY ACTUAL OUTCOME, WHICH MAY BE MORE OR LESS FAVORABLE THAN THAT SET FORTH HEREIN. BECAUSE SUCH ESTIMATE IS INHERENTLY SUBJECT TO UNCERTAINTIES, NONE OF THE SUNBEAM GROUP, THE DEBTOR, THE SUBSIDIARY DEBTORS, WP&CO. OR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR ITS ACCURACY. IN ADDITION, THE VALUE OF NEWLY-ISSUED SECURITIES SUCH AS THE REORGANIZED SUNBEAM COMMON STOCK IS SUBJECT TO ADDITIONAL UNCERTAINTIES AND CONTINGENCIES, ALL OF WHICH ARE DIFFICULT TO PREDICT. Actual market prices of such securities at issuance will depend upon, among other things, prevailing interest rates, conditions in the financial markets, the anticipated initial securities holdings of prepetition creditors, some of which may prefer to liquidate their investment rather than hold it on a long-term basis, and other factors that generally influence the prices of securities. It should be noted that there presently is no trading market for the Reorganized Sunbeam Common Stock and there can be no assurance that such a trading market will develop.

WP&Co. has undertaken its enterprise valuation analysis for purposes of assisting the Debtor to determine the value available to distribute to creditors pursuant to the Plan and the relative recoveries to creditors thereunder. The analysis is based on the financial projections annexed hereto as Exhibit E, as well as current market conditions and statistics. WP&Co. used the comparable public company, discounted cash flow and comparable acquisition methodologies to arrive at the enterprise value of the Sunbeam Group.

In preparing an estimate of enterprise value, WP&Co. (i) reviewed certain historical financial information of the Sunbeam Group for recent years and interim periods, (ii) reviewed certain internal financial and operating data of the Sunbeam Group, including financial projections provided by management relating to the Sunbeam Group's businesses and prospects, (iii) met with certain members of senior management of the Debtor to discuss operations and future prospects, (iv) reviewed publicly available financial data and considered the market values of public companies deemed generally comparable to the Debtor, (v) considered certain economic and industry information relevant to the Sunbeam Group's operating businesses, and conducted such other analyses as WP&Co. deemed appropriate. Although WP&Co. conducted a review and analysis of the Sunbeam Group's businesses, operating assets and units, liabilities and business plans, WP&Co. assumed and relied on the accuracy and completeness of all (i) financial and other information furnished to it by the Debtor and (ii) publicly available information. WP&Co. did not independently verify management's projections in connection with such valuation and no independent evaluations or appraisals of the Sunbeam Group's assets were sought or were obtained in connection therewith.

## **Methodology**

In preparing its valuation, WP&Co. performed a variety of analyses and considered a variety of factors. The summary of the analyses and factors contained herein does not purport to be a complete description of the analyses and factors considered.

In determining estimated enterprise value, WP&Co. made judgments as to the weight to be afforded to and the significance and relevance of each analysis and factor. WP&Co. did not consider any one analysis or factor to the exclusion of any other analysis or factor. Accordingly, WP&Co. believes that its valuation must be considered as a whole and that selecting portions of its analysis, without considering all such analysis, could create a misleading

or incomplete view of the processes underlying the preparation of its findings and conclusions. In its analyses, WP&Co. made numerous assumptions with respect to the Debtor's industry performance, general business, regulatory, economic, market and financial conditions and other matters, many of which are beyond the Debtor's control. In addition, analyses relating to the value of the Debtor's businesses do not purport to be appraisals or to reflect the prices at which such business or the securities to be issued under the Plan will trade.

THE PLAN VALUATION REPRESENTS THE ESTIMATED ENTERPRISE VALUE OF THE SUNBEAM GROUP, AND DOES NOT NECESSARILY REFLECT THE VALUE THAT COULD BE ATTAINABLE IN PUBLIC OR PRIVATE MARKETS. THE EQUITY VALUE ASCRIBED IN THIS ANALYSIS DOES NOT PURPORT TO BE AN ESTIMATE OF POST-REORGANIZATION MARKET TRADING VALUE. SUCH TRADING VALUE, IF ANY, MAY BE MATERIALLY DIFFERENT FROM THE EQUITY VALUE SET FORTH IN THIS VALUATION ANALYSIS.

## **XI. CERTAIN RISK FACTORS TO BE CONSIDERED**

**HOLDERS OF CLAIMS AGAINST THE DEBTOR SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HERewith AND/OR INCORPORATED BY REFERENCE HEREIN), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.**

### **A. CERTAIN BANKRUPTCY LAW CONSIDERATIONS**

#### **1. Risk of Non-Confirmation of the Plan**

Although the Debtor believes that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for confirmation or that such modifications would not necessitate the resolicitation of votes. If the conditions precedent to the Confirmation Date set forth in Section 9.1 of the Plan have not occurred or been waived, the Plan shall not be confirmed by the Bankruptcy Court.

#### **2. Non-Consensual Confirmation**

In the event any impaired Class of Claims or Equity Interests does not accept the Plan, the Bankruptcy Court may nevertheless confirm the Plan at the Debtor's request if at least one impaired Class has accepted the Plan (such acceptance being determined without including the vote of any "insider" in such Class), and as to each impaired Class that has not accepted the Plan, if the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes. See Section VI.C.2. Because the Plan deems Class 4 (General Unsecured Claims), Class 5A (Subordinated Note Claims), Class 5B (Subordinated Noteholder Securities Claims), Class 6 (Sunbeam Affiliate Claims), Class 7 (Punitive Damage Claims), Class 8A (Equity Interests) and Class 8B (Equity Holder Securities Claim) to have rejected the Plan, these requirements must be satisfied with respect to such Classes. The Debtor believes that the Plan satisfies these requirements.

### **3. Risk of Non-Occurrence of the Effective Date**

Although the Debtor believes that the Effective Date will occur soon after the Confirmation Date, there can be no assurance as to the timing of the Effective Date. If the conditions precedent to the Effective Date set forth in Section 9.2 of the Plan have not occurred or been waived within 60 days after the Confirmation Date, the Confirmation Order shall be vacated, in which event no distributions under the Plan would be made, the Debtor and all holders of Claims and Equity Interests would be restored to the status quo ante as of the day immediately preceding the Confirmation Date and the Debtor's obligations with respect to Claims and Equity Interests would remain unchanged.

### **4. Risks Related to the Subsidiary Debtors Plan**

Although the Debtor believes that the Subsidiary Debtors Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, although the Debtor believes that the Effective Date of the Subsidiary Debtors Plan will occur soon after the Confirmation Date for the Subsidiary Debtors Plan, there can be no assurance as to the timing of the Effective Date for the Subsidiary Debtors Plan. As set forth above and in Section 9.2 of the Plan, the occurrence of the Effective Date of the Subsidiary Debtors Plan is a condition precedent to the Effective Date under the Plan.

## **B. RISKS TO RECOVERY BY HOLDERS OF SECURED BANK CLAIMS**

The ultimate recoveries under the Plan to holders of Secured Bank Claims depend upon the realizable value of the Reorganized Sunbeam Common Stock, the New Secured Term Debt and the New Convertible Secured Notes. The financial results of Reorganized Sunbeam and the value of or return on shares of Reorganized Sunbeam Common Stock and the New Secured Term Debt and the New Convertible Secured Notes to be issued pursuant to the Plan, are subject to a number of material risks, including, but not limited to, those specified below.

### **1. Possible Economic Slowdown**

The possibility of a slowdown in economic growth or retail sales of the United States and/or other countries or a recession in the United States or other countries could result in a decrease in consumer demands for the Sunbeam Group's products.

### **2. Integration of Coleman, First Alert and Signature Brands**

Sunbeam Corporation's 1998 acquisitions of Coleman, First Alert and Signature Brands resulted in a substantial increase in the size of the Sunbeam Group's operations. As a result, the Sunbeam Group must effectively use its employees and its management, operational and financial resources to manage its expanded operations. A failure on the part of the Sunbeam Group to successfully integrate and effectively manage its expanded operations would likely cause the Sunbeam Group to have poor operating results. In addition, the acquisitions increased the Sunbeam Group's exposure to product liability claims due to the nature of some of the products produced by the acquired companies.



### **3. International Exposure**

The Sunbeam Group currently has sales in countries where economic growth has slowed or where economies have been unstable or hyperinflationary in recent years. The economies of other foreign countries important to the Sunbeam Group's operations could also suffer slower economic growth or instability in the future. Economic uncertainty exists in Japan, Korea and other Asian countries, as well as in Mexico, Venezuela and other Latin American countries. The following are among the risks that could negatively affect the Sunbeam Group's operations and sales in foreign markets: new restrictions on access to markets; currency fluctuations; new tariffs; adverse changes in monetary and/or tax policies; inflation; governmental instability; and changes in foreign laws and regulations including tax laws, accounting standards, environmental laws and occupational health and safety laws. Should any of these risks occur, they could impair the Sunbeam Group's ability to export its products and result in a loss of sales and profits from the Sunbeam Group's international operations.

### **4. Need to Develop New Products**

The Sunbeam Group must develop innovative new products to increase sales and regain profitability. The Sunbeam Group may not be able to meet its schedules for future product development. Failure to develop and manufacture successful new products could have a material adverse effect on the Sunbeam Group's future financial performance.

### **5. Competitive Conditions**

The Sunbeam Group's businesses are highly competitive. The Sunbeam Group competes with numerous domestic and foreign competitors, many of whom are financially strong and capable of competing effectively with the Sunbeam Group. Competitors may take actions to match new product introductions and other initiatives. Certain competitors may be willing to reduce prices and accept lower profit margins to compete with the Sunbeam Group. As a result of this competition, the Sunbeam Group could lose market share and sales and suffer losses, which could have a material adverse effect on the Sunbeam Group's future performance.

### **6. Customers**

Due to the consolidation of the retail industry in the United States, the Sunbeam Group's customer base has become relatively concentrated. The Sunbeam Group's five largest customers combined accounted for 35% of 2000 net sales.

The Sunbeam Group has no long-term supply contracts with any of its customers. As a result, the Sunbeam Group must receive a continuous flow of new orders from its large, high-volume retailing customers. New orders may become increasingly difficult to secure due to the trend by retailers of increasing the scope of private label or retailer-specific brands, particularly in appliances. The Sunbeam Group has responded to the challenges of its markets by pursuing strategic relationships with large, high-volume merchandisers. However, the Sunbeam Group cannot make assurances that the strategic relationships will result in increased sales or earnings. Furthermore, on-time delivery and satisfactory customer service is becoming increasingly important to Sunbeam Group's customers. There can be no assurance that the Sunbeam Group can continue to successfully meet the needs of its customers.

## **7. Critical Raw Materials and Components**

Raw materials and components constitute a significant portion of the cost of the Sunbeam Group's goods. Factors which are largely beyond the Sunbeam Group's control, such as movements in commodity prices for the specific material the Sunbeam Group requires, may affect the future cost of such raw materials and components. In addition, any inability of the Sunbeam Group's suppliers to timely deliver raw materials and components or any unanticipated change in the Sunbeam Group's suppliers could be disruptive and costly.

A significant failure by the Sunbeam Group to contain raw material or component costs could have a material adverse effect on the Sunbeam Group's future financial performance. In addition, delays or cancellations by suppliers could adversely affect results.

## **8. Dependence Upon Third-Party Suppliers and Service Providers**

The Sunbeam Group currently manufactures many of its products, but it sources many of its parts and products from third parties, including international vendors. The Sunbeam Group's ability to select reliable vendors who provide timely deliveries of quality parts and products will impact our success in meeting customer demand for timely delivery of quality products. Any inability of the Sunbeam Group's suppliers to timely deliver quality parts and products or any unanticipated change in suppliers or pricing of products could be disruptive and costly.

The Sunbeam Group has entered into various arrangements with third parties for the provision of back-office administrative services that the Sunbeam Group used to perform internally. The Sunbeam Group now outsources some customer service functions and some necessary computer systems servicing, among other things. If any of these third-party service providers failed to perform adequately, the Sunbeam Group's normal business operations could be disrupted. Among other things, this could hurt the Sunbeam Group's sales, collections, customer service, cash flow and profitability.

## **9. Production Related Risks**

To realize sales and operating profits at anticipated levels, the Sunbeam Group must manufacture, source and deliver in a timely manner products of high quality. Among others, the following factors may have a negative effect on the Sunbeam Group's ability to do these things: labor difficulties; scheduling and transportation difficulties; management dislocation; substandard product quality, which can result in higher warranty, product liability and product recall costs; delays in development of quality new products; changes in laws and regulations (domestic and international), including changes in tax rates, accounting standards, environmental laws and occupational health and safety laws; and changes in the availability and cost of labor. Possible resulting product liability expenses may consist of insurance, litigation fees and damages and/or settlement costs, as well as other costs including legal fees and penalties (if any) and lost business and/or good will of product recalls.

## **10. Weather Conditions**

Weather conditions, including the absence of severe storms, may negatively impact sales of many of the Sunbeam Group's products. The Sunbeam Group may not sell as many portable generators and certain outdoor recreation products as anticipated if there are fewer natural disasters such as hurricanes and ice storms; mild winter weather may negatively impact

sales of electric blankets, some health products and smoke detectors; and the late arrival of summer weather may negatively impact sales of outdoor camping equipment and grills.

#### **11. Reliance on Key Personnel**

The Sunbeam Group's operations and prospects depend in large part on the performance of its senior management team. There can be no assurance that the Sunbeam Group would be able to find qualified replacements for any of these individuals if their services were no longer available. The loss of the services of one or more members of the Sunbeam Group's senior management team could have a material adverse effect on the Sunbeam Group's business, financial condition and results of operations.

#### **12. Adverse Publicity**

Adverse publicity or news coverage relating to Reorganized Sunbeam may negatively impact Reorganized Sunbeam's efforts to establish and promote name recognition and a positive image.

#### **13. Ability to Refinance Certain Indebtedness**

Following the Effective Date, Reorganized Sunbeam's and the reorganized Subsidiary Debtors' seasonal working capital borrowings and letter of credit requirements are anticipated to be funded under an exit working capital facility. This facility is expected to contain customary covenants, including financial covenants. If Reorganized Sunbeam and the reorganized Subsidiary Debtors cannot meet these covenants, it would be an event of default. Furthermore, following the Effective Date, the reorganized Subsidiary Debtors are expected to obtain financing pursuant to an accounts receivables program similar to the program provided to the Subsidiary Debtors by GECC during the chapter 11 cases. The reorganized Subsidiary Debtors' liquidity could be adversely affected by the prices at which the reorganized Subsidiary Debtors can sell trade accounts receivables under this program or by the termination of this program for any reason, including termination due to an inability to comply with the terms of this program. Furthermore, there can be no assurance that Reorganized Sunbeam and the reorganized Subsidiary Debtors, upon expiration of the exit working capital facility and/or the receivables financing program, will be able to obtain replacement financing to fund future seasonal borrowings and letters of credit, or that such replacement financing, if obtained, will be on terms equally favorable to Reorganized Sunbeam and the reorganized Subsidiary Debtors.

#### **14. Foreign Working Capital Lines**

Certain of the Sunbeam Group's foreign businesses fund their working capital or other liquidity needs through foreign working capital lines, some of which are demand lines which may be terminated at any time by the lender. If any of such working capital lines are terminated, there can be no assurance that the Sunbeam Group could replace such working capital lines or if replaced, that they could be replaced on terms acceptable to the Sunbeam Group. The termination of any such working capital lines could have an adverse effect on the liquidity of the Sunbeam Group.

#### **15. Significant Holders**

On the Effective Date, based upon the existing holders of Secured Bank Claims, 100% of the shares of Reorganized Sunbeam Common Stock will be held by three holders. Such

holders, acting as a group, will be in a position to control the outcome of actions requiring stockholder approval, including the election of directors. Furthermore, because such holders, acting as a group, can elect a majority of the directors, such holders will have effective control over the management of Reorganized Sunbeam. This concentration of ownership also could facilitate or hinder a negotiated change of control of Reorganized Sunbeam and, consequently, have an impact upon the value of the Reorganized Sunbeam Common Stock.

Moreover, the possibility that one or more of the holders of significant numbers of shares of Reorganized Sunbeam Common Stock may determine to sell all or a large portion of their shares in a short period of time may adversely affect the value of the Reorganized Sunbeam Common Stock.

#### **16. Risks of Non-Reporting**

As discussed above, on the Effective Date, the Reorganized Sunbeam Common Stock will be held by three holders. As a result, Reorganized Sunbeam will not be subject to the reporting requirements of the federal securities laws and certain exemptions from and safe harbors provided by the federal securities laws that otherwise would be available to holders of the Reorganized Sunbeam Common Stock will not be available.

#### **17. Absence of Public Market**

It is anticipated that there will not be an active trading market for Reorganized Sunbeam Common Stock. There is no present intention that Reorganized Sunbeam will apply to list the Reorganized Sunbeam Common Stock on any national securities exchange or The NASDAQ Stock Market. Accordingly, there can be no assurance as to the development of any market or as to the liquidity of any market that may develop for Reorganized Sunbeam Common Stock.

#### **18. Projected Financial Information**

The financial projections included in this Disclosure Statement are dependent upon the successful implementation of the Sunbeam Group's business plan and the validity of the other assumptions contained therein. These projections reflect numerous assumptions, including confirmation and consummation of the Plan and the Subsidiary Debtors Plan in accordance with their terms, continued access to the \$285 million debtor in possession financing facility provided by the Banks and the \$200 receivables program provided by GECC, the anticipated future performance of the Sunbeam Group, retail and industry performance, certain assumptions with respect to competitors of the Sunbeam Group, general business and economic conditions and other matters, many of which are beyond the control of the Sunbeam Group. In addition, the risk factors outlined herein and unanticipated events and circumstances occurring subsequent to the preparation of the projections may affect the actual financial results of the Sunbeam Group. Although the Debtor believes that the projections are reasonably attainable, variations between the actual financial results and those projected may occur and be material.

#### **19. Hart-Scott-Rodino Act Requirements**

Holders of Secured Bank Claims that acquired such Secured Bank Claims after the commencement of the Chapter 11 Case and that are to receive Reorganized Sunbeam Common Stock under the Plan on account of such Secured Bank Claims, if any, may have to observe the filing and waiting period requirements of the Hart-Scott-Rodino Antitrust

Improvements Act of 1976 (the "HSR Act"). Holders of Secured Bank Claims required to make HSR Act filings cannot receive any such distribution of Reorganized Sunbeam Common Stock until the expiration or early termination of the waiting periods under the HSR Act. Such holders of Secured Bank Claims should consult their own counsel regarding their potential responsibilities under the HSR Act.

## **XII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

The following discussion summarizes certain federal income tax consequences of the implementation of the Plan to the Debtor. The following summary does not address the federal income tax consequences to holders of Claims or Equity Interests, all of whose Claims (other than the Secured Bank Claims) will be either (i) entitled to reinstatement or paid in full in Cash, or otherwise unimpaired under the Plan, or (ii) extinguished without a distribution in exchange therefor. The summary also does not address the federal income tax consequences to holders of Secured Bank Claims, as they have engaged independent counsel to advise them of such consequences.

The following summary is based on the Tax Code, Treasury Regulations promulgated thereunder, judicial decisions and published administrative rules and pronouncements of the Internal Revenue Service ("IRS") as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the federal income tax consequences described below.

The federal income tax consequences of the Plan and the Subsidiary Debtors Plan are complex and are subject to significant uncertainties. The Debtor has not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan or the Subsidiary Debtors Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt. In addition, this summary does not address state or local tax consequences of the Plan or the Subsidiary Debtors Plan.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

### **1. Existing Tax Attributes**

The Sunbeam Group (of which the Debtor is the common parent) estimates consolidated net operating loss ("NOL") carryforwards and tax credit carryforwards for federal income tax purposes of approximately \$1.1 billion and \$7 million, respectively, for the taxable year ended December 31, 2000. Of the group's cumulative NOL carryforwards as of December 31, 2000, it is estimated that approximately \$210 million is attributable to the Debtor alone. In addition, certain of the subsidiary members of the Sunbeam Group have additional NOL and tax credit carryforwards pre-dating their acquisition by the Debtor that are subject to existing limitations on use. The Debtor and its subsidiaries also have substantial tax basis in their assets. The amount of the Sunbeam Group's loss and tax credit carryforwards and other tax benefits remain subject to adjustment by the IRS. Moreover, as discussed below, such carryforwards may be substantially reduced or eliminated, and the Debtor's tax basis in certain of its assets may be

significantly diminished, or otherwise subject to limitation upon the implementation of the Plan and the Subsidiary Debtors Plan.

## **2. Cancellation of Debt**

In general, the Tax Code provides that a debtor in a bankruptcy case must reduce certain of its tax attributes – such as NOL carryforwards and current year NOLs, tax credits, and tax basis in assets – by the amount of any cancellations of debt (“COD”). COD is the amount by which the indebtedness discharged exceeds any consideration given in exchange therefor. As a result of the discharge of Allowed Secured Bank Claims, Allowed Subordinated Note Claims and Allowed General Unsecured Claims pursuant to the Plan, the Debtor will suffer COD and attribute reduction, except to the extent that one or more statutory or judicial exceptions to COD and attribute reduction apply (such as where the payment of the cancelled debt would have given rise to a tax deduction). Within a consolidated group, it is possible that tax attributes of one member of the group might not be reduced by COD incurred by another member of the group, although the IRS has informally taken the position that consolidated tax attributes (such as loss and tax credit carryforwards) generally should be reduced on a consolidated basis.

The extent of such COD and resulting tax attribute reduction will depend on the fair market value of the Reorganized Sunbeam Common Stock, the New Secured Term Debt and the New Convertible Secured Notes, and the amount of Cash, if any, distributed in discharge of Allowed Claims. Based on the assumed enterprise value of the Sunbeam Group, it is anticipated that the Debtor will recognize in the aggregate approximately \$1.5 billion of COD. Given the magnitude of the expected COD, it is anticipated that the resulting tax attribute reduction would eliminate all NOL carryforwards and current year losses attributable to the Debtor as of the end of the taxable year in which the Effective Date occurs and significantly reduce Debtor's tax basis in its separate company assets as of such time, as well as possibly eliminate the remaining consolidated NOL carryforwards and tax credit carryforwards of the Sunbeam Group.

## **3. Limitation on NOL Carryforwards and Other Tax Attributes**

Following the implementation of the Plan and the Subsidiary Debtors Plan, any remaining NOL and tax credit carryforwards (as well as certain other tax attributes) of the Sunbeam Group allocable to periods prior to the Effective Date will be subject to the limitations imposed by Section 382 of the Tax Code.

Under Section 382, if a corporation (or consolidated group) undergoes an “ownership change,” the amount of its pre-change losses (including certain losses or deductions which are “built-in,” *i.e.*, economically accrued but unrecognized, as of the date of the ownership change) that may be utilized to offset future taxable income generally is subject to an annual limitation. The issuance of Reorganized Sunbeam Common Stock pursuant to the Plan will constitute an ownership change of the Sunbeam Group.

In general, the amount of the annual limitation to which a corporation (or a consolidated group) would be subject is equal to the product of (i) the fair market value of the stock of the corporation (or, in the case of a consolidated group, the common parent) immediately before the ownership change (with certain adjustments) multiplied by (ii) the “long-term tax-exempt rate” in effect for the month in which the ownership change occurs (5.31% for ownership changes occurring in February 2001). For a corporation (or consolidated group) in bankruptcy that undergoes the ownership change pursuant to a confirmed plan, the stock value generally is

determined immediately *after* (rather than before) the ownership change, and certain adjustments that ordinarily would apply do not apply.

Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year. However, if the corporation (or the consolidated group) does not continue its historic business or use a significant portion of its assets in a new business for two years after the ownership change, the annual limitation resulting from the ownership change is zero.

As indicated above, Section 382 can operate to limit built-in losses recognized subsequent to the date of the ownership change. If a loss corporation (or consolidated group) has a "net unrealized built-in loss" at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then any built-in losses recognized during the following five years (up to the amount of the original net built-in loss) generally will be treated as pre-change losses and similarly will be subject to the annual limitation. Conversely, if the loss corporation (or consolidated group) has a "net unrealized built-in gain" at the time of an ownership change, any built-in gains recognized during the following five years (up to the amount of the original net built-in gain) generally will increase the annual limitation in the year recognized, such that the loss corporation (or consolidated group) would be permitted to use its pre-change losses against such built-in gain income in addition to its regular annual allowance. Although the rule applicable to net unrealized built-in losses generally applies to consolidated groups on a consolidated basis, certain corporations that join the consolidated group within the preceding five years may not be able to be taken into account in the group computation of net unrealized built-in loss. Such corporations would nevertheless still be taken into account in determining whether the consolidated group has a net unrealized built-in gain. Thus, although somewhat counterintuitive, a consolidated group can be considered to have both a net unrealized built-in loss and a net unrealized built-in gain. In general, a loss corporation's (or consolidated group's) net unrealized built-in gain or loss will be deemed to be zero unless it is greater than the lesser of (i) \$10 million or (ii) 15% of the fair market value of its assets (with certain adjustments) before the ownership change. It is unclear whether the Sunbeam Group as a whole will be in a net unrealized built-in gain position on the Effective Date. However, the Debtor currently anticipates that the Sunbeam Group (excluding certain less than five-year owned members) will be in a net unrealized built-in loss position on the Effective Date.

An exception to the foregoing annual limitation (and built-in gain and loss) rules generally applies where qualified (so-called "old and cold") creditors of the debtor receive at least 50% of the vote and value of the stock of the reorganized debtor pursuant to a confirmed chapter 11 plan, unless the debtor elects otherwise. Under this exception, a debtor's pre-change losses are not limited on an annual basis but are reduced by the amount of any interest deductions claimed during the three years preceding the effective date of the reorganization, and during the part of the taxable year prior to and including the reorganization, in respect of the debt converted into stock in the reorganization. Moreover, if this exception applies, any further ownership change of the debtor within a two-year period will preclude the debtor's utilization of any pre-change losses at the time of the subsequent ownership change against future taxable income. The statute does not address whether this exception can be applied on a consolidated basis or only on a separate company basis.

Even if the Debtor otherwise qualifies for this exception, it may, if it so desire, elect not to have the exception apply and instead remain subject to the annual limitation and built-in gain and loss rules described above. Such election would have to be made in the group's consolidated federal income tax return for the taxable year in which the reorganization occurs.

#### **4. Alternative Minimum Tax**

In general, an alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income at a 20% rate to the extent that such tax exceeds the corporation's regular federal income tax. For purposes of computing taxable income for AMT purposes, certain tax deductions and other beneficial allowances are modified or eliminated. In particular, even though a corporation otherwise might be able to offset all of its taxable income for regular tax purposes by available NOL carryforwards, only 90% of a corporation's taxable income for AMT purposes may be offset by available NOL carryforwards (as computed for AMT purposes).

In addition, if a corporation (or consolidated group) undergoes an "ownership change" within the meaning of Section 382 of the Tax Code and is in a net unrealized built-in loss position (as determined for AMT purposes) on the date of the ownership change, the corporation's (or group's) aggregate tax basis in its assets would be reduced for certain AMT purposes to reflect the fair market value of such assets as of the change date.

Any AMT that a corporation pays generally will be allowed as a nonrefundable credit against its regular federal income tax liability in future taxable years when the corporation is no longer subject to the AMT.

#### **5. Deduction of Interest Paid or Accrued with Respect to the New Convertible Secured Notes**

Section 163(l) of the Tax Code disallows a deduction for interest paid or accrued with respect to a "disqualified debt instrument". A disqualified debt instrument includes any indebtedness of a corporation if (i) a substantial amount of the principal or interest is required to be paid or converted, or at the option of the issuer or a related party is payable in, or convertible into, such equity, (ii) a substantial amount of the principal or interest is required to be determined, or at the option of the issuer or a related party is determined, by reference to the value of such equity, or (iii) the indebtedness is part of an arrangement which is reasonably expected to result in a transaction described in clause (i) or (ii). For this purpose, principal or interest is treated as required to be so paid, converted or determined if it may be required at the option of the holder or a related party and there is a "substantial certainty" that the option will be exercised.

In accordance with the Plan, the terms of the New Convertible Secured Notes will be filed with the Bankruptcy Court as part of the Plan Supplement. Until such time, the relevant terms (for purposes of analysis under the Tax Code), other than the fact that the debt will contain a conversion feature at the holder's option, remain undetermined. The Debtor does not anticipate that, as of the date of issuance, there will be a substantial certainty that the holders of the New Convertible Secured Notes would choose to convert such notes. Moreover, it is the Debtor's current intent to structure the terms of the New Convertible Secured Notes, to the extent possible, in a manner that will avoid the application of Section 163(l) while still furthering the Debtor's and the Subsidiary Debtors' business objectives. However, there is very little interpretative authority applying such section. Accordingly, there can be no assurance that the IRS would not take a contrary position.

#### **6. Possible Transfer of Assets**

Pursuant to the Subsidiary Debtors Plan, it is possible that certain businesses of the subsidiary members of the Sunbeam Group may be transferred to newly formed entities in



taxable transactions. In such event, the Sunbeam Group could recognize a substantial gain for income tax purposes. Although the gain recognized would be substantially offset by and thus reduce the NOL carryforwards of the Sunbeam Group, the Debtor estimates that such transfer could result in combined federal, state, and local income tax liabilities ranging up to approximately \$7 million, depending on the extent of the assets transferred. The Debtor's determination of the gain and resulting tax liability is also dependent upon the valuation of the businesses being transferred, their computed tax basis at the date of transfer, and the amount of tax attributes that are attributable to the Sunbeam Group at the date of transfer. The Debtor's determination of gain and resulting tax liability could be subject to adjustment on audit by the IRS or other taxing authorities.

THE FOREGOING SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN

### **XIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

If the Plan is not confirmed and consummated, the Debtor's alternatives include (i) liquidation of the Debtor under chapter 7 of the Bankruptcy Code and (ii) the preparation and presentation of an alternative plan or plans of reorganization.

#### **A. LIQUIDATION UNDER CHAPTER 7**

If no chapter 11 plan can be confirmed, the Chapter 11 Case may be converted to cases under chapter 7 of the Bankruptcy Code in which a trustee would be elected or appointed to liquidate the assets of the Debtor. A discussion of the effect that a chapter 7 liquidation would have on the recoveries of holders of Claims is set forth in Section VII.C.4. of the Disclosure Statement. The Debtor believes that liquidation under chapter 7 would result in, among other things, (i) smaller distributions being made to creditors than those provided for in the Plan because of additional administrative expenses attendant to the appointment of a trustee and the trustee's employment of attorneys and other professionals, (ii) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the Debtor's operations and (iii) the failure to realize the greater, going concern value of the Debtor's assets.

#### **B. ALTERNATIVE PLAN OF REORGANIZATION**

If the Plan is not confirmed, the Debtor or any other party in interest could attempt to formulate a different plan of reorganization. Such a plan might involve either a reorganization and continuation of the Debtor's business or an orderly liquidation of its assets. The Debtor has concluded that the Plan represents the best alternative to protect the interests of creditors and other parties in interest.

The Debtor believes that the Plan enables it to successfully and expeditiously emerge from chapter 11, preserve its business and allows creditors to realize the highest recoveries under the circumstances. In a liquidation under chapter 11 of the Bankruptcy Code, the assets of the Debtor would be sold in an orderly fashion which could occur over a more extended period of time than in a liquidation under chapter 7 and a trustee need not be appointed. Accordingly, creditors would receive greater recoveries than in a chapter 7 liquidation. Although

a chapter 11 liquidation is preferable to a chapter 7 liquidation, the Debtor believes that a liquidation under chapter 11 is a much less attractive alternative to creditors because a greater return to creditors is provided for in the Plan.

#### **XIV. CONCLUSION AND RECOMMENDATION**

The Debtor believes that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will provide the greatest recoveries to holders of Claims. Other alternatives would involve significant delay, uncertainty and substantial additional administrative costs. The Debtor urges holders of impaired Claims entitled to vote on the Plan to accept the Plan and to evidence such acceptance by returning their Ballots so that they will be received no later than 4:00 p.m., Eastern Time, on June 28, 2001.

Dated: New York, New York  
April 26, 2001

SUNBEAM CORPORATION

By: /s/ Jerry W. Levin  
Name: Jerry W. Levin  
Title: Chairman and Chief Executive Officer

## **EXHIBIT A**

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

---

**In re**

**SUNBEAM CORPORATION,**

**Debtor.**

---

**Chapter 11 Case No.**

**01-40291 (AJG)**

**DEBTOR'S SECOND AMENDED PLAN OF REORGANIZATION  
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

**WEIL, GOTSHAL & MANGES LLP  
Attorneys for the Debtor  
767 Fifth Avenue  
New York, New York 10153  
(212) 310-8000**

**Dated: New York, New York  
April 26, 2001**

## TABLE OF CONTENTS

	Page
Article I        DEFINITIONS AND CONSTRUCTION OF TERMS.....	1
1.1    Administrative Expense Claim.....	1
1.2    Affiliate .....	1
1.3    Allowed.....	1
1.4    Assumed Corporate Indemnities .....	2
1.5    Assumed Indemnification Claims .....	2
1.6    Ballot.....	2
1.7    Bank Credit Agreement .....	2
1.8    Banks .....	2
1.9    Bankruptcy Code .....	2
1.10   Bankruptcy Court .....	2
1.11   Bankruptcy Rules .....	2
1.12   Business Day .....	2
1.13   Cash.....	2
1.14   Causes of Action.....	2
1.15   Chapter 11 Case .....	2
1.16   Claim.....	2
1.17   Class.....	2
1.18   Collateral.....	3
1.19   Commencement Date .....	3
1.20   Committee .....	3
1.21   Confirmation Date .....	3
1.22   Confirmation Hearing .....	3
1.23   Confirmation Order .....	3
1.24   Debtor .....	3
1.25   Debtor in Possession .....	3
1.26   Derivative Securities Litigation Claims .....	3
1.27   Disbursing Agent.....	3
1.28   Disclosure Statement .....	3
1.29   Disputed.....	3
1.30   Disputed Claim Amount.....	3
1.31   Effective Date .....	3

**TABLE OF CONTENTS**  
**(continued)**

	<b>Page</b>
1.32 Employee Options .....	4
1.33 Entity.....	4
1.34 Equity Interest.....	4
1.35 Equity Holder Securities Claims .....	4
1.36 ERISA.....	4
1.37 Final Order.....	4
1.38 GECC.....	4
1.39 General Unsecured Claim.....	4
1.40 Indenture Trustee .....	5
1.41 Insured Claim.....	5
1.42 Lien.....	5
1.43 New Convertible Secured Notes .....	5
1.44 New Convertible Secured Notes Agreement.....	5
1.45 New Secured Term Debt.....	5
1.46 Other Priority Claim.....	5
1.47 Other Secured Claim.....	5
1.48 PBGC .....	5
1.49 Pension Plans .....	5
1.50 Person.....	5
1.51 Plan.....	5
1.52 Plan Supplement.....	5
1.53 Post-Petition Banks.....	5
1.54 Post-Petition Bank Credit Agreement.....	5
1.55 Priority Tax Claim.....	6
1.56 Pro Rata Share .....	6
1.57 Punitive Damage Claim.....	6
1.58 Record Date .....	6
1.59 Registration Rights Agreement.....	6
1.60 Releasees.....	6
1.61 Reorganized Sunbeam.....	6
1.62 Reorganized Sunbeam By-laws .....	6
1.63 Reorganized Sunbeam Certificate of Incorporation.....	6

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
1.64 Reorganized Sunbeam Common Stock.....	6
1.65 Reorganized Sunbeam Stock Option Plans .....	6
1.66 Schedules.....	7
1.67 Secured Bank Claims .....	7
1.68 Secured Claim.....	7
1.69 Shareholders Agreement.....	7
1.70 Subordinated Note Claims.....	7
1.71 Subordinated Noteholder Securities Claims .....	7
1.72 Subordinated Notes .....	7
1.73 Subordinated Notes Indenture .....	7
1.74 Subsidiaries Plan.....	8
1.75 Sunbeam Affiliate Claim.....	8
1.76 Sunbeam Affiliates .....	8
1.77 Sunbeam Group.....	8
<b>Article II TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS AND PRIORITY TAX CLAIMS .....</b>	<b>9</b>
2.1 Administrative Expense Claims .....	9
2.2 Professional Compensation and Reimbursement Claims .....	9
2.3 Priority Tax Claims.....	9
<b>Article III CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS.....</b>	<b>10</b>
<b>Article IV TREATMENT OF CLAIMS AND EQUITY INTERESTS .....</b>	<b>10</b>
4.1 CLASS 1 -- OTHER PRIORITY CLAIMS .....	10
(a) Impairment and Voting.....	10
(b) Distributions.....	10
4.2 CLASS 2 -- OTHER SECURED CLAIMS .....	10
(a) Impairment and Voting.....	10
(b) Distributions/Reinstatement of Claims .....	11
4.3 CLASS 3 -- SECURED BANK CLAIMS.....	11
(a) Allowance.....	11
(b) Impairment and Voting.....	11
(c) Distributions.....	11
4.4 CLASS 4 -- GENERAL UNSECURED CLAIMS.....	11

**TABLE OF CONTENTS**  
**(continued)**

	<b>Page</b>
(a) Impairment and Voting .....	11
(b) Distributions .....	11
4.5 CLASS 5A -- SUBORDINATED NOTE CLAIMS .....	11
(a) Allowance .....	11
(b) Impairment and Voting .....	11
(c) Distributions .....	12
4.6 CLASS 5B – SUBORDINATED NOTEHOLDER SECURITIES CLAIMS.....	12
(a) Impairment and Voting .....	12
(b) Distributions .....	12
4.7 CLASS 6 – SUNBEAM AFFILIATE CLAIMS .....	12
(a) Impairment and Voting .....	12
(b) Distributions .....	12
4.8 CLASS 7 – PUNITIVE DAMAGE CLAIMS.....	12
(a) Impairment and Voting .....	12
(b) Distributions .....	12
4.9 CLASS 8A -- EQUITY INTERESTS .....	12
(a) Impairment and Voting .....	12
(b) Distributions .....	12
4.10 CLASS 8B – EQUITY HOLDER SECURITIES CLAIMS .....	12
(a) Impairment and Voting .....	12
(b) Distributions .....	12
Article V           PROVISIONS REGARDING VOTING AND Distributions UNDER THE PLAN AND TREATMENT, of disputed, CONTINGENT AND UNLIQUIDATED administrative eXPENSE CLAIMS AND CLAIMS.....	13
5.1 Voting of Claims .....	13
5.2 Enforcement of Subordination of Securities Claims.....	13
5.3 Elimination of Vacant Classes.....	13
5.4 Nonconsensual Confirmation.....	13
5.5 Method of Distributions Under the Plan.....	13
(a) Disbursing Agent.....	13
(b) Delivery of Distributions .....	13
(c) Distributions of Cash.....	13
(d) Timing of Distributions .....	13



**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
(e) Hart-Scott-Rodino Compliance.....	14
(f) Minimum Distributions .....	14
(g) Fractional Shares.....	14
(h) Unclaimed Distributions.....	14
(i) Distributions to Holders as of the Record Date .....	14
5.6 Objections to and Resolution of Administrative Expense Claims and Claims .....	14
5.7 Cancellation of Existing Securities and Agreements.....	14
5.8 Registration of New Common Stock.....	15
5.9 Shareholders Agreement .....	15
Article VI EXECUTORY CONTRACTS AND UNEXPIRED LEASES.....	15
6.1 Assumption or Rejection of Executory Contracts and Unexpired Leases .....	15
(a) Executory Contracts and Unexpired Leases .....	15
(b) Schedules of Rejected Executory Contracts and Unexpired Leases; Inclusiveness.....	15
(c) Insurance Policies.....	15
(d) Approval of Assumption, Assumption and Assignment or Rejection of Executory Contracts and Unexpired Leases.....	16
(e) Cure of Defaults .....	16
(f) Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan.....	16
(g) Assumed Indemnification Obligations .....	16
(h) Compensation and Benefit Programs. ....	16
6.2 Retiree Benefits.....	16
Article VII IMPLEMENTATION OF THE PLAN .....	17
7.1 General.....	17
7.2 Retention of Derivative Securities Litigation Claims .....	17
7.3 Directors and Officers of Reorganized Sunbeam.....	17
(a) Board of Directors.....	17
(b) Officers .....	17
7.4 By-laws and Certificates of Incorporation.....	17
7.5 Issuance of New Securities.....	17
7.6 Reorganized Sunbeam Stock Option Plans .....	17
Article VIII EFFECT OF CONFIRMATION OF PLAN .....	18

**TABLE OF CONTENTS**  
**(continued)**

	<b>Page</b>
8.1 Term of Bankruptcy Injunction or Stays .....	18
8.2 Revesting of Assets .....	18
8.3 Claims Extinguished.....	18
8.4 Discharge of Debtor.....	18
8.5 Injunction.....	18
8.6 Continuation of Pension Plans .....	19
Article IX CONFIRMATION AND EFFECTIVENESS OF THE PLAN.....	19
9.1 Conditions Precedent to Confirmation.....	19
9.2 Conditions Precedent to Effectiveness.....	19
9.3 Effect of Failure of Conditions.....	20
9.4 Waiver of Conditions .....	20
Article X RETENTION OF JURISDICTION .....	20
Article XI MISCELLANEOUS PROVISIONS.....	21
11.1 Effectuating Documents and Further Transactions .....	21
11.2 Corporate Action .....	21
11.3 Exemption from Transfer Taxes .....	22
11.4 Limited Releases of Releasees.....	22
11.5 Limited Release by Releasees .....	22
11.6 Exculpation .....	22
11.7 Termination of Committee .....	23
11.8 Post-Effective Date Fees and Expenses.....	23
11.9 Payment of Statutory Fees.....	23
11.10 Amendment or Modification of the Plan .....	23
11.11 Severability .....	23
11.12 Revocation or Withdrawal of the Plan.....	23
11.13 Binding Effect.....	23
11.14 Notices .....	24
11.15 Governing Law .....	24
11.16 Withholding and Reporting Requirements .....	25
11.17 Plan Supplement.....	25
11.18 Sections 1125 and 1126 of the Bankruptcy Code .....	25
11.19 Allocation of Plan Distributions .....	25

**TABLE OF CONTENTS**  
**(continued)**

	<b>Page</b>
11.20 Headings.....	25
11.21 Exhibits/Schedules.....	26
11.22 Filing of Additional Documents.....	26

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

-----X	:	
In re	:	
	:	
SUNBEAM CORPORATION,	:	Chapter 11 Case No.
	:	
Debtor.	:	01-40291 (AJG)
	:	
-----X	:	

DEBTOR'S SECOND AMENDED PLAN OF REORGANIZATION  
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Sunbeam Corporation proposes the following plan of reorganization under section 1121(a) of title 11 of the United States Code:

ARTICLE I

DEFINITIONS AND CONSTRUCTION OF TERMS

Definitions. As used herein, the following terms have the respective meanings specified below:

1.1 Administrative Expense Claim means any right to payment constituting a cost or expense of administration of the Chapter 11 Case under sections 503(b) and 507(a)(1) of the Bankruptcy Code, including, without limitation, any actual and necessary costs and expenses of preserving the estate of the Debtor, any actual and necessary costs and expenses of operating the business of the Debtor, any indebtedness or obligations incurred or assumed by the Debtor in Possession in connection with the conduct of its business, including, without limitation, for the acquisition or lease of property or an interest in property or the rendition of services, all compensation and reimbursement of expenses to the extent Allowed by the Bankruptcy Court under section 330 or 503 of the Bankruptcy Code and any fees or charges assessed against the estate of the Debtor under section 1930 of chapter 123 of title 28 of the United States Code.

1.2 Affiliate has the meaning ascribed to such term in section 101(2) of the Bankruptcy Code.

1.3 Allowed means, with reference to any Claim, (a) any Claim against the Debtor which has been listed by the Debtor in its Schedules, as such Schedules may be amended by the Debtor from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent and for which no contrary proof of claim has been filed, (b) any Claim allowed hereunder, (c) any Claim which is not Disputed, (d) any Claim that is compromised, settled or otherwise resolved pursuant to a Final Order of the Bankruptcy Court or under the Plan, or (e) any Claim which, if Disputed, has been Allowed by Final Order; provided, however, that Claims allowed solely for the purpose of voting to accept or reject the Plan pursuant to an order of the Bankruptcy Court shall not be considered "Allowed Claims" hereunder. Unless otherwise specified herein or by order of the Bankruptcy Court, "Allowed Administrative Expense Claim" or "Allowed Claim" shall not, for any purpose under the Plan, include interest on such Administrative Expense Claim or Claim from and after the Commencement Date.

1.4 Assumed Corporate Indemnities mean any obligation of the Debtor to defend, indemnify, reimburse or limit the liability of its present and any former officers, directors and/or employees who were officers, directors and/or employees, respectively, on or after the Commencement Date, solely in their capacity as officers, directors and/or employees, against any claims or obligations pursuant to the Debtor's certificate of incorporation or by-laws, applicable state law or specific agreement, or any combination of the foregoing.

1.5 Assumed Indemnification Claims mean all Claims, if any, as to which the claimant asserts rights based only upon the Assumed Corporate Indemnities.

1.6 Ballot means the form distributed to each holder of an impaired Claim on which is to be indicated acceptance or rejection of the Plan.

1.7 Bank Credit Agreement means that certain Senior Credit Agreement, dated as of March 30, 1998, among Sunbeam, certain Sunbeam Affiliates and the Banks, and any and all of the documents, instruments and agreements relating thereto, including, without limitation, all guarantees and security documents, instruments and agreements executed and delivered in connection with the Senior Credit Agreement, as same may have been amended, supplemented, modified, extended, replaced, refinanced, renewed or restated as of the Commencement Date.

1.8 Banks means, collectively, the agents and lenders that are from time to time parties to the Bank Credit Agreement.

1.9 Bankruptcy Code means title 11 of the United States Code, as amended from time to time, as applicable to the Chapter 11 Case.

1.10 Bankruptcy Court means the United States Bankruptcy Court for the Southern District of New York having jurisdiction over the Chapter 11 Case and, to the extent of any reference under section 157 of title 28 of the United States Code, the unit of such District Court under section 151 of title 28 of the United States Code.

1.11 Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, and any Local Rules of the Bankruptcy Court.

1.12 Business Day means any day other than a Saturday, Sunday or any other day on which commercial banks in New York, New York are required or authorized to close by law or executive order.

1.13 Cash means legal tender of the United States of America.

1.14 Causes of Action means, without limitation, any and all actions, causes of action, liabilities, obligations, rights, suits, damages, judgments, claims and demands whatsoever, whether known or unknown, existing or hereafter arising, in law, equity or otherwise, based in whole or in part upon any act or omission or other event occurring prior to the Commencement Date or during the course of the Chapter 11 Case, including through the Effective Date.

1.15 Chapter 11 Case means the case under chapter 11 of the Bankruptcy Code commenced by the Debtor in the Bankruptcy Court.

1.16 Claim has the meaning set forth in section 101 of the Bankruptcy Code.

1.17 Class means a category of holders of Claims or Equity Interests as set forth in Article III of the Plan.

1.18 Collateral means any property or interest in property of the estate of the Debtor subject to a Lien to secure the payment or performance of a Claim, which Lien is not subject to avoidance or otherwise invalid under the Bankruptcy Code or applicable state law.

1.19 Commencement Date means February 6, 2001, the date on which the Debtor commenced the Chapter 11 Case.

1.20 Committee means the statutory committee of unsecured creditors appointed in the Chapter 11 Case pursuant to section 1102 of the Bankruptcy Code.

1.21 Confirmation Date means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket.

1.22 Confirmation Hearing means the hearing held by the Bankruptcy Court to consider confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code, as such hearing may be adjourned or continued from time to time.

1.23 Confirmation Order means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

1.24 Debtor means Sunbeam Corporation.

1.25 Debtor in Possession means the Debtor in its capacity as debtor in possession in the Chapter 11 Case pursuant to sections 1101, 1107(a) and 1108 of the Bankruptcy Code.

1.26 Derivative Securities Litigation Claims means the Claims or Causes of Action set forth in Exhibit A to the Plan and any and all other Claims or Causes of Action derivative of or from the Debtor.

1.27 Disbursing Agent means any Entity in its capacity as a disbursing agent under Section 5.5(a) hereof.

1.28 Disclosure Statement means the disclosure statement relating to the Plan, including, without limitation, all exhibits and schedules thereto, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code.

1.29 Disputed means, with reference to any Claim, any Claim proof of which was timely and properly filed, and in such case or in the case of an Administrative Expense Claim, any Administrative Expense Claim or Claim which is disputed under the Plan or as to which the Debtor has interposed a timely objection and/or request for estimation in accordance with section 502(c) of the Bankruptcy Code and Bankruptcy Rule 3018, which objection and/or request for estimation has not been withdrawn or determined by a Final Order, and any Claim proof of which was required to be filed by order of the Bankruptcy Court but as to which a proof of claim was not timely or properly filed. A Claim that is Disputed by the Debtor as to its amount only, shall be deemed Allowed in the amount the Debtor admits owing, if any, and Disputed as to the excess.

1.30 Disputed Claim Amount means the amount set forth in the proof of claim relating to a Disputed Claim or, if an amount is estimated in respect of a Disputed Claim in accordance with section 502(c) of the Bankruptcy Code and Bankruptcy Rule 3018, the amount so estimated pursuant to an order of the Bankruptcy Court.

1.31 Effective Date means the first Business Day on which the conditions specified in Section 9.2 of the Plan have been satisfied or waived.

1.32 Employee Options shall have the meaning set forth in Section 7.6 hereof.

1.33 Entity shall have the meaning set forth in section 101(15) of the Bankruptcy Code.

1.34 Equity Interest means any share of common stock or other instrument evidencing an ownership interest in the Debtor, whether or not transferable, and any option, warrant or right, contractual or otherwise, to acquire any such interest.

1.35 Equity Holder Securities Claims means any and all Claims and Causes of Action of any kind whatsoever, known or unknown, asserted or which might have been, or might in the future be, asserted in a direct or other capacity against the Debtor arising out of, relating to or in connection with: (i) the purchase, ownership, sale or other decision or action made or taken, or declined, or failed or refused to be made or taken, or otherwise foregone, concerning or relating to the Equity Interests; (ii) the facts, transactions, events, occurrences, acts, representations, disclosures, statements, omissions or failures to act which were alleged or could have been alleged in the pending litigation asserted against the Debtor, whether asserted individually or on behalf of a class of plaintiffs, which generally arise from allegations of alleged acts or omissions of the Debtor or any other Persons or Entities prior to the Commencement Date with respect to or concerning the Equity Interests, or the purchase, sale or ownership thereof, including, without limitation, the litigation or causes of action set forth in Exhibit B to the Plan; (iii) accounting irregularities or errors, if any, or alleged accounting irregularities or errors relating to the Sunbeam Group; (iv) the historical or projected financial condition or results of the Sunbeam Group; (v) state law appraisal rights sought or requested in connection with or relating in any manner to the Sunbeam Group; (vi) any restatements of the Debtor's or any member of the Sunbeam Group's financial statements or results of operations; (vii) any other Claims and Causes of Action arising out of, relating to, or in connection with the Equity Interests that would be subject to and subordinated under section 510(b) of the Bankruptcy Code; and (viii) indemnification, reimbursement or contribution Claims with respect to any of the foregoing; provided, however, that, notwithstanding the foregoing, Equity Holder Securities Claims shall not include Assumed Indemnification Claims and Derivative Securities Litigation Claims.

1.36 ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.37 Final Order means an order of the Bankruptcy Court or any other court of competent jurisdiction as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending or as to which any right to appeal, petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance satisfactory to the Debtor or, on and after the Effective Date, Reorganized Sunbeam, or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court or other court of competent jurisdiction shall have been determined by the highest court to which such order was appealed, or certiorari, reargument or rehearing shall have been denied and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules or applicable state court rules of civil procedure, may be filed with respect to such order shall not cause such order not to be a Final Order.

1.38 GECC means General Electric Credit Corporation.

1.39 General Unsecured Claim means any Claim other than a Secured Claim, Administrative Expense Claim, Priority Tax Claim, Other Priority Claim, Subordinated Note Claim, Punitive Damage Claim, Derivative Securities Litigation Claim, Affiliate Claim, Subordinated Noteholder Securities Claim and Equity Holder Securities Claim.

1.40 Indenture Trustee means The Bank of New York, as indenture trustee under the Subordinated Notes Indenture, and any successor indenture trustee that may be appointed.

1.41 Insured Claim means any Claim arising from an incident or occurrence that is covered under the Debtor's insurance policies.

1.42 Lien has the meaning set forth in section 101 of the Bankruptcy Code.

1.43 New Convertible Secured Notes means the convertible secured promissory notes authorized and to be issued by Reorganized Sunbeam in the principal amount of \$600,000,000 on the Effective Date, pursuant to the Plan, on the terms and subject to the conditions described in Exhibit C to the Plan.

1.44 New Convertible Secured Notes Agreement means the agreement under which the New Convertible Secured Notes will be issued, which shall be in substantially the form contained in the Plan Supplement.

1.45 New Secured Term Debt means the secured term debt authorized and to be issued by Reorganized Sunbeam in the principal amount of \$200,000,000 on the Effective Date, pursuant to the Plan, on the terms and subject to the conditions set forth in Exhibit D to the Plan.

1.46 Other Priority Claim means any Claim, other than an Administrative Expense Claim or a Priority Tax Claim, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.

1.47 Other Secured Claim means any Secured Claim, other than Secured Bank Claims and Affiliate Claims that are Secured Claims.

1.48 PBGC shall mean the Pension Benefit Guaranty Corporation, a United States government corporation that administers the defined benefit pension plan termination insurance program under Title IV of ERISA.

1.49 Pension Plans shall mean the following defined benefit pension plans of the Debtor covered by Title IV of ERISA: Pension Plan for Hourly Employees of Sunbeam-Oster Company, Inc. at the Portland, Tennessee Plant; Pension Plan for Hourly Employees of Sunbeam-Oster Company, Inc. at the Nacogdoches, Texas, Waynesboro, Georgia and Linton, Indiana Plants; and Pension Plan for Employees of Sunbeam-Oster Company, Inc.

1.50 Person shall have the meaning set forth in section 101(41) of the Bankruptcy Code.

1.51 Plan means this chapter 11 plan of reorganization, including, without limitation, the Plan Supplement and all exhibits, supplements, appendices and schedules hereto, either in its present form or as the same may be altered, amended or modified from time to time.

1.52 Plan Supplement means the forms of documents specified in Section 11.17 of the Plan.

1.53 Post-Petition Banks means, collectively, the agents and lenders that are from time to time parties to the Post-Petition Bank Credit Agreement.

1.54 Post-Petition Bank Credit Agreement means that certain Revolving Credit and Guarantee Agreement, dated as of February 6, 2001, among Sunbeam Corporation, the subsidiaries of Sunbeam Corporation parties thereto, and the agents and lenders from time to time parties thereto, and any and all of the documents, instruments and agreements relating thereto, including, without limitation, all guarantees and security documents, instruments and agreements executed and delivered in connection



with the Post-Petition Credit Agreement, as the same may have been amended, restated, supplemented or otherwise modified from time to time.

1.55 Priority Tax Claim means any Claim of a governmental unit of the kind specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code.

1.56 Pro Rata Share means a proportionate share, so that the ratio of the consideration distributed on account of an Allowed Claim in a Class to the amount of such Allowed Claim is the same as the ratio of the amount of the consideration distributed on account of all Allowed Claims in such Class to the amount of all Allowed Claims in such Class.

1.57 Punitive Damage Claim means any Claim arising prior to the Commencement Date, whether secured or unsecured, for any fine, penalty or forfeiture, or for multiple, exemplary or punitive damages, to the extent that such fine, penalty, forfeiture or damages is not compensation for actual pecuniary loss suffered by the holder of such Claim.

1.58 Record Date means the day that is five Business Days from and after the Confirmation Date.

1.59 Registration Rights Agreement means a registration rights agreement to be entered into pursuant to Section 5.8 of the Plan between Reorganized Sunbeam and all holders of Allowed Secured Bank Claims, which agreement shall be in substantially the form contained in the Plan Supplement.

1.60 Releasees means all present and former officers and directors of the Debtor who were directors and/or officers, respectively, on or after the Commencement Date, and any other Persons who serve or served as members of management of the Debtor on or after the Commencement Date, all present and former members of the Committee, all present and former Banks and Post-Petition Banks, all present and former officers and directors and other Persons who serve or served as members of the management of any present or former member of the Committee or of any present or former Bank or Post-Petition Bank, and all post-Commencement Date advisors, consultants or professionals of or to the Debtor, the Committee, the members of the Committee, the Banks and the Post-Petition Banks.

1.61 Reorganized Sunbeam means Sunbeam Corporation on and after the Effective Date.

1.62 Reorganized Sunbeam By-laws means the amended and restated By-laws of Reorganized Sunbeam, which shall be in substantially the form contained in the Plan Supplement.

1.63 Reorganized Sunbeam Certificate of Incorporation means the amended and restated Certificate of Incorporation of Reorganized Sunbeam, which shall be in substantially the form contained in the Plan Supplement.

1.64 Reorganized Sunbeam Common Stock means the number of shares of common stock of Reorganized Sunbeam authorized and to be issued pursuant to the Plan, which number shall be disclosed prior to the Confirmation Hearing. The Reorganized Sunbeam Common Stock shall have a par value of \$.01 per share and such rights with respect to dividends, liquidation, voting and other matters as are provided for by applicable nonbankruptcy law or in the Reorganized Sunbeam Certificate of Incorporation and the Reorganized Sunbeam By-laws.

1.65 Reorganized Sunbeam Stock Option Plans means one stock option plan or stock appreciation rights for executive officers and other senior management and a separate stock option plan or stock appreciation rights for all other employees and consultants, in each case to be adopted by Reorganized Sunbeam, which shall be in substantially the form contained in the Plan Supplement.

1.66 Schedules means the schedule of assets and liabilities, the list of holders of Equity Interests and the statement of financial affairs filed by the Debtor under section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, and all amendments and modifications thereto through and including the date by which objections to Claims must be filed with the Bankruptcy Court pursuant to Section 5.6 of the Plan.

1.67 Secured Bank Claims means all Claims of the Banks against the Debtor arising under or in connection with the Bank Credit Agreement, including, without limitation, any Claims of the Banks that are converted to postpetition administrative expense claims pursuant to any order of the Bankruptcy Court approving the provision of adequate protection to holders of Secured Bank Claims.

1.68 Secured Claim means any Claim, to the extent reflected in the Schedules or a proof of claim as a Secured Claim, which is secured by a Lien on Collateral to the extent of the value of such Collateral, as determined in accordance with section 506(a) of the Bankruptcy Code, or, in the event that such Claim is subject to a permissible setoff under section 553 of the Bankruptcy Code, to the extent of such permissible setoff, including, without limitation, Secured Bank Claims, Other Secured Claims and Affiliate Claims that are Secured Claims.

1.69 Shareholders Agreement means a shareholders agreement to be entered into pursuant to Section 5.9 of the Plan between Reorganized Sunbeam and all holders of Allowed Secured Bank Claims, which agreement shall be in substantially the form contained in the Plan Supplement.

1.70 Subordinated Note Claims means all Claims arising under or in connection with the Subordinated Notes Indenture; provided, however, that Subordinated Noteholder Securities Claims shall not be Subordinated Note Claims.

1.71 Subordinated Noteholder Securities Claims means any and all Claims and Causes of Action of any kind whatsoever, known or unknown, asserted or which might have been, or might in the future be, asserted in a direct or other capacity against the Debtor arising out of, relating to or in connection with: (i) the purchase, ownership, sale or other decision or action made or taken, or declined, or failed or refused to be made or taken, or otherwise foregone, concerning or relating to the Subordinated Notes; (ii) the facts, transactions, events, occurrences, acts, representations, disclosures, statements, omissions or failures to act which were alleged or could have been alleged in the pending litigation asserted against the Debtor, whether asserted individually or on behalf of a class of plaintiffs, which generally arise from allegations of alleged acts or omissions of the Debtor or any other Persons or Entities prior to the Commencement Date with respect to or concerning the Subordinated Notes, or the purchase, sale or ownership thereof, including, without limitation, the litigation or causes of action set forth on Exhibit E to the Plan; (iii) accounting irregularities or errors, if any, or alleged accounting irregularities or errors relating to the Debtor or the Sunbeam Group; (iv) the historical or projected financial condition or results of the Sunbeam Group; (v) any restatements of the Debtor's or any member of the Sunbeam Group's financial statements or results of operations; (vi) any other Claims and Causes of Action arising out of, relating to, or in connection with the Subordinated Notes that would be subject to and subordinated under section 510(b) of the Bankruptcy Code; and (vii) indemnification, reimbursement or contribution Claims against the Debtor with respect to any of the foregoing; provided, however, that, notwithstanding the foregoing, Subordinated Noteholder Securities Claims shall not include Assumed Indemnification Claims and Derivative Securities Litigation Claims.

1.72 Subordinated Notes means all notes issued and outstanding under the Subordinated Notes Indenture as of the Commencement Date.

1.73 Subordinated Notes Indenture means the trust indenture, dated as of March 25, 1998, between Sunbeam, as issuer of the Subordinated Notes, and the Indenture Trustee, and all of the

documents and instruments relating thereto, as amended, supplemented, modified or restated as of the Commencement Date.

1.74 Subsidiaries Plan means the joint chapter 11 plan of reorganization proposed by certain domestic Sunbeam Affiliates in their separately (but jointly) administered chapter 11 cases pending in the Bankruptcy Court.

1.75 Sunbeam Affiliate Claim means any Claim, whether secured or unsecured, of a Sunbeam Affiliate.

1.76 Sunbeam Affiliates means, collectively, AI Realty Marketing of New York, Inc.; Australian Coleman, Inc.; Beacon Exports, Inc.; BRK Brands, Inc.; CC Outlet, Inc.; CMO, Inc.; Coleman Argentina, Inc.; Coleman Country Ltd.; Coleman International Holdings, LLC; Coleman Powermate, Inc.; Coleman Puerto Rico, Inc.; Coleman Venture Capital, Inc.; Coleman Worldwide Corp.; DDG I, Inc.; Family Gard, Inc.; First Alert, Inc.; General Archery Industries, Inc.; GHI I, Inc.; JGK, Inc.; Kaimona, Inc.; Kansas Acquisition Corp.; L.A. Services, Inc.; Laser Acquisition Corp.; Nippon Coleman, Inc.; Packs & Travel Corporation; Pearson Holdings, Inc.; PH III, Inc.; River View Corporation of Barling, Inc.; SI II, Inc.; Sierra Corporation of Fort Smith, Inc.; Sunbeam Americas Holdings, Ltd.; Sunbeam Health & Safety Company; Sunbeam Latin America, LLC; Sunbeam Products, Inc.; Sunbeam Services, Inc.; Survival Gear, Inc.; Thalia Products Inc.; The Coleman Company, Inc.; THL-FA IP Corp; Vero Dunes Venturer, Inc.; Woodcraft Equipment Company; Application Des Gaz, S.A.S. (France); Bafiges S.A.S. (France); BRK Brands Europe Limited (England and Wales); BRK Brands Pty Limited (Australia); BRK Electronics (Europe); BRK Electronics S.A. (Belgium); Camping Gaz CS Spol S.R.O. (Czech Republic); Camping Gaz GmbH (Austria); Camping Gaz Great Britain, L.T.D. (Great Britain); Camping Gaz International Deutschland GmbH (Germany); Camping Gaz International Portugal, L.T.D. (Portugal); Camping Gaz Italie S.r.L. (Italy); Camping Gaz Kft (Hungary); Camping Gaz Suisse A.G. (Switzerland); Coleman Argentina S.A. (Argentina); Coleman Asia Limited (Hong Kong); Coleman Benelux B.V. (Netherlands); Coleman do Brasil Ltda. (Brasil); Coleman Deutschland GmbH (Germany); Coleman Europe S.A./N.V. (Belgium); Coleman Japan Company, Ltd. (Japan); Coleman Life Styles KK (Japan); Coleman SVB S.r.L (Italy); Electronica BRK de Mexico (Mexico); Oster de Venezuela (Venezuela); Oster GmbH (Germany); Oster International GmbH (Germany); Productos Coleman, S.A. (Spain); SI China Ventures, Ltd. (Hong Kong); Sunbeam Corporation (Canada) Limited (Ontario); Sunbeam Europe Limited (UK); Sunbeam Holdings S.A. de C.V. (Mexico); Sunbeam International (Asia), Ltd.; Sunbeam International (Asia), Ltd. (Hong Kong); Sunbeam Mexicana S.A. de C.V. (Mexico); Sunbeam-Oster de Acuna S.A. de C.V. (Mexico); Sunbeam-Oster de Matamoros S.A. de C.V. (Mexico); and Sunbeam-Oster International (FSC), Inc. (Barbados).

1.77 Sunbeam Group means, collectively, Sunbeam and the Sunbeam Affiliates.

Interpretation; Application of Definitions and Rules of Construction. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include both the singular and the plural and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter. Unless otherwise specified, all section, article, schedule or exhibit references in the Plan are to the respective Section in, Article of, Schedule to, or Exhibit to, the Plan. The words “herein,” “hereof,” “hereto,” “hereunder” and other words of similar import refer to the Plan as a whole and not to any particular section, subsection or clause contained in the Plan. The rules of construction contained in section 102 of the Bankruptcy Code shall apply to the construction of the Plan. A term used herein that is not defined herein, but that is used in the Bankruptcy Code, shall have the meaning ascribed to that term in the Bankruptcy Code. The headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the provisions of the Plan.

## ARTICLE II

### TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS AND PRIORITY TAX CLAIMS

2.1 Administrative Expense Claims. Except to the extent that any entity entitled to payment of any Allowed Administrative Expense Claim agrees to a less favorable treatment, each holder of an Allowed Administrative Expense Claim shall receive Cash in an amount equal to such Allowed Administrative Expense Claim on the later of the Effective Date and the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as is practicable; provided, however, that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtor in Possession or liabilities arising under loans or advances to or other obligations incurred by the Debtor in Possession shall be paid in full and performed by Reorganized Sunbeam in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing or other documents relating to such transactions.

2.2 Professional Compensation and Reimbursement Claims. All entities seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date under sections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code shall (a) file their respective final applications for allowances of compensation for services rendered and reimbursement of expenses incurred through the Effective Date by no later than the date that is 60 days after the Effective Date, or such other date as may be fixed by the Bankruptcy Court and (b) if granted such an award by the Bankruptcy Court, be paid in full in such amounts as are Allowed by the Bankruptcy Court (i) on the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as is practicable or (ii) upon such other terms as may be mutually agreed upon between such holder of an Administrative Expense Claim and Reorganized Sunbeam.

2.3 Priority Tax Claims. Except to the extent that a holder of an Allowed Priority Tax Claim has been paid by the Debtor prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, in full and complete settlement, satisfaction and discharge of its Allowed Priority Tax Claim, at the option of Reorganized Sunbeam, (a) Cash in an amount equal to such Allowed Priority Tax Claim on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable or (b) equal annual Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest at a fixed annual rate equal to 8.0%, over a period through the sixth anniversary of the date of assessment of such Allowed Priority Tax Claim, or upon such other terms determined by the Bankruptcy Court to provide the holder of such Allowed Priority Tax Claim deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Priority Tax Claim; provided, however, that the Debtor must obtain the consent of the Banks in order to elect option (a).

### ARTICLE III

#### CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

Claims, other than Administrative Expense Claims and Priority Tax Claims, and Equity Interests, are classified for all purposes, including voting, confirmation and distribution pursuant to the Plan, as follows:

<u>Class</u>	<u>Status</u>
Class 1 -- Other Priority Claims	Unimpaired
Class 2 -- Other Secured Claims	Unimpaired
Class 3 -- Secured Bank Claims	Impaired
Class 4 -- General Unsecured Claims	Impaired
Class 5A -- Subordinated Note Claims	Impaired
Class 5B -- Subordinated Noteholder Securities Claims	Impaired
Class 6 -- Sunbeam Affiliate Claims	Impaired
Class 7 -- Punitive Damage Claims	Impaired
Class 8A -- Equity Interests	Impaired
Class 8B -- Equity Holder Securities Claims	Impaired

### ARTICLE IV

#### TREATMENT OF CLAIMS AND EQUITY INTERESTS

##### 4.1 CLASS 1 -- OTHER PRIORITY CLAIMS.

(a) Impairment and Voting. Class 1 is unimpaired by the Plan. Each holder of an Allowed Other Priority Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

(b) Distributions. Except to the extent that a holder of an Allowed Other Priority Claim has been paid by the Debtor prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Other Priority Claim shall receive, in full and complete settlement, satisfaction and discharge of its Allowed Other Priority Claim, Cash in an amount equal to such Allowed Other Priority Claim on the later of the Effective Date and the date such Allowed Other Priority Claim becomes an Allowed Other Priority Claim, or as soon thereafter as is practicable.

##### 4.2 CLASS 2 -- OTHER SECURED CLAIMS.

(a) Impairment and Voting. Class 2 is unimpaired by the Plan. Each holder of an Allowed Other Secured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

(b) Distributions/Reinstatement of Claims. Except to the extent that a holder of an Allowed Other Secured Claim has been paid by the Debtor prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Other Secured Claim shall, in full and complete settlement, satisfaction and discharge of its Allowed Other Secured Claim, at the option of Reorganized Sunbeam, (i) be reinstated and rendered unimpaired in accordance with section 1124 of the Bankruptcy Code, (ii) receive Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, on the later of the Effective Date and the date such Allowed Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable or (iii) receive the Collateral securing its Allowed Other Secured Claim and any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, on the later of the Effective Date and the date such Allowed Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable; provided, however, that the Debtor must obtain the consent of the Banks in order to elect option (ii).

#### 4.3 CLASS 3 – SECURED BANK CLAIMS

(a) Allowance. The Secured Bank Claims shall be deemed Allowed Claims in the aggregate amount of \$1,602,685,539.

(b) Impairment and Voting. Class 3 is impaired by the Plan. Each holder of an Allowed Secured Bank Claim is entitled to vote to accept or reject the Plan.

(c) Distributions. On the Effective Date, each holder of an Allowed Secured Bank Claim as of the Record Date shall receive in full and complete settlement, satisfaction, release and discharge of its Allowed Secured Bank Claim: (i) its Pro Rata Share of (A) 100% of the Reorganized Sunbeam Common Stock, (B) \$200,000,000 in principal amount of the New Secured Term Debt and (C) \$600,000,000 in principal amount of the New Convertible Secured Notes; and (ii) the releases set forth in Section 11.4 of the Plan. In addition, each holder of an Allowed Secured Bank Claim shall be entitled to retain all amounts paid to it or on its behalf as adequate protection or otherwise, and Reorganized Sunbeam will continue to pay the professional fees of the holders of the Allowed Secured Bank Claims after the Confirmation Date with respect to matters relating to the Plan or the Chapter 11 Case in accordance with the terms and conditions of the orders approving the Post-Petition Bank Credit Agreement.

#### 4.4 CLASS 4 -- GENERAL UNSECURED CLAIMS

(a) Impairment and Voting. Class 4 is impaired by the Plan. Each holder of an Allowed General Unsecured Claim is conclusively presumed to have rejected the Plan as a holder of General Unsecured Claims and is not entitled to vote to accept or reject the Plan.

(b) Distributions. The holder of General Unsecured Claims shall not receive any distributions on account of such Claims. On the Effective Date, all General Unsecured Claims shall be extinguished.

#### 4.5 CLASS 5A -- SUBORDINATED NOTE CLAIMS

(a) Allowance. The Subordinated Note Claims shall be deemed Allowed Claims solely for purposes of this Plan in the aggregate amount of \$864,261,481.

(b) Impairment and Voting. Class 5A is impaired by the Plan. Each holder of a Subordinated Note Claim is conclusively presumed to have rejected the Plan as a holder of Subordinated Note Claims and is not entitled to vote to accept or reject the Plan.

(c) Distributions. The holders of Subordinated Note Claims shall not receive any distributions on account of such Claims. On the Effective Date, all Subordinated Note Claims shall be extinguished.

#### 4.6 CLASS 5B – SUBORDINATED NOTEHOLDER SECURITIES CLAIMS

(a) Impairment and Voting. Class 5B is impaired by the Plan. Each holder of a Subordinated Noteholder Securities Claim is conclusively presumed to have rejected the Plan as a holder of Subordinated Noteholder Securities Claims and is not entitled to vote to accept or reject the Plan.

(b) Distributions. In accordance with Section 5.2 of the Plan, the holders of Subordinated Noteholder Securities Claims shall not receive any distributions on account of such Claims.

#### 4.7 CLASS 6 – SUNBEAM AFFILIATE CLAIMS

(a) Impairment and Voting. Class 6 is impaired by the Plan. Each holder of a Sunbeam Affiliate Claim is conclusively presumed to have rejected the Plan and is not entitled to vote to accept or reject the Plan.

(b) Distributions. Each holder of an Allowed Sunbeam Affiliate Claim shall not receive any distributions on account of such Claims. On the Effective Date, all Sunbeam Affiliate Claims shall be offset and extinguished.

#### 4.8 CLASS 7 – PUNITIVE DAMAGE CLAIMS

(a) Impairment and Voting. Class 7 is impaired by the Plan. Each holder of a Punitive Damage Claim is conclusively presumed to have rejected the Plan as a holder of Punitive Damage Claims and is not entitled to vote to accept or reject the Plan.

(b) Distributions. The holders of Punitive Damage Claims shall not receive any distributions on account of such Claims.

#### 4.9 CLASS 8A -- EQUITY INTERESTS

(a) Impairment and Voting. Class 8A is impaired by the Plan. Each holder of an Equity Interest is conclusively presumed to have rejected the Plan as a holder of Equity Interests and is not entitled to vote to accept or reject the Plan.

(b) Distributions. The holders of Equity Interests shall not receive any distributions on account of such Equity Interests. On the Effective Date, all Equity Interests shall be extinguished.

#### 4.10 CLASS 8B – EQUITY HOLDER SECURITIES CLAIMS

(a) Impairment and Voting. Class 8B is impaired by the Plan. Each holder of an Equity Holder Securities Claim is conclusively presumed to have rejected the Plan as a holder of Equity Holder Securities Claims and is not entitled to vote to accept or reject the Plan.

(b) Distributions. In accordance with Section 5.2 of the Plan, the holders of Equity Holder Securities Claims shall not receive any distributions on account of such Claims.

## ARTICLE V

### PROVISIONS REGARDING VOTING AND DISTRIBUTIONS UNDER THE PLAN AND TREATMENT, OF DISPUTED, CONTINGENT AND UNLIQUIDATED ADMINISTRATIVE EXPENSE CLAIMS AND CLAIMS

5.1 Voting of Claims. Each holder of an Allowed Claim in an impaired Class of Claims that is entitled to vote on the Plan pursuant to Article IV of the Plan shall be entitled to vote separately to accept or reject the Plan as provided in such order as is entered by the Bankruptcy Court establishing procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other order or orders of the Bankruptcy Court.

5.2 Enforcement of Subordination of Securities Claims. The treatment of the Subordinated Noteholder Securities Claims and Equity Holder Securities Claims pursuant to the Plan is in accordance with and gives effect to the provisions of section 510(b) of the Bankruptcy Code.

5.3 Elimination of Vacant Classes. Any Class of Claims that is not occupied as of the date of commencement of the Confirmation Hearing by an Allowed Claim or a Claim temporarily allowed under Bankruptcy Rule 3018 shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

5.4 Nonconsensual Confirmation. If any impaired Class of Claims entitled to vote shall not accept the Plan by the requisite statutory majorities provided in section 1126(c) of the Bankruptcy Code, the Debtor reserves the right to amend the Plan in accordance with Section 11.10 hereof or undertake to have the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code or both. With respect to impaired Classes of Claims that are deemed to reject the Plan, the Debtor shall request the Bankruptcy Court to confirm the Plan under section 1129(b) of the Bankruptcy Code.

5.5 Method of Distributions Under the Plan.

(a) Disbursing Agent. All distributions under the Plan shall be made by Reorganized Sunbeam as Disbursing Agent or such other entity designated by Reorganized Sunbeam as Disbursing Agent. A Disbursing Agent shall not be required to provide any bond, surety or other security for the performance of its duties, unless otherwise ordered by the Bankruptcy Court; and, in the event that a Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond, surety or other security shall be borne by Reorganized Sunbeam.

(b) Delivery of Distributions. Subject to Bankruptcy Rule 9010, all distributions under the Plan shall be made to the holder of each Allowed Claim at the address of such holder as listed on the Schedules as of the Record Date, unless the Debtor or, on and after the Effective Date, Reorganized Sunbeam, has been notified in writing of a change of address, including, without limitation, by the filing of a timely proof of Claim by such holder that provides an address for such holder different from the address reflected on the Schedules.

(c) Distributions of Cash. Any payment of Cash made by Reorganized Sunbeam pursuant to the Plan shall, at Reorganized Sunbeam's option, be made by check drawn on a domestic bank or wire transfer.

(d) Timing of Distributions. Any payment or distribution required to be made under the Plan on a day other than a Business Day shall be made on the next succeeding Business Day.



(e) Hart-Scott-Rodino Compliance. Any shares of Reorganized Sunbeam Common Stock to be distributed under the Plan to any entity required to file a Premerger Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, shall not be distributed until the notification and waiting periods applicable under such Act to such entity shall have expired or been terminated.

(f) Minimum Distributions. No payment of Cash less than one hundred dollars shall be made by Reorganized Sunbeam to any holder of a Claim unless a request therefor is made in writing to Reorganized Sunbeam.

(g) Fractional Shares. No fractional shares of Reorganized Sunbeam Common Stock or Cash in lieu thereof, shall be distributed under the Plan. When any distribution pursuant to the Plan would otherwise result in the issuance of a number of shares of Reorganized Sunbeam Common Stock that is not a whole number, the actual distribution of shares of Reorganized Sunbeam Common Stock shall be rounded as follows: (i) fractions of  $\frac{1}{2}$  or greater shall be rounded to the next higher whole number; and (ii) fractions of less than  $\frac{1}{2}$  shall be rounded to the next lower whole number. The total number of shares of Reorganized Sunbeam Common Stock to be distributed pursuant to the Plan shall be adjusted as necessary to account for the rounding provided in this Section 5.4(g).

(h) Unclaimed Distributions. All distributions under the Plan that are unclaimed for a period of one year after distribution thereof shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and revested in Reorganized Sunbeam and any entitlement of any holder of any Claim to such distributions shall be extinguished and forever barred.

(i) Distributions to Holders as of the Record Date. As at the close of business on the Record Date, the claims register shall be closed, and there shall be no further changes in the record holder of any Claim. The Debtor and Reorganized Sunbeam shall have no obligation to recognize any transfer of any Claim occurring after the Record Date. The Debtor and Reorganized Sunbeam shall instead be authorized and entitled to recognize and deal for all purposes under the Plan with only those record holders stated on the claims register as of the close of business on the Record Date.

5.6 Objections to and Resolution of Administrative Expense Claims and Claims. Except as to applications for allowance of compensation and reimbursement of expenses under sections 330 and 503 of the Bankruptcy Code, Reorganized Sunbeam shall, on and after the Effective Date, have the exclusive right to make and file objections to Administrative Expense Claims and Claims. On and after the Effective Date, Reorganized Sunbeam shall have the authority to compromise, settle, otherwise resolve or withdraw any objections to Administrative Expense Claims and Claims and compromise, settle or otherwise resolve Disputed Administrative Expense Claims and Disputed Claims without approval of the Bankruptcy Court. Unless otherwise ordered by the Bankruptcy Court, the Debtor and, on and after the Effective Date, Reorganized Sunbeam, shall file all objections to Administrative Expense Claims that are the subject of proofs of claim or requests for payment filed with the Bankruptcy Court (other than applications for allowances of compensation and reimbursement of expenses) and Claims and serve such objections upon the holder of the Administrative Expense Claim or Claim as to which the objection is made as soon as is practicable, but in no event later than 90 days after the Effective Date or such later date as may be approved by the Bankruptcy Court.

5.7 Cancellation of Existing Securities and Agreements. On the Effective Date, the promissory notes, share certificates, option agreements, bonds and any and all other instruments or documents evidencing any Claim or Equity Interest, other than an Other Secured Claim that is reinstated and rendered unimpaired pursuant to Section 4.2 of the Plan, shall be deemed cancelled without further act or action under any applicable agreement, law, regulation, order or rule and the obligations of the

Debtor under the agreements, indentures and certificates of designations governing such Claims and Equity Interests, as the case may be, shall be discharged.

5.8 Registration of New Common Stock. Each holder of Allowed Secured Bank Claims receiving a distribution of Reorganized Sunbeam Common Stock pursuant to the Plan shall automatically become a party to the Registration Rights Agreement.

5.9 Shareholders Agreement. Each holder of Allowed Secured Bank Claims receiving a distribution of Reorganized Sunbeam Common Stock pursuant to the Plan shall automatically become a party to the Shareholders Agreement.

## ARTICLE VI

### EXECUTORY CONTRACTS AND UNEXPIRED LEASES

#### 6.1 Assumption or Rejection of Executory Contracts and Unexpired Leases

(a) Executory Contracts and Unexpired Leases. Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all executory contracts and unexpired leases that exist between the Debtor and any Person or Entity shall be deemed assumed by the Debtor as of the Effective Date, except for any executory contract or unexpired lease (i) that has been rejected pursuant to an order of the Bankruptcy Court entered prior to the Confirmation Date, (ii) as to which a motion for approval of the rejection of such executory contract or unexpired lease has been filed and served prior to the Confirmation Date or (iii) that is set forth in Schedule 6.1(a)(x) (executory contracts) or Schedule 6.1(a)(y) (unexpired leases), which Schedules shall be included in the Plan Supplement; provided, however, that the Debtor reserves the right, on or prior to the Confirmation Date, to amend Schedules 6.1(a)(x) or 6.1(a)(y) to delete any executory contract or unexpired lease therefrom or add any executory contract or unexpired lease thereto, in which event such executory contract(s) or unexpired lease(s) shall be deemed to be, respectively, assumed by the Debtor or rejected. The Debtor shall provide notice of any amendments to Schedules 6.1(a)(x) or 6.1(a)(y) to the parties to the executory contracts and unexpired leases affected thereby. The listing of a document on Schedules 6.1(a)(x) and 6.1(a)(y) shall not constitute an admission by the Debtor that such document is an executory contract or an unexpired lease or that the Debtor has any liability thereunder.

(b) Schedules of Rejected Executory Contracts and Unexpired Leases; Inclusiveness. Each executory contract and unexpired lease listed or to be listed on Schedules 6.1(a)(x) or 6.1(a)(y) that relates to the use or occupancy of real property shall include (i) modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such executory contract or unexpired lease, without regard to whether such agreement, instrument or other document is listed on Schedules 6.1(a)(x) or 6.1(a)(y) and (ii) executory contracts or unexpired leases appurtenant to the premises listed on Schedules 6.1(a)(x) or 6.1(a)(y), including, without limitation, all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, usufructs, reciprocal easement agreements, vault, tunnel or bridge agreements or franchises, and any other interests in real estate or rights in rem relating to such premises to the extent any of the foregoing are executory contracts or unexpired leases, unless any of the foregoing agreements previously has been assumed or assumed and assigned by the Debtor.

(c) Insurance Policies. All of the Debtor's insurance policies and any agreements, documents or instruments relating thereto, are treated as executory contracts under the Plan. Notwithstanding the foregoing, distributions under the Plan to any holder of an Insured Claim shall be in accordance with the treatment provided under Article IV of the Plan. Nothing contained in this Section 6.1(c) shall constitute

or be deemed a waiver of any Cause of Action that the Debtor may hold against any entity, including, without limitation, the insurer under any of the Debtor's policies of insurance.

(d) Approval of Assumption, Assumption and Assignment or Rejection of Executory Contracts and Unexpired Leases. Entry of the Confirmation Order shall, subject to and upon the occurrence of the Effective Date, constitute (i) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption of the executory contracts and unexpired leases assumed pursuant to Section 6.1(a) hereof, (ii) the extension of time, pursuant to section 365(d)(4) of the Bankruptcy Code, within which the Debtor may assume, assume and assign or reject the unexpired leases specified in Section 6.1(a) hereof through the date of entry of an order approving the assumption, assumption and assignment or rejection of such unexpired leases and (iii) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to Section 6.1(a) hereof.

(e) Cure of Defaults. Except as may otherwise be agreed to by the parties, within 30 days after the Effective Date, Reorganized Sunbeam shall cure any and all undisputed defaults under any executory contract or unexpired lease assumed by the Debtor pursuant to Section 6.1(a) hereof, in accordance with section 365(b)(1) of the Bankruptcy Code. All disputed defaults that are required to be cured shall be cured either within 30 days of the entry of a Final Order determining the amount, if any, of Reorganized Sunbeam's liability with respect thereto, or as may otherwise be agreed to by the parties.

(f) Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan. Claims arising out of the rejection of an executory contract or unexpired lease pursuant to Section 6.1 of the Plan must be filed with the Bankruptcy Court and served upon the Debtor or, on and after the Effective Date, Reorganized Sunbeam, by no later than 30 days after the later of (i) notice of entry of an order approving the rejection of such executory contract or unexpired lease, (ii) notice of entry of the Confirmation Order and (iii) notice of an amendment to Schedule 6.1(a)(x) or 6.1(a)(y). All such Claims not filed within such time will be forever barred from assertion against the Debtor and its estate and Reorganized Sunbeam and its property.

(g) Assumed Indemnification Obligations. Entry of the Confirmation Order shall, subject to and upon the occurrence of the Effective Date, constitute the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption of the Assumed Indemnification Claims. The Assumed Indemnification Claims shall, in all respects, irrespective of whether such claims arise under contracts or executory contracts, survive confirmation of the Plan, remain unaffected thereby, and not be discharged irrespective of whether indemnification, defense, reimbursement or limitation is owed in connection with an event occurring before, on or after the Commencement Date.

(h) Compensation and Benefit Programs. Except as provided in Section 6.1(a) of the Plan, all savings, retirement, health care, severance, performance-based cash incentive, retention, employee welfare benefit, life insurance, disability and other similar plans and agreements, all directors and officers liability and other insurance and all workers' compensation programs are treated as executory contracts under the Plan and shall, on the Effective Date, be deemed assumed by the Debtor in accordance with sections 365(a) and 1123(b)(2) of the Bankruptcy Code.

6.2 Retiree Benefits. Payments, if any, due to any Person for the purpose of providing or reimbursing payments for retired employees and their spouses and dependents for medical, surgical, or hospital care benefits, or benefits in the event of sickness, accident, disability, or death under any plan, fund, or program (through the purchase of insurance or otherwise) maintained or established in whole or in part by the Debtor prior to the Commencement Date shall be continued for the duration of the period the Debtor has obligated itself to provide such benefits.

## ARTICLE VII

### IMPLEMENTATION OF THE PLAN

7.1 General On the Effective Date, the management, control and operation of Reorganized Sunbeam shall become the general responsibility of the Board of Directors of Reorganized Sunbeam.

7.2 Retention of Derivative Securities Litigation Claims. The Derivative Securities Litigation Claims are property of the estate of the Debtor pursuant to section 541 of the Bankruptcy Code. On or after the Effective Date, all Derivative Securities Litigation Claims, whether or not pending as of the Commencement Date, shall be retained by, vest in and/or become the property of Reorganized Sunbeam. The Confirmation Order shall provide that all named plaintiffs, including certified and uncertified classes of plaintiffs, in the actions currently pending relating to the Derivative Securities Litigation Claims and their respective servants, agents, attorneys and representatives shall, on and after the Effective Date, be permanently enjoined, stayed and restrained from pursuing or prosecuting any of the Derivative Securities Litigation Claims.

7.3 Directors and Officers of Reorganized Sunbeam.

(a) Board of Directors The initial Board of Directors of Reorganized Sunbeam shall consist of a number of individuals to be selected by the Banks and one of whom shall be the Chief Executive Officer and Chairman of the Board of Directors of Reorganized Sunbeam. The names of the members of the initial Board of Directors of Reorganized Sunbeam shall be disclosed prior to the date of the Confirmation Hearing. Each of the members of such initial Board of Directors shall serve in accordance with the Reorganized Sunbeam Certificate of Incorporation or Reorganized Sunbeam By-laws, as the same may be amended from time to time.

(b) Officers. The officers of the Debtor immediately prior to the Effective Date shall serve as the initial officers of Reorganized Sunbeam on and after the Effective Date. Such officers shall serve in accordance with any employment agreement with Reorganized Sunbeam and applicable nonbankruptcy law.

7.4 By-laws and Certificates of Incorporation. The Reorganized Sunbeam By-laws and the Reorganized Sunbeam Certificate of Incorporation shall contain provisions necessary (a) to prohibit the issuance of nonvoting equity securities as required by section 1123(a)(6) of the Bankruptcy Code, subject to further amendment of such certificates of incorporation and by-laws as permitted by applicable law and (b) to effectuate the provisions of the Plan, in each case without any further action by the stockholders or directors of the Debtor, the Debtor in Possession or Reorganized Sunbeam.

7.5 Issuance of New Securities. The issuance of the following securities by Reorganized Sunbeam is hereby authorized without further act or action under applicable law, regulation, order or rule:

- (a) the Reorganized Sunbeam Common Stock; and
- (b) the Employee Options.

7.6 Reorganized Sunbeam Stock Option Plans. Prior to the Effective Date, and subject to the separate affirmative vote of the holders of Allowed Secured Bank Claims in Class 3, which holders will receive, in the aggregate, 100% of the shares of Reorganized Sunbeam Common Stock to be issued under the Plan, Reorganized Sunbeam shall adopt the Reorganized Sunbeam Stock Option Plans. Pursuant to the terms and subject to the conditions of the Reorganized Sunbeam Stock Option Plans, Reorganized Sunbeam shall, on the Effective Date or from time to time thereafter, issue to certain of its employees options to purchase in the aggregate approximately 11% of the outstanding shares of Reorganized

Sunbeam Common Stock on a fully diluted basis or stock appreciation rights equivalent thereto (collectively the "Employee Options").

## ARTICLE VIII

### EFFECT OF CONFIRMATION OF PLAN

8.1 Term of Bankruptcy Injunction or Stays. Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Case under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

8.2 Revesting of Assets.

(a) On the Effective Date, except as otherwise provided for in the Plan, the property of the estate of the Debtor shall vest in Reorganized Sunbeam.

(b) From and after the Effective Date, Reorganized Sunbeam may operate its businesses, and may use, acquire and dispose of property free of any restrictions imposed under the Bankruptcy Code.

(c) As of the Effective Date, all property of Reorganized Sunbeam shall be free and clear of all liens, claims and interests of holders of Claims and Equity Interests, except as otherwise provided in the Plan.

8.3 Claims Extinguished. As of the Effective Date, any and all avoidance claims accruing to the Debtor and Debtor in Possession under sections 502(d), 544, 545, 547, 548, 549, 550 and 551 of the Bankruptcy Code and not then pending, shall be extinguished.

8.4 Discharge of Debtor. The rights afforded herein and the treatment of all Claims and Equity Interests herein shall be in exchange for and in complete satisfaction, discharge and release of Claims and Equity Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Commencement Date, against the Debtor and the Debtor in Possession, or any of their assets or properties. Except as otherwise provided herein, (a) on the Effective Date, all such Claims against and Equity Interests in the Debtor shall be satisfied, discharged and released in full and (b) all Persons shall be precluded from asserting against Reorganized Sunbeam, its successors, or its assets or properties any other or further Claims or Equity Interests based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Confirmation Date.

8.5 Injunction. Except as otherwise expressly provided in the Plan, the Confirmation Order or a separate order of the Bankruptcy Court, all entities who have held, hold or may hold Claims against or Equity Interests in the Debtor, are permanently enjoined, on and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim or Equity Interest, (b) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Debtor on account of any such Claim or Equity Interest, (c) creating, perfecting or enforcing any encumbrance of any kind against the Debtor or against the property or interests in property of the Debtor on account of any such Claim or Equity Interest, (d) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Debtor or against the property or interests in property of the Debtor on account of any such Claim or Equity Interest and (e) commencing or continuing in any manner any action or other proceeding of any kind with respect to any claims and Causes of Action which are extinguished, dismissed or released pursuant to the Plan. Such injunction shall extend to successors of the Debtor, including, without limitation, Reorganized Sunbeam and its properties and interests in property; provided, however, that nothing contained in this Section shall enjoin, bar or otherwise impair the commencement or prosecution of direct personal claims against any Person other than the Debtor.

8.6 Continuation of Pension Plans. Upon entry of the Confirmation Order, subject to the occurrence of the Effective Date, Reorganized Sunbeam and/or one or more wholly-owned subsidiaries thereof will continue the Pension Plans subject to the terms of such plans and applicable law, including ERISA.

## ARTICLE IX

### CONFIRMATION AND EFFECTIVENESS OF THE PLAN

9.1 Conditions Precedent to Confirmation. The Plan shall not be confirmed by the Bankruptcy Court unless and until the following conditions shall have been satisfied or waived pursuant to Section 9.4 of the Plan:

(a) The Class of holders of Secured Bank Claims (Class 3) shall have voted to accept the Plan by the requisite statutory majorities provided in section 1126(c) of the Bankruptcy Code;

(b) The class of Bank claims in the Subsidiaries Plan shall have voted to accept the Subsidiaries Plan by the requisite statutory majorities provided in section 1126(c) of the Bankruptcy Code;

(c) All exhibits to the Plan and the Subsidiaries Plan, including those contained in the Plan Supplement and the Subsidiaries Plan supplement, shall be in form and substance acceptable to the Banks;

(d) No default or event of default under the Post-Petition Bank Credit Agreement shall have occurred and be continuing;

(e) No default or event of default under the postpetition receivables program provided by GECC or the documents related thereto shall have occurred and be continuing, the postpetition receivables program provided by GECC shall be in full force and effect, and no reduction in the availability under the postpetition receivables program provided by GECC shall have occurred;

(f) GECC shall have agreed to continue the postpetition receivables program after the effectiveness of the Subsidiaries Plan on terms acceptable to the Banks and the Debtor, or another receivables financing source, acceptable to the Banks and the Debtor, shall have agreed to provide receivables financing to the domestic Sunbeam Affiliates that have commenced chapter 11 cases after the effectiveness of the Subsidiaries Plan, on terms acceptable to the Banks and the Debtor;

(g) No material adverse effect on the business, assets, operations, property, condition (financial or otherwise) of Sunbeam Corporation or any of its subsidiaries (other than inactive subsidiaries) shall have occurred and be continuing;

(h) No material unanticipated claims shall have been filed or asserted in Sunbeam Corporation's Chapter 11 Case or the chapter 11 cases of the domestic Sunbeam Affiliates that have commenced chapter 11 cases in the Bankruptcy Court; and

(i) One or more financial institutions acceptable to the Banks and the Debtor shall have agreed to provide a working capital credit facility to Sunbeam Corporation and the domestic Sunbeam Affiliates that have commenced chapter 11 cases after the effectiveness of the Plan and the Subsidiaries Plan, on terms acceptable to the Banks and the Debtor.

9.2 Conditions Precedent to Effectiveness. The Plan shall not become effective unless and until the following conditions shall have been satisfied or waived pursuant to Section 9.4 of the Plan:

(a) The order confirming the Subsidiaries Plan, in form and substance acceptable to the Debtor and the Banks, shall have been signed by the Bankruptcy Court on or before July 15, 2001, and shall have become a Final Order;

(b) the Confirmation Order, in form and substance acceptable to the Debtor and the Banks, shall have been signed by the Bankruptcy Court on or before July 15, 2001, and shall have become a Final Order;

(c) the Effective Date shall have occurred on or before July 31, 2001;

(d) the Debtor shall have at least \$15,000,000 in Cash as of the Effective Date, after giving effect to the distributions of Cash projected to be made under the Plan;

(e) One or more financial institutions acceptable to the Banks and the Debtor shall have agreed to provide a working capital credit facility to Sunbeam Corporation and the domestic Sunbeam Affiliates that have commenced chapter 11 cases after the effectiveness of the Plan and the Subsidiaries Plan, on terms acceptable to the Banks and the Debtor;

(f) all actions, documents and agreements necessary to implement the Plan shall have been effected or executed;

(g) the Debtor shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions or documents that are determined by the Debtor to be necessary to implement the Plan; and

(h) each of the Reorganized Sunbeam Certificate of Incorporation, the Reorganized Sunbeam By-laws, the Registration Rights Agreement and the Shareholders Agreement, in form and substance acceptable to the Debtor and the Banks, shall have been effected or executed.

9.3 Effect of Failure of Conditions. In the event that one or more of the conditions specified in Section 9.2 of the Plan have not occurred on or before 60 days after the Confirmation Date, (a) the Confirmation Order shall be vacated, (b) no distributions under the Plan shall be made, (c) the Debtor and all holders of Claims and Equity Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred and (d) the Debtor's obligations with respect to Claims and Equity Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Equity Interests by or against the Debtor or any other Person or Entity or to prejudice in any manner the rights of the Debtor or any Person or Entity in any further proceedings involving the Debtor.

9.4 Waiver of Conditions. The Debtor may waive, with the consent of the Banks, by a writing signed by an authorized representative of the Debtor and subsequently filed with the Bankruptcy Court, one or more of the conditions precedent set forth in Sections 9.1 and 9.2 of the Plan (other than the conditions set forth in Section 9.1(a), 9.1(b), 9.2(a) (except as to timing and finality) and 9.2(b) (except as to timing and finality)).

## ARTICLE X

### RETENTION OF JURISDICTION

10.1 The Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, and related to, the Chapter 11 Case and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

- (a) To hear and determine pending applications for the assumption or rejection of executory contracts or unexpired leases, if any are pending, and the allowance of cure amounts and Claims resulting therefrom;
- (b) To hear and determine any and all adversary proceedings, applications and contested matters;
- (c) To hear and determine any objection to Administrative Expense Claims or Claims;
- (d) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;
- (e) To issue such orders in aid of execution and consummation of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;
- (f) To consider any amendments to or modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;
- (g) To hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 330, 331 and 503(b) of the Bankruptcy Code;
- (h) To hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;
- (i) To recover all assets of the Debtor and property of the Debtor's estate, wherever located;
- (j) To hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;
- (k) To hear any other matter not inconsistent with the Bankruptcy Code; and
- (l) To enter a final decree closing the Chapter 11 Case.

## ARTICLE XI

### MISCELLANEOUS PROVISIONS

11.1 Effectuating Documents and Further Transactions. The Debtor and Reorganized Sunbeam are authorized to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan and any securities issued pursuant to the Plan.

11.2 Corporate Action. On the Effective Date, all matters provided for under the Plan that would otherwise require approval of the stockholders or directors of the Debtor or Reorganized Sunbeam, including, without limitation, the authorization to issue or cause to be issued Reorganized Sunbeam Common Stock, New Secured Term Debt, New Convertible Secured Notes and Employee Options, the effectiveness of the Reorganized Sunbeam Certificate of Incorporation, the Reorganized Sunbeam By-laws, the Registration Rights Agreement, the Shareholders Agreement, the New Convertible Secured Notes Agreement, the election or appointment, as the case may be, of directors and officers of Reorganized Sunbeam pursuant to the Plan and the authorization and approval of the Reorganized Sunbeam Stock Plans, shall be deemed to have occurred and shall be in effect from and after the Effective Date pursuant to the applicable general corporation law of Delaware, the state in which the Debtor and Reorganized Sunbeam are incorporated, without any requirement of further action by the stockholders or



directors of the Debtor or Reorganized Sunbeam. On the Effective Date, or as soon thereafter as is practicable, Reorganized Sunbeam shall, if required, file its amended certificate of incorporation with the Secretary of State of Delaware, in accordance with the applicable general corporation law of Delaware.

11.3 Exemption from Transfer Taxes. Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer or exchange of notes or issuance of debt or equity securities under the Plan, the creation of any mortgage, deed of trust or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including, without limitation, any merger agreements or agreements of consolidation, deeds, bills of sale or assignments executed in connection with any of the transactions contemplated under the Plan, shall not be subject to any stamp, real estate transfer, mortgage recording, sales or other similar tax. All sale transactions consummated by the Debtor and approved by the Bankruptcy Court on and after the Commencement Date through and including the Effective Date, including, without limitation, the sales, if any, by the Debtor of owned property or assets pursuant to section 363(b) of the Bankruptcy Code and the assumptions, assignments and sales, if any, by the Debtor of unexpired leases of non-residential real property pursuant to section 365(a) of the Bankruptcy Code, shall be deemed to have been made under, in furtherance of, or in connection with the Plan and, therefore, shall not be subject to any stamp, real estate transfer, mortgage recording, sales or other similar tax.

11.4 Limited Releases of Releasees. As of the Effective Date, the Debtor and the Debtor in Possession releases all of the Releasees from any and all Causes of Action held by, assertable on behalf of or derivative from the Debtor or the Debtor in Possession, in any way relating to the Debtor, the Debtor in Possession, the Chapter 11 Case, the Plan, negotiations regarding or concerning the Plan and the ownership, management and operation of the Debtor; provided, however, that the foregoing shall not operate as a waiver of or release from any Causes of Action arising out of any express contractual obligation owing by any former director, officer or employee to the Debtor or any reimbursement obligation of any former director, officer or employee with respect to a loan or advance made by the Debtor to such former director, officer or employee and is not a waiver of or release for any attorneys retained in connection with this chapter 11 case from claims by their respective clients.

11.5 Limited Release by Releasees. Except as otherwise provided under the Plan, as of the Effective Date, each of the Releasees, in any capacity, generally releases the Debtor and the Debtor in Possession, in each case in any capacity, from any and all Causes of Action held by, assertable on behalf of or derivative from such Releasee, in any way relating to the Debtor, the Debtor in Possession, the Chapter 11 Case, the Plan, negotiations regarding or concerning the Plan and the ownership, management and operation of the Debtor.

11.6 Exculpation. None of the Debtor, Reorganized Sunbeam, the Committee, the Banks, the Post-Petition Banks or GECC or any of their respective members, officers, directors, employees, advisors, professionals or agents shall have or incur any liability to any holder of a Claim or Equity Interest for any act or omission in connection with, related to, or arising out of, the Chapter 11 Case, negotiations regarding or concerning the Plan, the pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence, and, in all respects, the Debtor, Reorganized Sunbeam, the Committee, the Banks, the Post-Petition Banks and GECC and each of their respective members, officers, directors, employees, advisors, professionals and agents shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan; provided that the foregoing shall not operate as a waiver or release for any attorneys retained in connection with this chapter 11 case from claims by their respective clients; provided further that nothing in this section shall effect a release in favor of any person other than the Debtor with respect to any debt owed to the United States Government, any state, city or municipality for any liability of such person arising under (i) the Internal Revenue Code, or any state, city or municipal tax code, (ii) the environmental laws of the United States, any state, city or municipality or

(iii) any criminal laws of the United States, any state, city or municipality; and provided further that the Debtor's reorganization process and Plan in no way discharge, release, or relieve the Debtor, Reorganized Sunbeam, any other members of Sunbeam's or Reorganized Sunbeam's controlled groups (as defined in 29 U.S.C. § 1301(a)(14)), or the Releasees, in any capacity, from any liability under Part 4, Subtitle B, Title I or under Title IV of ERISA with respect to the Pension Plans. PBGC and the Pension Plans shall not be enjoined or precluded from enforcing such liability, if any, as a result of the Plan's provisions or confirmation.

11.7 Termination of Committee. The appointment of the Committee shall terminate on the Effective Date.

11.8 Post-Effective Date Fees and Expenses. From and after the Effective Date, Reorganized Sunbeam shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable fees and expenses of professional persons thereafter incurred by Reorganized Sunbeam, including, without limitation, those fees and expenses incurred in connection with the implementation and consummation of the Plan.

11.9 Payment of Statutory Fees. All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid on the Effective Date.

11.10 Amendment or Modification of the Plan. Alterations, amendments or modifications of or to the Plan may be proposed in writing by the Debtor at any time prior to the Confirmation Date, provided that the Plan, as altered, amended or modified, satisfies the conditions of sections 1122 and 1123 of the Bankruptcy Code, and the Debtor shall have complied with section 1125 of the Bankruptcy Code. Subject to obtaining the approval of the Banks, the Plan may be altered, amended or modified by the Debtors at any time after the Confirmation Date and before substantial consummation, provided that the Plan, as altered, amended or modified, satisfies the requirements of sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan, as altered, amended or modified, under section 1129 of the Bankruptcy Code and the circumstances warrant such alterations, amendments or modifications. A holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such holder.

11.11 Severability. In the event that the Bankruptcy Court determines that any provision in the Plan is invalid, void or unenforceable, such provision shall be invalid, void or unenforceable with respect to the holder or holders of such Claims or Equity Interests as to which the provision is determined to be invalid, void or unenforceable. The invalidity, voidness or unenforceability of any such provision shall in no way limit or affect the enforceability and operative effect of any other provision of the Plan.

11.12 Revocation or Withdrawal of the Plan. Subject to obtaining the approval of the Banks, the Debtor reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtor revokes or withdraws the Plan prior to the Confirmation Date, then the Plan shall be deemed null and void. In such event, nothing contained herein shall constitute or be deemed a waiver or release of any claims by or against the Debtor or any other Person or Entity or to prejudice in any manner the rights of the Debtor or any Person or Entity in any further proceedings involving the Debtor.

11.13 Binding Effect. The Plan shall be binding upon and inure to the benefit of the Debtor, the holders of Claims and Equity Interests and their respective successors and assigns, including, without limitation, Reorganized Sunbeam.

11.14 Notices. All notices, requests and demands to or upon the Debtor or, on and after the Effective Date, Reorganized Sunbeam, to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

*If to the Debtor or Reorganized Sunbeam:*

Sunbeam Corporation  
2381 Executive Center Road  
Boca Raton, Florida 33431  
Attn: General Counsel  
Telephone: (561) 912-4438  
Facsimile: (561) 912-4612

*with a copy to:*

Weil, Gotshal & Manges LLP  
767 Fifth Avenue  
New York, New York 10153  
Attn: Lori R. Fife, Esq.  
Telephone: (212) 310-8000  
Facsimile: (212) 310-8007

*If to the Banks:*

Wachtell, Lipton, Rosen & Katz  
51 West 52d Street  
New York, New York 10019  
Attn: Chaim J. Fortgang  
Telephone: (212) 403-1000  
Facsimile: (212) 403-2000

Simpson Thacher & Bartlett  
425 Lexington Avenue  
New York, New York 10017  
Attn: Steven M. Fuhrman, Esq.  
Telephone: (212) 455-2000  
Facsimile: (212) 455-2502

*If to the Committee:*

Kasowitz Benson Torres & Friedman LLP  
1633 Broadway  
New York, New York 10019  
Attn: David Friedman, Esq.  
Telephone: (212) 506-1700  
Facsimile: (212) 506-1800

11.15 Governing Law. Except to the extent the Bankruptcy Code, Bankruptcy Rules or other federal law is applicable, or to the extent an exhibit to the Plan provides otherwise, the rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with,

the laws of the State of New York, without giving effect to the principles of conflicts of law of such jurisdiction.

11.16 Withholding and Reporting Requirements. In connection with the consummation of the Plan, the Debtor or Reorganized Sunbeam, as the case may be, shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements.

11.17 Plan Supplement. The Reorganized Sunbeam Certificate of Incorporation, the Reorganized Sunbeam By-laws, the agreement governing the New Secured Term Debt, the New Convertible Secured Notes, the New Convertible Secured Notes Agreement, Schedules 6.1(a)(x) and 6.1(a)(y) referred to in Section 6.1 of the Plan, the Registration Rights Agreement, the Shareholders Agreement and the Reorganized Sunbeam Stock Option Plans, shall be contained in the Plan Supplement and filed with the Clerk of the Bankruptcy Court at least 10 days prior to the last day upon which holders of Claims may vote to accept or reject the Plan. Upon its filing with the Bankruptcy Court, the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours. Holders of Claims or Equity Interests may obtain a copy of the Plan Supplement upon written request to the Debtor in accordance with Section 11.14 of the Plan.

11.18 Sections 1125 and 1126 of the Bankruptcy Code. As of and subject to the occurrence of the Confirmation Date, (i) the Debtor shall be deemed to have solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including, without limitation section 1125(a) of the Bankruptcy Code, and any applicable nonbankruptcy law, rule or regulation governing the adequacy of disclosure in connection with such solicitation and (ii) the Debtor, the Banks and each of their respective affiliates, agents, directors, officers, employees, advisors and attorneys) shall be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer and issuance of any securities under the Plan, and therefore are not, and on account of such offer, issuance and solicitation will not be, liable at any time for any violation of any applicable law; rule or regulation governing the solicitation of acceptances or rejections of the Plan or the offer and issuance of any securities under the Plan.

11.19 Allocation of Plan Distributions. All distributions in respect of Allowed Claims will be allocated first to the portion of such Claims representing interest (as determined for federal income tax purposes), second to the original principal amount of such Claims (as determined for federal income tax purposes), any excess to the remaining portion of such Claims.

11.20 Headings. Headings are used in the Plan for convenience and reference only, and shall not constitute a part of the Plan for any other purpose.

11.21 Exhibits/Schedules. All exhibits and schedules to the Plan, including the Plan Supplement, are incorporated into and are a part of the Plan as if set forth in full herein.

11.22 Filing of Additional Documents. On or before substantial consummation of the Plan, the Debtor shall file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

Dated: New York, New York  
April 26, 2001

SUNBEAM CORPORATION

By: /s/ Jerry W. Levin  
Name: Jerry W. Levin  
Title: Chairman and Chief Executive Officer

**EXHIBIT A****DERIVATIVE SECURITIES LITIGATION CLAIMS**

	<b>ACTION</b>
Krim Derivative Action	<u>Krim v. Dunlap, Sunbeam Corp.</u> 98-3168 (15 <sup>th</sup> Judicial Circuit, Palm Beach, Fla.) Judge Moses Baker, Jr.

**EXHIBIT B**

**EQUITY HOLDERS SECURITIES LITIGATION CLAIMS**

	<b>ACTION</b>
Consolidated Shareholder Litigation	<p><u>In re: Sunbeam Corp. Securities Litigation</u>, 98-CV-8258 (U.S. District Court, S.D. Fla.) Judge Middlebrooks</p> <p><i>Cases consolidated into 98-CV-8258:</i> Bird v. Sunbeam Corp., et al., 98-CV-8258; Goldberg v. Dunlap, et al., 98-CV-8260; Mintz v. Sunbeam Corp., et al., 98-CV-8281; Lindeman v. Sunbeam Corp., et al., 98-CV-8289; Lembeck v. Dunlap, et al., 98-CV-8307; Frankel v. Sunbeam Corp., et al., 98-CV-8310; Klewin v. Sunbeam Corp., et al., 98-CV-8313; Applestein v. Sunbeam Corp., et al., 98-CV-8316; Cutler v. Sunbeam Corp., et al., 98-CV-8321; Singleton v. Sunbeam Corp., et al., 98-CV-8347; Lionelli v. Sunbeam Corp., et al., 98-CV-8323; Kavlak v. Dunlap, et al., 98-CV-8400; Gottlieb v. Sunbeam Corp., et al., 98-CV-8401; Cunningham v. Sunbeam Corp., 98-CV-6723; Stapleton v. Sunbeam Corp., et al., 98-CV-1676; Klein v. Sunbeam Corp., et al., 98-CV-8418; Havsy v. Sunbeam Corp., et al., 98-CV-8475; U.S. Nat'l Bank of Galveston v. Sunbeam Corp., 99-CV-283 (transferred from S.D. Tex.); Clay v. Sunbeam Corp., et al., <i>CV-99-A-1124-N (transferred from U.S. District Court, M.D. Ala.)</i>.</p>
Fee Advancement Actions	<p><u>Dunlap and Kersh v. Sunbeam Corp.</u>, No. 17048 (Delaware Chancery Ct.) Chancellor Chandler</p>
Texas Securities Fraud Action	<p><u>U.S. National Bank of Galveston, et al. v. Sunbeam Corp.</u> 98CV0828 (Tex. Dist. Ct., Galveston Cty., 56<sup>th</sup> Judicial Dist.)</p> <p>98CV505 (U.S. District Court, S.D. Tex.) (removed from state court) Judge Ewing Werlein, Jr.</p> <p>99CV8283 (U.S. District Court, S.D. Fla.) (transferred from U.S. District Court, S.D. Tex.)</p> <p>Consolidated into 98-CV-8258 (U.S. District Court, S.D. Fla.) Judge Middlebrooks</p>
Alabama Securities Fraud Action	<p><u>Clay v. Sunbeam Corp., et al.</u>, No. CV-99-2799 (Circuit Court for Montgomery County, Alabama)</p> <p>No. CV-99-A-1124-N (U.S. District Court, M.D. Ala.) (removed from state court) Judge W. Harold Albritton</p> <p>Consolidated into 98-CV-8258 (U.S. District Court, S.D. Fla.) Judge Middlebrooks</p>

## EXHIBIT C

### SUMMARY OF TERMS OF NEW CONVERTIBLE SECURED NOTES

Principal Amount	\$600,000,000
Maturity	To be determined
Interest Rate	To be determined; interest payable semi-annually in arrears, in cash, only to the extent of available excess cash flow, otherwise interest payable in kind
Collateral	Second priority lien on all assets of Sunbeam Corporation and substantially all of its domestic subsidiaries, other than assets subject to GECC receivables securitization program or replacement receivables program and exit working capital facility
Conversion	Convertible into a percentage of the equity of Reorganized Sunbeam, but will not dilute the percentage of the equity represented by the options available for grant under the Reorganized Sunbeam Stock Option Plan
Other Terms	To be agreed upon by Sunbeam Corporation and Banks



## EXHIBIT D

### SUMMARY OF TERMS OF NEW SECURED TERM DEBT

Principal Amount	\$200,000,000
Maturity	5 years from and after Effective Date
Interest Rate	Prime <u>plus</u> 2%, or as otherwise as agreed upon by Sunbeam Corporation and Banks; interest payable quarterly in arrears
Collateral	First priority lien on all assets of Sunbeam Corporation and substantially all of its domestic subsidiaries, other than assets subject to GECC receivables securitization program or replacement receivables program and exit working capital facility
Prepayment	Not prepayable unless New Convertible Secured Notes are simultaneously prepaid
Other Terms	To be agreed upon by Sunbeam Corporation and Banks

**EXHIBIT E****SUBORDINATED NOTEHOLDERS SECURITIES LITIGATION CLAIMS**

	<b>ACTION</b>
Debenture Litigation	<u>Camden Asset Management, L.P. v. Sunbeam Corp., et al.</u> , 98-CV-8275 (U.S. District Court, S.D. Fla.) Judge Middlebrooks  <i>Cases consolidated into 98-CV-8275:</i>  <u>Hamilton Partners v. Sunbeam Corp., et al.</u> , (U.S. District Court, S.D. Fla.);  <u>Stark Investments L.P. v. Sunbeam Corp.</u> , 00-C-1337 (U.S. District Court, E.D. Wis.)
Stark Actions	<u>Stark Investments L.P. v. Sunbeam Corporation</u> , 00CV246, State of Wisconsin, Circuit Court, Ozaukee County  <u>Stark Investments L.P. v. Sunbeam Corporation</u> , 00-C-1337 (E.D. Wis.); consolidated into 98-CV-8275 (U.S. District Court, S.D. Fla.)
Fee Advancement Actions	<u>Dunlap and Kersh v. Sunbeam Corp.</u> , No. 17048 (Delaware Chancery Ct.) Chancellor Chandler

## **EXHIBIT B**

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

In re

SUNBEAM CORPORATION,

Debtor.

Chapter 11 Case No.

01-40291 (AJG)

**ORDER (i) APPROVING DISCLOSURE STATEMENT, (ii) ESTABLISHING  
VOTING RECORD HOLDER DATE, (iii) APPROVING SOLICITATION  
PROCEDURES, FORM OF BALLOTS, AND MANNER OF NOTICE, AND  
(iv) FIXING THE DATE, TIME AND PLACE FOR THE CONFIRMATION  
HEARING AND THE DEADLINE FOR FILING OBJECTIONS THERETO**

A hearing having been held on April 30, 2001 (the "Hearing") to consider the Motion of Sunbeam Corporation (the "Debtor"), as debtor and debtor in possession, (the "Motion"), dated February 28, 2001, seeking, inter alia, approval pursuant to section 1125 of title 11 of the United States Code (the "Bankruptcy Code") of the Debtor's Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code, dated February 23, 2001, as amended on April 26, 2001, heretofore filed with the Court; approval of the proposed solicitation procedures; approval of the form of ballots; the date, time and place for the confirmation hearing on the Debtor's Second Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated April 26, 2001 (as same may be amended, the "Plan") and the deadline for filing objections thereto, and it appearing from the affidavits of service on file with this Court that proper and timely notice of the Hearing has been given; and it appearing that such notice was adequate and sufficient; and the appearances of all interested parties having been duly noted on the record of the Hearing; and each of the objections, if any, filed to the proposed disclosure statement or

the Motion having been either (a) withdrawn or rendered moot by modifications to the disclosure statement or (b) overruled by the Court; and the Debtor having made the conforming additions, changes, corrections and deletions to the disclosure statement necessary to comport with the record of the Hearing and the agreements reached with the parties, if any, that had filed objections, a copy of which revised disclosure statement is attached hereto as Exhibit "A" (the "Disclosure Statement"); and, upon the Motion, the Disclosure Statement and the record of the Hearing and upon all of the proceedings heretofore had before the Court and after due deliberation and sufficient cause appearing, therefore it is

ORDERED, FOUND AND DETERMINED THAT:

1. The Disclosure Statement contains adequate information within the meaning of section 1125 of the Bankruptcy Code.
2. The Disclosure Statement and the Motion are hereby approved.
3. For voting purposes and mailing of notices pursuant to this Order, the date the Court enters this Order on the docket shall be the "Record Holder Date" for the holders of claims in the Voting Class.<sup>1</sup>
4. The Debtor shall mail a ballot (with instructions), substantially in the form of the ballot (with instructions) annexed hereto as Exhibit "B" (th each holder of a claim in the Voting Class under the Plan.
5. On or before May 22, 2001, the Debtor shall deposit or cause to be deposited in the United States mail, postage prepaid, a sealed solicitation package (the "Solicitation Package") which shall include:

- a. notice of the confirmation hearing and related matters, substantially in the form of Exhibit "C" annexed hereto (the "Confirmation Hearing Notice"), setting forth the time fixed for filing acceptances and rejections to the Plan, the time fixed for filing objections to confirmation of the Plan, and the date and time of the hearing on confirmation;
- b. a copy of the Disclosure Statement, as approved by the Court (with exhibits including the Plan); and
- c. a Ballot (with instructions), in substantially the form approved by the Court.

6. The Debtor shall mail the Solicitation Packages to holders of claims, as of the Record Holder Date, in the Voting Class.

7. In lieu of mailing the Solicitation Package to holders of claims and equity interests in unimpaired classes, on or before May 22, 2001 the Debtor shall deposit in the United States mail, postage prepaid, the Notice of Non-Voting Status, substantially in the form attached hereto as Exhibit "D" to each holder of a claim and equity interest in an unimpaired class.

8. In lieu of mailing the Solicitation Package to holders of claims and equity interests in classes that are impaired but not entitled to vote, on or before May 22, 2001, the Debtor shall deposit or cause to be deposited in the United States mail, postage prepaid, the Notice of Non-Voting Status, substantially in the form attached hereto as Exhibit "D", to each holder of claims in Class 4 (General Unsecured Claims), Class 5A (Subordinated Note Claims), Class 5B (Subordinated Noteholder Securities Claims), Class 6 (Sunbeam Affiliate Claims), Class 7 (Punitive Damages Claims), and to each holder of equity interests in Class 8A (Equity Interests) and Class 8B (Equity Holder

---

<sup>1</sup> Pursuant to the Plan, holders of claims in Class 3 are the only impaired creditors entitled to vote (the "Voting Class").

Securities Claims). The Debtor shall also send a copy of the Disclosure Statement, to the holders of claims and equity interests in the above-described classes.

9. The Debtor shall cause the Confirmation Hearing Notice to be published once in The Wall Street Journal (National Edition) and The New York Times (National Edition) on a date not less than twenty-five (25) or more than thirty-five (35) calendar days prior to the hearing to consider confirmation of the Plan.

10. All persons and entities entitled to vote on the Plan shall deliver their Ballots by mail, hand delivery or overnight courier no later than 4:00 o'clock p.m. Eastern Time on June 28, 2001 (the "Voting Deadline") to the Balloting Agent at:

SUNBEAM CORPORATION  
BANKRUPTCY SERVICES, INC.  
Heron Tower  
70 East 55th Street, 6th Fl.  
New York, New York 10022  
Attn: Kathy Gerber

Any Ballot received after such time shall not be counted other than as provided for herein. Ballots submitted by facsimile shall not be counted.

11. The Debtor shall have the ability to extend the voting deadline at the Debtor's sole discretion. If the Debtor chooses to extend the voting deadline, the Debtor shall provide notice of such extension through the Dow Jones News Service.

12. With respect to Ballots submitted by a holder of a claim:
- a. any Ballot which is properly completed, executed and timely returned to the Balloting Agent that does not indicate an acceptance or rejection of the Plan shall be deemed to be a vote to accept the Plan;
  - b. any Ballot which is returned to the Balloting Agent indicating acceptance or rejection of the Plan but which is unsigned shall not be counted;

- c. whenever a creditor casts more than one Ballot voting the same claim prior to the Voting Deadline, only the last timely Ballot received by the Balloting Agent shall be counted;
- d. if a creditor casts simultaneous duplicative Ballots voted inconsistently, then such Ballots shall count as one vote accepting the Plan;
- e. each creditor shall be deemed to have voted the full amount of its claim;
- f. creditors shall not split their vote within a claim, thus each creditor shall vote all of its claim within a particular class either to accept or reject the Plan;
- g. any Ballots that partially reject and partially accept the Plan shall not be counted; and
- h. any Ballot received by the Balloting Agent by telecopier, facsimile or other electronic communication shall not be counted.

13. The hearing on confirmation of the Plan is scheduled for July 17, 2001 at 9:30 am. Eastern Time, at the Bankruptcy Court, One Bowling Green, New York, New York. This hearing may be adjourned from time to time without further notice other than an announcement of the adjourned date(s) at said hearing and at any adjourned hearing(s).

14. Any objection to confirmation of the Plan must be filed with the Clerk of the Bankruptcy Court, together with proof of service, no later than 4:00 o'clock p.m., Eastern Time, on June 28, 2001, and must be served on each of the persons listed on Exhibit "E" attached hereto so as to be received by them no later than 4:00 p.m., Eastern Time, on June 28, 2001. Any objection to confirmation of the Plan must be in writing and (a) must state the name and address of the objecting party and the amount of its claims or the nature of its interest and (b) must state, with particularity, the nature of



its objection. Any confirmation objection not filed and served as set forth herein shall be deemed waived and shall not be considered by the Bankruptcy Court.

Dated: New York, New York  
April 30, 2001

s/Arthur J. Gonzalez  
HONORABLE ARTHUR J. GONZALEZ  
UNITED STATES BANKRUPTCY JUDGE

**EXHIBITS TO ORDER  
INTENTIONALLY OMITTED**

## **EXHIBIT C**

## SUNBEAM CORPORATION AND SUBSIDIARIES

### INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

	<u>Page</u>
<b>FINANCIAL STATEMENTS:</b>	
Independent Auditors' Report.....	F-2
Consolidated Statements of Operations for the Fiscal Years Ended December 31, 2000, December 31, 1999 and December 31, 1998.....	F-3
Consolidated Balance Sheets as of December 31, 2000 and December 31, 1999 .....	F-4
Consolidated Statements of Shareholders' Equity (Deficiency) for the Fiscal Years Ended December 31, 2000, December 31, 1999 and December 31, 1998 .....	F-5
Consolidated Statements of Cash Flows for the Fiscal Years Ended December 31, 2000, December 31, 1999 and December 31, 1998.....	F-6
Notes to Consolidated Financial Statements .....	F-7

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Sunbeam Corporation and subsidiaries:

We have audited the accompanying consolidated balance sheets of Sunbeam Corporation and subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity (deficiency), and cash flows for each of the three years in the period ended December 31, 2000. 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 did not audit the consolidated financial statements of The Coleman Company, Inc. and subsidiaries (consolidated subsidiaries) as of December 31, 1999, and for each of the two years in the period then ended, which statements reflect total assets constituting 30% of consolidated total assets as of December 31, 1999, and total revenues constituting 51% and 40% of consolidated total revenues for the years ended December 31, 1999 and 1998, respectively. Those consolidated financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Coleman Company, Inc. and subsidiaries, is based solely on the report of such other auditors.

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

In our opinion, based on our audits and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of Sunbeam Corporation and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, Sunbeam Corporation and substantially all of its domestic subsidiaries (collectively, the "Debtors") have filed for reorganization under Chapter 11 of the United States Bankruptcy Code. The accompanying consolidated financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such financial statements do not purport to show (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to prepetition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (c) as to stockholder accounts, the effect of any changes that may be made in the capitalization of the Debtors; or (d) as to operations, the effect of any changes that may be made in the business of the Debtors.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1, the events resulting in Sunbeam Corporation and substantially all of its domestic subsidiaries filing for relief under the United States Bankruptcy Code, including the Company's recurring losses from operations, negative working capital, and shareholders' deficiency, raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 1. The consolidated financial statements do not include adjustments that might result from the outcome of this uncertainty.

**DELOITTE & TOUCHE LLP**  
Certified Public Accountants

Fort Lauderdale, Florida  
April 30, 2001

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Amounts in thousands, except per share amounts)

	Fiscal Year Ended		
	December 31, 2000	December 31, 1999	December 31, 1998
Net sales.....	\$ 2,076,395	\$ 2,397,979	\$ 1,836,871
Cost of goods sold.....	1,602,767	1,793,360	1,781,851
Selling, general and administrative expense.....	607,640	649,223	662,555
Goodwill impairment.....	1,052,278	52,000	62,490
Operating loss.....	(1,186,290)	(96,604)	(670,025)
Interest expense.....	217,507	200,181	130,607
Other expense (income), net.....	3,425	(3,599)	(4,284)
Loss before income taxes, minority interest and extraordinary charge.....	(1,407,222)	(293,186)	(796,348)
Income tax (benefit) expense:			
Current.....	(592)	(4,227)	8,667
Deferred.....	(1,607)	(4,597)	(18,797)
	(2,199)	(8,824)	(10,130)
Minority interest.....	255	15,157	(10,681)
Loss before extraordinary charge.....	(1,405,278)	(299,519)	(775,537)
Extraordinary charge from early extinguishment of debt, net of income tax.....	--	--	(122,386)
Net loss.....	<u>\$ (1,405,278)</u>	<u>\$ (299,519)</u>	<u>\$ (897,923)</u>
Loss per share:			
Loss before extraordinary charge, basic and diluted.....	<u>\$ (13.09)</u>	<u>\$ (2.97)</u>	<u>\$ (7.99)</u>
Extraordinary charge, basic and diluted.....	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (1.26)</u>
Net loss, basic and diluted.....	<u>\$ (13.09)</u>	<u>\$ (2.97)</u>	<u>\$ (9.25)</u>
Weighted average common shares outstanding, basic and diluted.....	107,331	100,744	97,121

See Notes to Consolidated Financial Statements.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands)

	December 31, 2000	December 31, 1999
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	\$ 27,225	\$ 40,799
Receivables, net. ....	226,202	364,338
Inventories .....	399,700	460,680
Prepaid expenses and other current assets .....	<u>47,007</u>	<u>72,130</u>
Total current assets .....	700,134	937,947
Property, plant and equipment, net. ....	438,424	447,116
Trademarks, tradenames, goodwill and other, net .....	<u>649,093</u>	<u>1,747,286</u>
	<u><b>\$ 1,787,651</b></u>	<u><b>\$ 3,132,349</b></u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
Current liabilities:		
Short-term debt and current portion of long-term debt .....	\$ 2,446,264	\$ 139,806
Accounts payable .....	148,323	185,610
Other current liabilities .....	<u>271,583</u>	<u>300,809</u>
Total current liabilities .....	2,866,170	626,225
Long-term debt, less current portion. ....	1,159	2,164,002
Other long-term liabilities .....	241,415	241,264
Deferred income taxes .....	98,146	93,288
Minority interest .....	—	66,910
Commitments and contingencies (Notes 4 and 14)		
Shareholders' deficiency:		
Preferred stock (2,000,000 shares authorized, none outstanding) .....	—	—
Common stock (107,422,500 and 100,746,400 shares issued) .....	1,074	1,007
Additional paid-in capital .....	1,179,629	1,122,455
Accumulated deficit .....	(2,514,794)	(1,109,516)
Accumulated other comprehensive loss .....	<u>(85,148)</u>	<u>(73,286)</u>
Total shareholders' deficiency .....	<u>(1,419,239)</u>	<u>(59,340)</u>
	<u><b>\$ 1,787,651</b></u>	<u><b>\$ 3,132,349</b></u>

See Notes to Consolidated Financial Statements.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)**  
**Fiscal Years Ended December 31, 2000, 1999 and 1998**  
(Amounts in thousands, except per share amounts)

	Common Stock	Additional Paid-In Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Unearned Compensation	Treasury Stock	Total Shareholders' Equity (Deficiency)
Balance at December 28, 1997.....	\$ 900	\$ 479,200	\$ 89,801	\$ (33,063)	\$ (1,714)	\$ (63,045)	\$ 472,079
Comprehensive loss:							
Net loss.....	--	--	(897,923)	--	--	--	(897,923)
Minimum pension liability.....	--	--	--	(21,795)	--	--	(21,795)
Translation adjustments.....	--	--	--	828	--	--	828
Comprehensive loss.....							(918,890)
Common dividends (\$0.02 per share).....	--	--	(1,875)	--	--	--	(1,875)
Exercise of stock options.....	9	18,383	--	--	--	--	18,392
Grant of restricted stock.....	4	18,880	--	--	(32,500)	--	(13,616)
Cancellation of restricted stock.....	(1)	(5,228)	--	--	10,182	(2,250)	2,703
Amortization of unearned compensation.....	--	--	--	--	24,032	--	24,032
Acquisition of Coleman.....	95	541,428	--	--	--	65,200	606,723
Warrants issued.....	--	70,000	--	--	--	--	70,000
Other stock issuances.....	--	794	--	--	--	95	889
Balance at December 31, 1998.....	1,007	1,123,457	(809,997)	(54,030)	--	--	260,437
Comprehensive loss:							
Net loss.....	--	--	(299,519)	--	--	--	(299,519)
Minimum pension liability.....	--	--	--	(5,995)	--	--	(5,995)
Translation adjustments.....	--	--	--	(13,261)	--	--	(13,261)
Comprehensive loss.....							(318,775)
Other.....	--	(1,002)	--	--	--	--	(1,002)
Balance at December 31, 1999.....	1,007	1,122,455	(1,109,516)	(73,286)	--	--	(59,340)
Comprehensive loss:							
Net loss.....	--	--	(1,405,278)	--	--	--	(1,405,278)
Minimum pension liability.....	--	--	--	(85)	--	--	(85)
Translation adjustments.....	--	--	--	(11,777)	--	--	(11,777)
Comprehensive loss.....							(1,417,140)
Purchase of Coleman minority interest.....	67	43,722	--	--	--	--	43,789
Warrants issued to minority shareholders.....	--	13,621	--	--	--	--	13,621
Other.....	--	(169)	--	--	--	--	(169)
Balance at December 31, 2000.....	<u>\$ 1,074</u>	<u>\$ 1,179,629</u>	<u>\$ (2,514,794)</u>	<u>\$ (85,148)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (1,419,239)</u>

See Notes to Consolidated Financial Statements.



**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)

	Fiscal Year Ended		
	December 31, 2000	December 31, 1999	December 31, 1998
Operating Activities:			
Net loss.....	\$ (1,405,278)	\$ (299,519)	\$ (897,923)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization.....	127,223	132,006	107,865
Non-cash interest charges.....	46,986	45,565	32,531
Deferred income taxes.....	(1,607)	(4,597)	(18,797)
Minority interest.....	255	15,157	(10,681)
Loss (gain) on sale of property, plant and equipment.....	1,317	(3,673)	3,260
Provision for fixed asset impairment.....	--	8,008	39,404
Provision for excess and obsolete inventory.....	7,107	3,828	95,830
Goodwill impairment.....	1,052,278	52,000	62,490
Restructuring charges.....	4,291	--	--
Issuance of warrants.....	--	--	70,000
Non-cash compensation charge.....	--	--	13,118
Extraordinary charge from early extinguishment of debt.....	--	--	122,386
Changes in operating assets and liabilities, exclusive of impact of divestitures and acquisitions:			
Receivables, net.....	122,013	(4,952)	147,045
Inventories.....	21,860	49,078	37,112
Accounts payable.....	(36,673)	29,160	(68,187)
Restructuring accrual.....	(327)	(645)	(3,894)
Prepaid expenses and other current assets and liabilities.....	(15,338)	(6,868)	50,622
Income taxes payable.....	2,376	(13,919)	15,758
Change in other long-term and non-operating liabilities.....	(56)	692	13,994
Other, net.....	4,450	(5,605)	(2,347)
Net cash used in operating activities.....	(69,123)	(4,284)	(190,414)
Investing Activities:			
Capital expenditures.....	(72,812)	(90,194)	(53,686)
Net proceeds from sale of Eastpak business.....	102,609	--	--
Purchases of businesses, net of cash acquired.....	(80,941)	(4,778)	(522,412)
Proceeds from sale of other assets.....	9,839	10,451	9,575
Other, net.....	(757)	22	(139)
Net cash used in investing activities.....	(42,062)	(84,499)	(566,662)
Financing Activities:			
Issuance of convertible senior subordinated debentures, net of financing fees.....	--	--	729,622
Net borrowings under revolving credit facility.....	146,713	75,971	1,205,675
Net payments of debt obligations, including prepayment penalties.....	(45,949)	(3,225)	(1,186,796)
Payments of dividends on common stock.....	--	--	(1,875)
Other, net.....	(3,153)	(4,596)	19,584
Net cash provided by financing activities.....	97,611	68,150	766,210
Net (decrease) increase in cash and cash equivalents.....	(13,574)	(20,633)	9,134
Cash and cash equivalents at beginning of year.....	40,799	61,432	52,298
Cash and cash equivalents at end of year.....	\$ 27,225	\$ 40,799	\$ 61,432

See Notes to Consolidated Financial Statements.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Subsequent Event - Voluntary Petition for Relief Under Chapter 11**

On February 6, 2001, Sunbeam Corporation and substantially all of its subsidiaries (the "Subsidiary Debtors" and together with Sunbeam Corporation, the "Debtors"), filed (the "Filings") voluntary petitions (the "Petitions") with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). The case number for the Sunbeam case is 01-40291(AJG) and the case numbers for the cases of the Subsidiary Debtors, which are being jointly administered separately from the case of Sunbeam Corporation, are 01-40252(AJG) through 01-40290(AJG). The Debtors are managing their businesses and properties as debtors-in-possession.

Sunbeam Corporation has been operating with significant debt since March 1998, when prior management caused Sunbeam Corporation to borrow approximately \$2 billion under a bank credit facility (as amended, modified and supplemented through and including the date of the Filings, the "Pre-Petition Credit Facility"), among Sunbeam Corporation, the Subsidiary Debtors, as guarantors, and certain non-debtor subsidiary guarantors, and the lenders (the "Secured Lenders") party thereto, and through the issuance of zero coupon debentures due 2018 (the "Debentures"). The approximately \$2 billion was used to fund the acquisition of The Coleman Company, Inc. ("Coleman"), Signature Brands, Inc. ("Signature Brands") and First Alert, Inc. ("First Alert"), and to repay or defease (and pay associated penalties and premiums) debt at such companies and certain indebtedness of Sunbeam Corporation.

Since approximately the second quarter of 2000, the sales of Sunbeam Corporation and its subsidiaries (collectively, the "Company" or "Sunbeam") have been adversely affected by a reduction in retailer purchases generally, as retailers sought to reduce their inventories in many of the categories in which the Company participates, and slowing retail sales of consumer durables generally since the first quarter of 2000. The Company's sales also were adversely affected by reduced sales of certain outdoor products, including portable generators, that had unusually high sales during 1999 due to Year 2000 concerns ("Year 2000 Products") and the absence of severe storm activity during 2000 which also adversely affected sales of Year 2000 Products. The foregoing has significantly reduced the Company's sales and earnings, and the reduction in sales coupled with the size of Sunbeam Corporation's debt has resulted in Sunbeam Corporation being unable to support its debt service requirements.

As a result, in late 2000, Sunbeam Corporation determined that the most effective and efficient manner in which to address its excessive debt obligations, while at the same time minimizing disruption to the operations and businesses of the Company, was to effectuate a restructuring of Sunbeam Corporation and the Subsidiary Debtors under the auspices of Chapter 11 of the Bankruptcy Code. To that end, Sunbeam Corporation and the Subsidiary Debtors have reached an agreement with the Secured Lenders as to the terms, conditions and provisions of such restructuring.

Pursuant to the plan of reorganization for Sunbeam Corporation filed by Sunbeam in the Bankruptcy Court on February 6, 2001, as amended on February 23, 2001 (the "Sunbeam Corporation Plan"), among other things, the claims of the Secured Lenders under the Pre-Petition Credit Facility will be converted into (i) \$200.0 million in new secured term debt of reorganized Sunbeam and \$600.0 million of new secured convertible debt of reorganized Sunbeam (collectively, the "New Secured Debt") and (ii) 100% of the outstanding common stock of reorganized Sunbeam Corporation, subject to options to be issued to employees. The Sunbeam Corporation Plan provides, among other things, for no recovery to (i) the holders of the Debentures and other unsecured creditors of Sunbeam Corporation, (ii) claimants against Sunbeam Corporation in the various litigations for securities fraud and other litigation arising out of the events leading to the restatement of Sunbeam Corporation's financial statements and earnings projections made by prior management (see Note 14), and (iii) the equity holders of Sunbeam Corporation. There can be no assurance that the Sunbeam Corporation Plan will be confirmed in its present form or that the transactions contemplated thereby will be consummated.

Pursuant to the joint plan of reorganization for the Subsidiary Debtors filed by the Subsidiary Debtors in the Bankruptcy Court on February 6, 2001, as amended on February 23, 2001 (the "Subsidiary Plan" and collectively with the Sunbeam Corporation Plan, the "Plans"), among other things, (i) the Subsidiary Debtors will become guarantors of the New Secured Debt issued pursuant to the Sunbeam Corporation Plan and will pledge their assets to secure such debt; (ii) all other secured creditors of the Subsidiary Debtors, if any, will be rendered unimpaired; (iii) all general unsecured creditors of the Subsidiary Debtors will be rendered unimpaired; and (iv) all equity interests in the Subsidiary Debtors, which are held by Sunbeam Corporation or other Subsidiary Debtors, will be rendered unimpaired. There can be no assurance that the Subsidiary Plan will be confirmed in its present form or that the transactions contemplated thereby will be consummated.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**1. Subsequent Event - Voluntary Petition for Relief Under Chapter 11- (continued)**

In conjunction with the filing of the Petitions, the Secured Lenders under the Pre-Petition Credit Facility have provided Sunbeam Corporation with \$285.0 million of debtor-in-possession financing (the "DIP Credit Facility"), among other things, to finance working capital needs of the Debtors. The DIP Credit Facility is secured by a lien on all property of the Debtors, subject to certain exceptions for the A/R Securitization Facility (defined and described below) and certain other limited exceptions. See Note 4.

In addition, Coleman, Sunbeam Products, Inc., BRK Brands, Inc., and Coleman Powermate, Inc., each a Subsidiary Debtor, have entered into a \$200 million accounts receivable securitization program (the "A/R Securitization Facility") with GE Capital Corporation and the other purchasers that are signatories thereto. See Note 6.

The Company believes that the financial restructuring contemplated under the Plans will reduce Sunbeam Corporation's outstanding debt obligations to levels more manageable and consistent with the business operations and projected financial performance of the Company, while minimizing disruption and harm to the business operations of the Subsidiary Debtors. The financial restructuring contemplated under the Plans also will enhance the Company's ability to effectively compete and maintain critical relationships with its suppliers and retail vendors.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business.

The recurring losses from operations and the inability of the Company to support its debt service requirements resulting in the Filings raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The ability of the Company to continue as a going concern and the appropriateness of using the going concern basis is dependent upon, among other things, (i) the Company's ability to comply with the DIP Credit Facility and the A/R Securitization Facility, (ii) confirmation of the Plans under the Bankruptcy Code, (iii) the Company's ability to achieve profitable operations after such confirmation, and (iv) the Company's ability to generate sufficient cash from operations to meet its obligations.

While operating as debtors-in-possession under the protection of Chapter 11 of the Bankruptcy Code, and subject to Bankruptcy Court approval or otherwise as permitted in the ordinary course of business, the Debtors may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in the consolidated financial statements. Further, the amounts and classifications reported in the consolidated historical financial statements, do not give effect to any adjustments to the carrying value of assets or amounts of liabilities that might be necessary as a consequence of consummation of the Plans.

The accompanying consolidated financial statements do not purport to reflect or provide for the consequences of the Debtors' bankruptcy proceedings. In particular, such consolidated financial statements do not purport to show (i) as to assets, their realizable value on a liquidation or sale basis or their availability to satisfy liabilities, (ii) as to pre-petition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof, (iii) as to stockholder accounts, the effect of any changes that may be made in the capitalization of the Debtors, or (iv) as to operations, the effect of any changes that may be made in the business of the Debtors.

Substantially all of the Debtors' pre-petition debt is now in default due to the Filings. Although the Filings occurred after the fiscal year end, the accompanying consolidated financial statements reflect the classification of such debt as a current liability. This includes debt under Sunbeam Corporation's Pre-Petition Credit Facility, as well as the accreted amount of the Debentures.

As required by Statement of Position 90-7 ("SOP 90-7"), *Financial Reporting by Entities in Reorganization under the Bankruptcy Code*, the Debtors, beginning in the first quarter of 2001, will be required to record their debt instruments at the allowed amount, as defined by SOP 90-7. Accordingly, the Company will accelerate the amortization of its debt-related costs attributable to the Debtors and record a pretax expense of approximately \$40 million during February 2001. This expense will be classified as a Reorganization Cost and is comprised primarily of unamortized financing costs.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**2. Operations and Significant Accounting Policies**

*Organization*

The Company is a leading designer, manufacturer and marketer of branded consumer products. The Company's primary business is the manufacturing, marketing and distribution of durable household and outdoor leisure consumer products through mass market and other distribution channels in the United States and internationally. The Company also sells its products to professional and commercial end users such as small businesses, health care providers, hotels and other institutions. The Company's principal products include household kitchen appliances; health monitoring and care products for home use; scales for consumer and professional use for weight management and business uses; electric blankets and throws; clippers and trimmers for professional and animal uses; smoke and carbon monoxide detectors; outdoor barbecue grills; camping equipment such as tents, lanterns, sleeping bags and stoves; coolers; backpacks, book bags and other travel related gear; and portable generators and compressors.

In 1998 the Company acquired an indirect controlling interest in Coleman and all the outstanding common stock of Signature Brands and First Alert. In January 2000, the Company acquired the remaining interest in Coleman.

*Principles of Consolidation*

The consolidated financial statements include the accounts of Sunbeam Corporation and all of its wholly-owned subsidiaries. Prior to the Company's January 2000 acquisition of the remaining interest in Coleman, the consolidated financial statements included the accounts of Sunbeam Corporation and majority-owned subsidiaries that it controlled. All material intercompany balances and transactions have been eliminated.

*Presentation of Fiscal Periods*

Effective with its 1998 fiscal year, the Company changed its fiscal year end from the Sunday nearest December 31 to a calendar year. The impact of this change in fiscal period on net sales for 1998 was to increase sales by approximately \$5.5 million, and the impact on operating results for the period was to increase the net loss by approximately \$1.5 million.

*Use of Estimates*

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Significant accounting estimates include the establishment of the allowance for doubtful accounts, tax valuation allowances, reserves for sales returns and allowances, product warranty, product liability, excess and obsolete inventory, litigation and environmental exposures.

*Cash and Cash Equivalents*

The Company considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

*Concentrations of Credit Risk*

Substantially all of the Company's trade receivables are due from retailers and distributors located throughout the United States, Europe, Latin America, Canada, and Japan. Approximately 35% of the Company's sales in 2000 were to its 5 largest customers. The Company establishes its credit policies based on an ongoing evaluation of its customers' creditworthiness and competitive market conditions and establishes its allowance for doubtful accounts based on an assessment of exposures to credit losses at each balance sheet date. The Company believes its allowance for doubtful accounts is sufficient based on the credit exposures outstanding at December 31, 2000. However, certain retailers filed for bankruptcy protection in the last several years and it is possible that additional credit losses could be incurred if other retailers seek bankruptcy protection.

*Inventories*

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

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**2. Operations and Significant Accounting Policies - (continued)**

In certain instances, the Company receives rebates from vendors based on the volume of merchandise purchased. Vendor rebates are recorded as reductions in the price of the purchased merchandise and are recognized in operations as the related inventories are sold.

*Property, Plant and Equipment*

Property, plant and equipment are 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 the following useful lives:

Buildings and improvements .....	5 to 45 years
Machinery, equipment and tooling .....	3 to 15 years
Furniture and fixtures .....	3 to 10 years

Leasehold improvements are amortized on a straight-line basis over the shorter of its estimated useful life or the term of the lease.

*Long-Lived Assets*

The Company accounts for long-lived assets pursuant to Statement of Financial Accounting Standards ("SFAS") No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of*. The Company periodically evaluates factors, events and circumstances which include, but are not limited to, the historical and projected operating performance of the business operations, specific industry trends and general economic conditions to assess whether the remaining estimated useful lives of long-lived assets may warrant revision or whether the remaining asset values are recoverable through future operations. When such factors, events or circumstances indicate that long-lived assets should be evaluated for possible impairment, the Company uses an estimate of cash flows (undiscounted and without interest charges) over the remaining lives of the assets to measure recoverability. If the estimated cash flows are less than the carrying value of the asset, the loss is measured as the amount by which the carrying value of the asset exceeds fair value. See Note 12.

With respect to enterprise level goodwill, the Company reviews impairment when changes in circumstances, similar to those described above for long-lived assets, indicate that the carrying value may not be recoverable. Under these circumstances, the Company estimates future cash flows using the recoverability method (undiscounted and including related interest charges), as a basis for recording any impairment loss. An impairment loss is then recorded to adjust the carrying value of goodwill to the recoverable amount. The impairment loss taken is no greater than the amount by which the carrying value of the net assets of the business exceeds its fair value. As a result of the Company's analysis of the recoverability of goodwill, the Company recorded charges of \$1.052 billion in 2000, \$52.0 million in 1999 and \$62.5 million in 1998. See Note 12.

*Derivative Financial Instruments*

The Company enters into interest rate swap agreements and foreign exchange rate contracts as part of the management of its interest rate and foreign currency exchange rate exposures. The Company has no derivative financial instruments held for trading purposes and none of the instruments are leveraged. All financial instruments are put into place to hedge specific exposures. To qualify as a hedge, the item to be hedged must expose the Company to price, interest rate or foreign currency exchange rate risk and the hedging instrument must reduce that exposure. Any contracts held or issued that do not meet the requirements of a hedge are recorded at fair value in the Consolidated Balance Sheets and any changes in that fair value are recognized in the Consolidated Statements of Operations. Effective January 1, 2001, the Company adopted SFAS No. 133, as defined below, as amended, which requires that all derivative financial instruments be reported on the balance sheet at fair value. See Note 5.

Interest rate swap agreements - Interest rate differentials to be paid or received as a result of interest rate swap agreements are accrued and recognized as an adjustment of interest expense related to the designated debt. Amounts receivable or payable under the agreements are included in receivables or other current liabilities in the Consolidated Balance Sheets. The fair value of the swap agreements and changes in the fair value as a result of changes in market interest rates are not recognized in the financial statements.

Gains and losses on termination of interest rate swap agreements are deferred and amortized as an adjustment to interest expense over the original period of interest exposure, provided the designated liability continues to exist. Realized and unrealized changes in the fair value of interest rate swaps designated with liabilities that no longer exist are recorded as a component of the gain or loss arising from the disposition of the designated liability.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**2. Operations and Significant Accounting Policies - (continued)**

Interest rate cap agreements - Amounts receivable relating to interest rate cap agreements are accrued and recognized as an adjustment to interest expense associated with the designated debt. Amounts receivable under the agreements are included in receivables in the Consolidated Balance Sheets. The fair value of the interest rate cap agreements and changes to the fair value as a result of changes in the market interest rates are not recognized in the financial statements.

Foreign currency options and forward contracts - Foreign currency contracts designated and effective as hedges are marked to market with realized and unrealized gains and losses deferred and recognized in operations when the designated transaction occurs. Foreign currency contracts not designated as hedges, failing to be hedges or failing to continue as effective hedges are included in operations as foreign exchange gains or losses.

Discounts or premiums on forward contracts designated and effective as hedges are amortized or accreted to expense using the straight-line method over the term of the related contract. Discounts or premiums on forward contracts not designated or effective as hedges are included in the mark to market adjustment and recognized in income as foreign exchange gains or losses. Initial premiums paid for purchased option contracts are amortized over the related option period.

*Capitalized Interest*

Interest costs for the construction of certain long-term assets are capitalized and amortized over the estimated useful life of the related asset. Total interest costs during 2000, 1999, and 1998 amounted to \$217.9 million, \$201.5 million, and \$131.4 million, respectively, of which \$0.4 million, \$1.3 million, and \$0.8 million, respectively, was capitalized as a cost of the related long-term assets.

*Deferred Financing Costs*

Costs incurred in connection with obtaining financing are deferred and amortized as a charge to interest expense over the terms of the related borrowings using the effective interest method.

*Intangibles*

Trademarks, tradenames and goodwill are being amortized on a straight-line basis over 20 to 40 years.

*Revenue Recognition*

The Company recognizes sales and related cost of goods sold from product sales at the latter of the time of shipment or when title passes to the customers. In some situations, the Company has shipped product with the right of return where the Company is unable to reasonably estimate the level of returns and/or the sale is contingent upon the resale of the product. In these situations, the Company does not recognize revenue upon product shipment, but rather when the buyer of the product informs the Company that the product has been sold. Net sales is comprised of gross sales less provisions for estimated customer returns, discounts, promotional allowances, cooperative advertising allowances and costs incurred by the Company to ship product to customers. Reserves for estimated returns are established by the Company concurrently with the recognition of revenue. Reserves are established based on a variety of factors, including historical return rates, estimates of customer inventory levels, the market for the product and projected economic conditions. The Company monitors these reserves and makes adjustments to them when management believes that actual returns or costs to be incurred differ from amounts recorded.

*Warranty Costs*

The Company provides for warranty costs in amounts it estimates will be needed to cover future warranty obligations for products sold during the year. Estimates of warranty costs are periodically reviewed and adjusted, when necessary, to consider actual experience.

*Product Liability*

The Company provides for product liability costs it estimates will be needed to cover future product liability obligations for products sold during the year. Estimates of product liability costs are periodically reviewed and are based upon actuarial valuations made by an independent actuarial consultant. The estimates are updated to consider actual experience, number of claims and other relevant factors.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**2. Operations and Significant Accounting Policies - (continued)**

*Legal Costs*

The Company records charges for the costs it anticipates incurring in connection with litigation and claims against the Company when management can reasonably estimate these costs.

*Income Taxes*

The Company accounts for income taxes under the liability method in accordance with SFAS No. 109, *Accounting for Income Taxes*. The provision for income taxes includes deferred income taxes resulting from items reported in different periods for income tax and financial statement purposes. Deferred tax assets and liabilities represent the expected future tax consequences of the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effects of changes in tax rates on deferred tax assets and liabilities are recognized in the period that includes the enactment date.

*Advertising Costs*

Media advertising costs included in Selling, General and Administrative Expense ("SG&A") are expensed as incurred. Allowances provided to customers for cooperative advertising are charged to operations, as earned, based on revenues and are included as a deduction from gross sales in determining net sales. The amounts charged to operations for media and cooperative advertising during 2000, 1999, and 1998 were \$114.4 million, \$109.8 million and \$124.5 million, respectively.

*Research and Development*

Research and development expenditures are expensed in the period incurred. The amounts charged against operations during 2000, 1999, and 1998 were \$37.1 million, \$26.8 million, and \$18.7 million, respectively.

*Foreign Currency Translation*

The assets and liabilities of subsidiaries, other than those operating in highly inflationary economies, are translated into U.S. dollars at the rates of exchange in effect at the balance sheet date. The resulting translation gains and losses are accumulated in a separate component of shareholders' equity (deficiency). Income and expense items are converted into U.S. dollars at average rates of exchange prevailing during the year with gains or losses resulting from foreign currency transactions included in the results of operations.

For subsidiaries operating in highly inflationary economies (Venezuela), inventories and property, plant and equipment are translated at the rate of exchange on the date the assets were acquired, while other assets and liabilities are translated at year-end exchange rates. Translation adjustments for those operations are included in other expense (income), net in the accompanying Consolidated Statements of Operations. Effective January 1, 1999, Mexico is no longer considered highly inflationary.

*Stock-Based Compensation Plans*

SFAS No. 123, *Accounting for Stock-Based Compensation*, allows either adoption of a fair value method for accounting for stock-based compensation plans or continuation of accounting under APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations with supplemental disclosures.

The Company has chosen to account for its stock options using the intrinsic value based method prescribed in APB Opinion No. 25 and, accordingly, does not recognize compensation expense for stock option grants made at an exercise price equal to or in excess of the fair market value of the stock at the date of grant. Pro forma net loss and loss per share amounts as required by SFAS No. 123 are presented in Note 10 as if the fair value method had been adopted; however, SFAS No. 123 as adopted does not impact the Company's results of operations, financial position or cash flows.

*Basic and Diluted Loss Per Share Of Common Stock*

Basic loss per common share calculations are determined by dividing loss attributable to common shareholders by the weighted average number of shares of common stock outstanding. Diluted loss per share is determined by dividing loss available to common shareholders by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding (all

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

**2. Operations and Significant Accounting Policies - (continued)**

related to outstanding stock options, restricted stock, warrants and the Debentures).

For the years ended December 31, 2000, 1999 and 1998, respectively, 35,392, 55,661 and 1,902,177 shares related to stock options, were not included in diluted average common shares outstanding because their effect would be antidilutive. Stock options to purchase 25,857,540, 19,412,722 and 7,330,574 common shares were excluded from potential common shares at December 31, 2000, 1999 and 1998, respectively, as the option exercise prices were greater than the average market price of the Company's common stock during the year. Diluted average common shares outstanding as of December 31, 2000, 1999 and 1998 excludes 13,242,050 shares related to the conversion feature of the Debentures, see Note 4, and 27,324,525 shares in 2000 and 23,000,000 shares in 1999 and 1998 issuable on the exercise of warrants, due to antidilution (see Note 3).

*New Accounting Standards*

Effective January 1, 2001, the Company adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, which requires that all derivative instruments be reported on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships. The cumulative effect of adopting SFAS No. 133 as of January 1, 2001 was not material to the Company's financial statements.

In September 2000, the Financial Accounting Standards Board issued SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (a replacement of FASB Statement No. 125), which revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain related disclosures. This pronouncement is effective after March 31, 2001, with respect to its provisions for transfers and servicing of financial assets and extinguishments of liabilities and after December 15, 2000, with respect to its provisions for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral. SFAS No. 140 will not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), *Revenue Recognition in Financial Statements*. In June 2000, the SEC staff amended SAB 101 to provide registrants with additional time to implement SAB 101. The Company conformed its income recognition policies to the requirements of SAB 101 in the fourth quarter of fiscal 2000. Compliance with SAB 101 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

*Reclassifications*

Certain prior year amounts have been reclassified to conform with the 2000 presentation.

**3. Acquisitions and Divestitures**

*Acquisitions*

On March 30, 1998, pursuant to a merger agreement dated as of February 27, 1998, the Company, through a wholly-owned subsidiary, acquired approximately 81% of the total number of then outstanding shares of common stock of Coleman from an affiliate of MacAndrews & Forbes Holdings Inc. ("M&F"), in exchange for 14,099,749 shares of the Company's common stock and approximately \$160 million in cash. In addition, the Company assumed or repaid approximately \$1,016 million in debt. Immediately thereafter, as a result of the exercise of employee stock options, the Company's indirect beneficial ownership of Coleman decreased to approximately 79% of the total number of the outstanding shares of Coleman common stock.

On August 12, 1998, the Company announced that, following investigation and negotiation conducted by a Special Committee of the board consisting of four outside directors not affiliated with M&F, the Company had entered into a settlement agreement with an affiliate of M&F pursuant to which the Company was released from certain threatened claims of M&F and its affiliates arising from the Coleman acquisition and M&F agreed to provide certain management personnel and assistance to the Company in exchange for the issuance to the M&F affiliate of a warrant expiring August 24, 2003 to purchase up to 23 million shares of the Company's common stock at a cash exercise price of \$7.00 per share, subject to antidilution adjustments. The Company concluded that the agreement to issue this warrant did not result in a new measurement date for the purposes of determining the purchase price for Coleman and has accounted for the issuance of this warrant as a cost of settling a potential claim. Accordingly, a \$70.0 million non-cash SG&A expense was recorded in the third quarter of 1998, based on a valuation performed as of August 1998 using facts existing



**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**3. Acquisitions and Divestitures - (continued)**

at that time. The valuation was conducted by an independent consultant engaged by the Special Committee of the board of directors.

In January 2000, pursuant to a second merger agreement dated February 27, 1998 (the "Coleman Merger Agreement"), the Company acquired the remaining publicly held Coleman shares in a merger transaction in which the remaining Coleman stockholders (other than stockholders who are seeking appraisal rights under Delaware law) received 0.5677 of a share of the Company's common stock and \$6.44 in cash for each share of Coleman common stock they owned, aggregating approximately 6.7 million shares of the Company's common stock and \$87 million in cash. The approximate \$87 million aggregate cash payment included \$4.8 million related to the cash out of remaining stock options held by employees of Coleman, in accordance with the merger agreement, which occurred in December 1999. See Note 15. In addition, pursuant to a court approved settlement of litigation by certain Coleman public stockholders arising out of the acquisition of Coleman by the Company, the Company issued to such Coleman public stockholders (other than such stockholders who are seeking appraisal rights under Delaware law), warrants expiring August 24, 2003 to purchase 4.98 million shares of the Company's common stock at \$7.00 per share less approximately 498,000 warrants issued to the plaintiffs' attorneys for their fees and expenses. These warrants, which generally have the same terms as the warrants previously issued to M&F's subsidiary, were issued when the consideration was paid for the Coleman merger. The total consideration given for the purchase of the remaining publicly held Coleman shares was valued at \$146 million.

The acquisition of Coleman was accounted for using the purchase method of accounting, and accordingly, the financial position and results of operations of Coleman are included in the accompanying Consolidated Statements of Operations from the respective dates of acquisition. Prior to the completion of the merger on January 6, 2000, approximately 20% of Coleman's results of operations and net equity allocable to the public shareholders was reported as minority interest.

The purchase price paid for the publicly held Coleman shares has been allocated based on the estimated fair value of tangible and identifiable intangible assets acquired and liabilities assumed as follows (in millions):

Value of common stock issued.....	\$ 44
Value of warrants issued .....	14
Cash paid, including expenses, net of cash acquired.....	<u>88</u>
Net cash paid and equity issued.....	146
Fair value of total liabilities assumed.....	<u>19</u>
	165
Fair value of assets acquired.....	<u>157</u>
Excess of purchase price over fair value of net assets acquired .....	<u>\$ 8</u>

The excess of purchase price over the fair value of net assets acquired was classified as goodwill. Goodwill related to the Coleman acquisition has been amortized on a straight-line basis over a 40 year period. Approximately \$1.1 billion of goodwill was recorded by the Company in connection with the acquisition of Coleman. Goodwill was allocated to the various operating businesses of Coleman based on the estimated fair value of Coleman's component businesses. During the fourth quarter of 2000, the Company determined that goodwill recorded in connection with the acquisition of Coleman, as well as the Company's 1998 acquisition of Signature Brands, was impaired. See Note 12.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**3. Acquisitions and Divestitures - (continued)**

The following unaudited pro forma financial information for the Company gives effect to the purchase of the publicly held shares of Coleman common stock as if the transaction had occurred at the beginning of the period presented. No pro forma information has been presented for the period ending December 31, 2000 because the transaction occurred at the beginning of the period. The pro forma results for the period ending December 31, 1999 have been prepared for informational purposes only and do not purport to be indicative of the results of operations that actually would have occurred had the acquisition been consummated on the date indicated, or which may result in the future. The unaudited pro forma results follow (in millions, except per share data):

	Year Ended <u>December 31, 1999</u>
Net sales .....	\$ 2,398.0
Net loss .....	(296.8)
Basic and diluted loss per share from continuing operations .....	(2.76)

*Divestitures*

See Note 12 for discussion related to the sale of the Eastpak business.

In January 2000, the Company entered into a long-term licensing agreement with Helen of Troy Ltd. that will allow Helen of Troy Ltd. to market and distribute Sunbeam branded retail human hair clippers and trimmers. In connection with this agreement, Helen of Troy Ltd. purchased the inventory of these retail clippers and trimmers in the first quarter of 2000 for \$4.4 million. Helen of Troy Ltd. also entered into a licensing agreement to market and distribute Oster® branded retail hair clippers and trimmers through April 30, 2001. Pursuant to this agreement, the Company continued to manufacture Oster branded retail hair clippers and trimmers through December 31, 2000. Helen of Troy Ltd., a marketing and distribution company in the personal care industry, also holds licenses for other Sunbeam branded personal care products, including hair dryers, curling irons and personal spa products.

On August 14, 2000, the Company announced that it intends to sell its professional clippers business, which manufacturers and markets professional barber, beauty and animal grooming products under the Oster® brand name. The Company is currently conducting the sale process for the sale of such business. Should such sale be consummated, the net proceeds will be used to reduce the DIP Credit Facility. Net sales from the professional clippers business were approximately 3% of consolidated net sales in 2000, 1999 and 1998. Operating income was approximately \$19 million, \$16 million, and \$13 million in 2000, 1999 and 1998, respectively. Professional clippers is included in the Company's Household business group.

**4. Debt**

The Sunbeam Corporation Plan contemplates converting a substantial portion of the existing bank debt described below into the New Secured Debt and equity interests in the reorganized Sunbeam Corporation. See Note 1. The Sunbeam Corporation Plan also contemplates the discharge of the Debentures.

In connection with the filing of the Petitions, the Secured Lenders under the Pre-Petition Credit Facility have provided Sunbeam Corporation with the DIP Credit Facility. The DIP Credit Facility provides for a total commitment of \$285.0 million, with a \$120.0 million sub-limit for letters of credit. The letters of credit outstanding under the Pre-Petition Credit Facility, discussed below, on the date of the Filings, were rolled into the DIP Credit Facility. In addition, pursuant to the DIP Credit Facility, the Company repaid approximately \$50 million outstanding under the Supplemental Revolver of the Pre-Petition Credit Facility described below, as well as certain fees and expenses of the lenders under the DIP Credit Facility. The aggregate commitment under the DIP Credit Facility will be permanently reduced by 100% of the net cash proceeds from asset sales outside of the ordinary course of business. The aggregate commitments are permanently reduced to \$160.0 million on April 30, 2001, unless already reduced to at least that amount by such date as a result of mandatory pre-payments under the DIP Credit Facility. The DIP Credit Facility terminates the earlier of (i) February 5, 2002, (ii) the effective date of the Sunbeam Corporation Plan, or (iii) termination of the commitments under the DIP Credit Facility. Borrowings under the DIP Credit Facility accrue interest at LIBOR plus 3.5%, or prime rate plus 2.5%.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

**4. Debt - (continued)**

The DIP Credit Facility contains various covenants, including (i) a cumulative consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") covenant, (ii) a cumulative capital expenditures covenant, (iii) a minimum domestic accounts payable covenant, (iv) a covenant limiting the amount of post-petition intercompany receivables due from foreign subsidiaries, and (v) compliance with an agreed upon cash budget. In addition, the DIP Credit Facility provides that the Company is required to fully utilize borrowing availability under its A/R Securitization Facility, see Note 6, at any time there are loans outstanding under the DIP Credit Facility.

In addition to the above described EBITDA and other tests and ratios, the DIP Credit Facility contains covenants customary for credit facilities of a similar nature, including limitations on the ability of Sunbeam Corporation and its subsidiaries to, among other things, (i) declare dividends or repurchase stock, (ii) incur liens or engage in sale-leaseback transactions, (iii) make loans and investments, (iv) incur additional debt, (v) amend or otherwise alter material agreements or enter into restrictive agreements, (vi) fail to maximize utilization of foreign credit facilities, (vii) fail to maintain its trade receivable securitization programs (viii) engage in mergers, acquisitions or asset sales, (ix) engage in transactions with affiliates, (x) alter its cash management system and (xi) alter the businesses they conduct. The DIP Credit Facility provides for events of default customary for transactions of this type, including nonpayment, misrepresentation, breach of covenant, cross-defaults, material adverse change arising from compliance with ERISA, entry of certain orders by the Bankruptcy Court in the Chapter 11 proceedings or material adverse judgments.

On April 30, 2001, the Company obtained an amendment relating to its DIP Credit Facility which permanently reduced the aggregate commitments to \$200.0 million and amended certain other covenants.

Borrowings under the DIP Credit Facility are secured by a perfected first priority lien on all the Debtors' assets subject to certain exceptions to the A/R Securitization Facility, and certain other exceptions.

Although there can be no guarantee, the Company believes that its borrowing capacity under the DIP Credit Facility and the A/R Securitization Facility, combined with its foreign working capital lines, cash flows from operations and existing cash and cash equivalent balances will be sufficient to support the Company's planned working capital needs and planned capital expenditures through the Debtors' anticipated emergence from Chapter 11. However, there can be no assurance that the aforementioned sources of funds will be sufficient to meet the Company's cash requirements on a consolidated basis. If the Company is unable to satisfy such cash requirements, the Company could be required to adopt one or more alternatives, such as reducing or delaying capital expenditures, borrowing additional funds, selling other assets or operations, reducing expenditures for new product development, cutting other costs, and some of such actions would require the approval of the Bankruptcy Court, the consent of the Secured Lenders under the DIP Credit Facility and/or the consent of the purchasers under the A/R Securitization Facility. There can be no assurance that any of such actions could be effected, or if so, on terms favorable to the Company, that such actions would enable the Company to continue to satisfy its cash requirements and/or that such actions would be permitted under the terms of the DIP Credit Facility, the A/R Securitization Facility or, with respect to the Debtors', be permitted by the Bankruptcy Court or the Bankruptcy Code.

Debt at the end of each fiscal year consists of the following (in thousands):

	<u>2000</u>	<u>1999</u>
Term loans, due in installments through 2006, average interest rate of 9.48% for 2000 and 8.85% for 1999 .....	\$ 1,214,051	\$ 1,260,000
Revolving Pre-Petition Credit Facility, average interest rate of 9.58% for 2000 and 8.95% for 1999 .....	326,000	177,000
Zero coupon convertible senior subordinated debentures, net of unamortized discount of \$1,153,958 and \$1,195,460 at December 31, 2000 and 1999, respectively .....	860,042	818,540
Other lines of credit, including foreign facilities .....	36,309	38,596
Other long-term borrowings, due through 2012, weighted average interest rate of 4.13% and 3.93%, at December 31, 2000 and 1999, respectively .....	<u>11,021</u>	<u>9,672</u>
	2,447,423	2,303,808
Less short-term debt and current portion of long-term debt .....	<u>2,446,264</u>	<u>139,806</u>
Long-term debt .....	<u>\$ 1,159</u>	<u>\$2,164,002</u>

In March 1998, the Company replaced its \$250.0 million syndicated unsecured five-year revolving credit facility with the Pre-Petition Credit Facility. The Pre-Petition Credit Facility provided for aggregate borrowings of up to \$1.7 billion.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**4. Debt - (continued)**

As a result of losses incurred by the Company during 1998, 1999 and 2000, certain amendments and waivers to the Pre-Petition Credit Facility were sought and obtained from the Secured Lenders.

The Company and its Secured Lenders entered into an amendment to the Pre-Petition Credit Facility on August 10, 2000 in order to, among other things, provide the Company with a supplemental \$50.0 million reducing revolving credit facility (the "Supplemental Revolver") having a final maturity date of December 31, 2000. The Company paid a facility fee to its Secured Lenders of \$62,500 for the Supplemental Revolver.

The following description of the Pre-Petition Credit Facility reflects the significant terms of the Pre-Petition Credit Facility, as amended, at December 31, 2000.

In addition to the Supplemental Revolver, the Pre-Petition Credit Facility provided for aggregate borrowings of up to \$1.7 billion pursuant to: (i) a revolving credit facility in an aggregate principal amount of up to \$400.0 million maturing March 30, 2005; (ii) up to \$800.0 million in term loans maturing on March 30, 2005 (all of which has been borrowed, and of which \$78.0 million has been repaid) and (iii) a \$500.0 million term loan maturing September 30, 2006 (all of which has been borrowed and of which \$7.9 million has been repaid). As of December 31, 2000, \$1.54 billion was outstanding under the Pre-Petition Credit Facility and Supplemental Revolver and approximately \$56 million was available for borrowings. The remaining \$68.5 million of the \$1.664 billion Pre-Petition Credit Facility and Supplemental Revolver was committed for outstanding letters of credit.

Under the Pre-Petition Credit Facility, interest accrued, at the Company's option: (i) at LIBOR, or (ii) at the base rate of the administrative agent plus 0.50%, in each case plus an interest margin which was 3.00% for LIBOR borrowings and 1.75% for base rate borrowings at December 31, 2000. Borrowings under the Pre-Petition Credit Facility are secured by a pledge of the stock of the Company's material subsidiaries and by a security interest in substantially all of the assets of the Company and its material domestic subsidiaries, which liens are subject to the superpriority liens under the DIP Credit Facility. In addition, borrowings under the Pre-Petition Credit Facility are guaranteed by a number of the Company's wholly-owned material domestic subsidiaries and these subsidiary guarantees are secured by substantially all of the material domestic subsidiaries' assets, which liens and guarantees are subject to the superpriority liens under the DIP Credit Facility. To the extent extensions of credit are made to any subsidiaries of the Company, the obligations of such subsidiaries are guaranteed by the Company. In addition to being entitled to the benefits of the foregoing described collateral and guaranties, outstanding borrowings under the Supplemental Revolver were secured by substantially all of the assets and 100% of the stock of the Company's Canadian subsidiary and were guaranteed by the Canadian subsidiary.

Under terms of an April 14, 2000 amendment to the Pre-Petition Credit Facility, the Company was obligated to pay the Secured Lenders an amendment fee for the April 14, 2000 amendment of 0.50% of the commitments under the Pre-Petition Credit Facility as of April 14, 2000, totaling \$8.5 million. This fee was paid on May 26, 2000, the closing date of the sale of the Company's Eastpak business ("Eastpak"). See Note 12. Furthermore, an amendment fee previously agreed to for an April 15, 1999 amendment equal to \$8.5 million was scheduled to be due on April 10, 2001. An additional amendment fee relating to the April 15, 1999 amendment equal to \$8.5 million was scheduled to be due on June 30, 2001. The \$17.0 million amendment fee associated with the April 15, 1999 amendment was amortized to interest expense using the straight-line method over the one-year term of the amendment. The \$8.5 million amendment fee associated with the April 14, 2000 amendment was being amortized to interest expense using the straight-line method over the one year term of that amendment. In February 2001, this amortization will be accelerated in accordance with SOP 90-7 and the unamortized balance of the fee (\$1.6 million) will be fully recognized. This expense will be classified as a Reorganization Cost in the Consolidated Statements of Operations.

In March 1998, Sunbeam Corporation completed an offering of the Debentures at a yield to maturity of 5.0% (approximately \$2,014 million principal amount at maturity) which resulted in approximately \$730 million of net proceeds. The Debentures were exchangeable for shares of the Company's common stock at an initial conversion rate of 6.575 shares for each \$1,000 principal amount at maturity of the Debentures, subject to adjustment upon occurrence of certain events. The Debentures are subordinated in right of payment to all existing and future senior indebtedness of Sunbeam Corporation. Sunbeam Corporation was required to file a registration statement with the Securities and Exchange Commission ("SEC") to register the Debentures by June 23, 1998. This registration statement was filed February 4, 1999 and, as amended, was declared effective on November 8, 1999. From June 23, 1998 until the registration statement was declared effective, Sunbeam Corporation was required to pay to the Debenture holders cash liquidated damages accruing, for each day during such period, at a rate per annum equal to 0.25% during the first 90 days and 0.50% thereafter multiplied by the total of the issue price of the Debentures plus the original issue discount thereon on such day. Sunbeam Corporation has made total payments for liquidated damages since June 23, 1998 of \$4.5 million, of which \$3.0 million and \$1.5 million related to damages for the years ended December 31, 1999 and 1998, respectively.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**4. Debt - (continued)**

In July 2000, Sunbeam Corporation announced an offer to acquire all of the currently outstanding Debentures in exchange for secured notes and shares of Sunbeam common stock (the "Exchange Offer"). On September 12, 2000, Sunbeam Corporation withdrew its offer to exchange all of the outstanding Debentures without accepting and paying for any tendered Debentures. The holders of the Debentures were unwilling to participate in the Exchange Offer under the terms proposed. As a result of the termination of the Exchange Offer, Sunbeam Corporation recognized a charge of \$5.4 million in the third quarter of 2000. This charge included investment banking fees and legal and accounting fees incurred relating to the proposed transaction.

Sunbeam Corporation's Filing, see Note 1, constitutes an event of default under the terms of the Debentures. Accordingly, at December 31, 2000, the net amount due under the Debentures is reflected as a current liability in the accompanying Consolidated Balance Sheet.

In March 1998, Sunbeam Corporation prepaid the \$75.0 million 7.85% industrial revenue bond related to its Hattiesburg facility originally due in 2009. In connection with the early extinguishment of this debt, the Company recognized an extraordinary charge of \$7.5 million. As a result of repayment of certain indebtedness assumed in the Coleman acquisition, the Company also recognized an extraordinary charge of \$114.9 million. The debt assumed in connection with the Coleman acquisition was repaid as a result of the requirements under the terms of the Pre-Petition Credit Facility. These extraordinary charges consisted of redemption premiums (\$106.9 million), unamortized debt discount (\$13.8 million) and unamortized deferred financing costs (\$1.7 million).

At December 31, 2000, the aggregate annual maturities on short-term and long-term debt were \$2,446.3 million in 2001 and \$1.1 million in 2002.

**5. Financial Instruments**

**Fair Value of Financial Instruments**

The fair value of the Company's financial instruments as of December 31, 2000 and 1999 was estimated based upon the following methods and assumptions:

**Cash and Cash Equivalents** - The carrying amount of cash and cash equivalents is assumed to approximate fair value as cash equivalents include all highly liquid, short-term investments with original maturities of three months or less.

**Short and Long Term Debt** - The fair value of the Company's fixed rate debt is estimated using either reported transaction values or discounted cash flow analysis. The fair value of the Company's fixed rate debt was approximately \$43 million and \$318 million as of December 31, 2000 and December 31, 1999, respectively, as compared to a carrying value of approximately \$871 million and \$828 million, respectively. The fair value of the Company's variable rate debt is not determinable in light of the Filings, see Note 1. At December 31, 2000, the outstanding principal of this secured bank debt was \$1.54 billion.

**Letters of Credit and Surety Bonds** - The Company utilizes stand-by letters of credit to back certain financing instruments and insurance policies and commercial letters of credit guaranteeing various international trade activities. In addition, the Company also entered into surety bonds largely to secure certain benefit plan obligations and as a result of environmental issues and litigation judgments that are primarily under appeal. The contract amounts of the letters of credit and surety bonds approximate their fair values. The contract value of letters of credit were \$68.5 million and \$79.7 million as of December 31, 2000 and 1999, respectively. Contract values for surety bonds as of December 31, 2000 and 1999 were approximately \$69.9 million and \$67.5 million, respectively.

**Derivative Financial Instruments**

**Interest Rate Swap and Interest Rate Cap Agreements** - The Company utilizes interest rate swap agreements to reduce the impact on interest expense of fluctuating interest rates on its floating rate debt. The use of derivatives did not have a material impact on the Company's operations in 2000, 1999 and 1998. At December 31, 1999, the Company held three floating to fixed interest rate swap agreements, one with a notional value of \$25.0 million and two with notional amounts of \$150.0 million each. The swap agreements were contracts to exchange floating rate for fixed interest payments periodically over the lives of the agreements without the exchange of the underlying notional principal amounts. During 2000, the Company sold all three of the interest rate swap agreements. As a consequence of this transaction, the Company received net proceeds of approximately \$2 million, and such amount is being amortized to interest expense over the terms of the related borrowings using the effective interest method. In February 2001, this amortization will be accelerated in accordance with SOP 90-7 and the unamortized balance of the deferred gain of \$1.8 million will be fully

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

recognized. This amount will be classified as a Regorganization Cost in the Consolidated Statements of Operations. In 2000, prior to the sale of the interest rate swap agreements, the Company received an average floating rate of 6.15%, 6.12% and 6.14%, respectively, and paid an average fixed rate of 6.12%, 5.75% and 5.58%, respectively. In 1999, the Company received an average floating rate of 5.38%, 5.22% and 5.22%, respectively, and paid an average fixed rate of 6.12%, 5.75% and 5.58%, respectively. In 1998, the Company received an average floating rate of 5.64%, 5.59% and 5.59%, respectively, and paid an average fixed rate of 6.12%, 5.75%, and 5.58%, respectively. In addition, in November 1999, the Company entered into a graduated interest rate cap agreement for a notional amount of \$455.0 million, expiring April 2001. The interest rate as of December 31, 2000 and 1999 was 7.0% and 6.5%, respectively. At December 31, 2000, the fair value of the graduated interest rate cap was insignificant. The fair value of the interest rate swaps and the graduated interest rate cap agreement at December 31, 1999 was estimated to be \$3.4 million. These estimates are based upon quotes received from the Company's banking institutions and represent the cash requirement if the existing agreements had been terminated at the end of the year. The interest rate swap and cap agreements are considered off-balance-sheet instruments and therefore have no carrying value.

**6. Accounts Receivable Securitization**

During 2000, certain subsidiaries of Sunbeam Corporation sold trade accounts receivable pursuant to two separate receivable securitization programs. The original program, entered into in December 1997, was amended in March 2000 to increase the program from \$70.0 million to \$100.0 million. This agreement provided for the sale of certain trade accounts receivable without recourse through a wholly-owned subsidiary (the "Sunbeam Receivables Program"). In mid-November 2000, the purchaser under the Sunbeam Receivables Program informed the Company that it intended to discontinue its operations in mid-February 2001, and consequently ceased purchasing accounts receivable on January 15, 2001. In April 2000, the Company's Coleman and Coleman Powermate, Inc. subsidiaries entered into an additional revolving trade accounts receivable securitization program (the "Coleman Receivables Program"), to sell, without recourse, through a wholly-owned subsidiary of Coleman, up to a maximum of \$95.0 million in trade accounts receivable.

On February 7, 2001, certain Subsidiary Debtors entered into the \$200.0 million A/R Securitization Facility to replace both the Sunbeam Receivables Program and the Coleman Receivables Program (collectively the "Pre-Petition Receivables Programs"). This trade accounts receivable program contains cross-default provisions that provide the purchasers of the receivables an option to cease purchasing receivables if, subject to certain grace periods, Sunbeam Corporation is in default under the DIP Credit Facility. In addition, the A/R Securitization Facility contains various other covenants customary for these types of programs, including financial covenants. The Subsidiary Debtors party to the A/R Securitization Facility retain collection and administrative responsibilities for the receivables sold under such facility.

During 2000, 1999, and 1998, the Company received approximately \$906 million, \$350 million and \$200 million, respectively, under the Pre-Petition Receivables Programs. At December 31, 2000 and 1999, the Company had reduced accounts receivable by approximately \$97 million and \$60 million, respectively, for receivables sold under these programs. Costs of the programs, which primarily consist of the purchasers' financing cost of issuing commercial paper backed by the receivables, totaled \$7.8 million, \$2.8 million and \$2.3 million during 2000, 1999 and 1998, respectively, and have been classified as interest expense in the accompanying Consolidated Statements of Operations.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**7. Income Taxes**

Loss before income taxes, minority interest and extraordinary charge for each fiscal year is summarized as follows (in thousands):

	2000	1999	1998
Domestic .....	\$ (1,343,397)	\$ (329,713)	\$ (723,179)
Foreign .....	(63,825)	36,527	(73,169)
	<u>\$ (1,407,222)</u>	<u>\$ (293,186)</u>	<u>\$ (796,348)</u>

Income tax provisions include current and deferred taxes (tax benefits) for each fiscal year as follows (in thousands):

	2000	1999	1998
Current:			
Federal .....	\$ (5,505)	\$ (7,531)	\$ 1,203
State .....	1,151	59	275
Foreign .....	3,762	3,245	7,189
	<u>(592)</u>	<u>(4,227)</u>	<u>8,667</u>
Deferred:			
Federal .....	(1)	(7,777)	(6,343)
State .....	—	(1,007)	(1,316)
Foreign .....	(1,606)	4,187	(11,138)
	<u>(1,607)</u>	<u>(4,597)</u>	<u>(18,797)</u>
	<u>\$ (2,199)</u>	<u>\$ (8,824)</u>	<u>\$ (10,130)</u>

The effective tax rate on loss before income taxes, minority interest and extraordinary charges varies from the current statutory federal income tax rate as follows:

	2000	1999	1998
Benefit at statutory rate .....	(35.0)%	(35.0)%	(35.0)%
State taxes, net .....	(0.9)	(3.5)	—
Amortization of intangible assets and goodwill .....	27.2	9.8	4.3
Foreign earnings and dividends taxed at other rates .....	(0.8)	0.1	2.7
Valuation allowance .....	9.3	26.2	23.6
Other, net .....	—	(0.6)	3.1
Effective tax rate benefit .....	<u>(0.2)%</u>	<u>(3.0)%</u>	<u>(1.3)%</u>

Significant components of the Company's deferred tax liabilities and assets are as follows:

	December 31, 2000	December 31, 1999
Deferred tax assets:		
Receivables .....	\$ 13,680	\$ 15,559
Post-retirement benefits other than pensions .....	11,830	11,282
Reserves for self-insurance and warranty costs .....	44,309	45,961
Pension liabilities .....	24,901	24,451
Inventories .....	20,451	29,738
Net operating loss carryforwards .....	494,112	405,315
Tax credits .....	8,103	13,016
Other, net .....	77,307	70,685
Total deferred tax assets .....	694,693	616,007
Valuation allowance .....	475,020	371,895
Net deferred tax assets .....	219,673	244,112
Deferred tax liabilities:		
Depreciation .....	35,409	33,953
Acquired intangible assets .....	241,360	238,916
Other, net .....	7,456	14,216
Total deferred tax liabilities .....	284,225	287,085
Net deferred tax liabilities .....	<u>\$ (64,552)</u>	<u>\$ (42,973)</u>

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

**7. Income Taxes - (continued)**

The Company establishes valuation allowances in accordance with the provisions of SFAS No. 109. The Company continually reviews the adequacy of the valuation allowances and recognizes tax benefits when it is more likely than not that the benefits will be realized. During 1999 and 2000, the Company increased its valuation allowance to approximately \$372 million and \$475 million, respectively, which reflects management's assessment that it is more likely than not that the deferred tax assets will not be realized through future taxable income. This assessment was made as a result of the significant leverage undertaken by the Company as part of its acquisitions, as well as the operating losses incurred throughout the 1999 and 2000 years.

At December 31, 2000, the Company had net operating loss carryforwards ("NOLs") of approximately \$1.1 billion for domestic income tax purposes and \$151 million for foreign income tax purposes. The domestic NOLs begin expiring in 2017. Of the foreign NOLs, approximately \$5 million, \$15 million, \$13 million, \$1 million and \$13 million expire in the years ending December 31, 2001 through 2005. Of the remaining foreign NOLs, approximately \$25 million will expire in years subsequent to 2005 and approximately \$79 million have an unlimited life. Under Section 382 of the Internal Revenue Code, annual limitations may be imposed on the use of net operating loss carryforwards and certain other tax attributes when a company experiences a greater than 50% change in ownership. As a result of the Filings, and consummation of the proposed Plans, it is likely that such a change in ownership will occur. Consequently, an annual limitation may be imposed on the use of some of the Company's NOL's and certain tax attributes to the extent that such items are not reduced by cancellation of indebtedness income.

The Company has not provided U.S. income taxes on undistributed foreign earnings of approximately \$48 million at December 31, 2000, as the Company intends to permanently reinvest these earnings in the future growth of the business. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculation.

**8. Employee Benefit Plans**

*Pension and Other Post-retirement Benefit Plans*

The Company sponsors several defined benefit pension plans for Sunbeam Products, Coleman and BRK Brands, Inc. covering eligible U.S. salaried and hourly employees. Benefits under such plans covering all Sunbeam Products U.S. salaried and most Sunbeam Products U.S. hourly employees were frozen at various dates, all of which were prior to April 1997. Accordingly, no credit in the pension formula is given for service or compensation of all salaried and most hourly U.S. Sunbeam Products employees after that date. However, employees continue to earn service toward vesting in their interest in the frozen plans. One Sunbeam Products benefit plan for hourly employees remains active and continues to accrue benefits for service as of December 31, 2000.

Effective January 1, 1999, the Coleman and BRK Brands, Inc. salaried pension plans were amended to change the pension benefit formula to a cash balance formula. The benefits accrued under these plans as of December 31, 1998 were frozen and converted to the new cash balance plan using a 7.0% interest rate assumption. Under the cash balance plan, the Company will credit certain participants' accounts annually. Benefit plans for hourly employees of Coleman and BRK Brands, Inc. remain active and continue to accrue benefits for service as of December 31, 2000. The Coleman hourly plan is the only plan that is open to new participants. The Coleman salaried employee plans, as well as all BRK Brands, Inc. plans, are no longer open to new employees.

The Company maintains post-retirement benefit plans that cover retired former Sunbeam and Coleman employees and certain eligible current Coleman employees. These plans provide for medical and life insurance benefits, the costs of which the Company has consistently funded on a pay-as-you-go basis.

The Company funds all pension plans in amounts consistent with applicable laws and regulations. Pension plan assets include corporate and U.S. government bonds, corporate stocks, mutual funds, fixed income securities and cash equivalents.

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. The assets, liabilities and pension costs of the Company's non-U.S. defined benefit retirement plans are not material to the consolidated financial statements.



**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**8. Employee Benefit Plans - (continued)**

The following table includes disclosures of the funded status and amounts recognized relating to the domestic defined benefit and post-retirement plans in the Company's Consolidated Balance Sheets at the end of respective fiscal years (in thousands):

	<u>Pension Benefits</u>		<u>Post-retirement Benefits</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Change in Benefit Obligation:				
Benefit obligation at beginning of year .....	\$ 177,594	\$ 188,497	\$ 36,012	\$ 38,866
Service cost .....	1,926	1,858	828	877
Interest cost .....	12,536	12,271	2,595	2,516
Actuarial (gain) loss .....	(3,055)	(9,747)	1,558	(4,403)
Benefits paid .....	<u>(14,750)</u>	<u>(15,285)</u>	<u>(2,446)</u>	<u>(1,844)</u>
Benefit obligation at end of year .....	<u>\$ 174,251</u>	<u>\$ 177,594</u>	<u>\$ 38,547</u>	<u>\$ 36,012</u>
Change in Plan Assets:				
Fair value of plan assets at beginning of year .....	\$ 142,559	\$ 144,437	\$ --	\$ --
Actual return (loss) on plan assets .....	4,856	(2,112)	--	--
Employer contributions .....	10,258	15,519	2,446	1,844
Benefits paid .....	<u>(14,750)</u>	<u>(15,285)</u>	<u>(2,446)</u>	<u>(1,844)</u>
Fair value of plan assets at end of year .....	<u>\$ 142,923</u>	<u>\$ 142,559</u>	<u>\$ --</u>	<u>\$ --</u>
Reconciliation of Funded Status:				
Funded status .....	\$ (31,328)	\$ (35,035)	\$ (38,547)	\$ (36,012)
Unrecognized net actuarial loss (gain) .....	46,759	47,820	843	(716)
Unrecognized prior service cost (benefit) .....	18	--	(7,102)	(10,047)
Net amount recognized .....	<u>\$ 15,449</u>	<u>\$ 12,785</u>	<u>\$ (44,806)</u>	<u>\$ (46,775)</u>
Amounts Recognized in the Consolidated Balance Sheets Consist of:				
Accrued benefit liability .....	\$ (32,695)	\$ (35,256)	\$ (44,806)	\$ (46,775)
Intangible asset .....	18	--	--	--
Accumulated other comprehensive income .....	<u>48,126</u>	<u>48,041</u>	<u>--</u>	<u>--</u>
Net amount recognized .....	<u>\$ 15,449</u>	<u>\$ 12,785</u>	<u>\$ (44,806)</u>	<u>\$ (46,775)</u>

In determining the actuarial present value of the benefit obligation, the weighted average discount rate used was 7.5% for both December 31, 2000 and 1999; and the expected return on plan assets ranged from 8.0% to 9.0% for 2000 and from 7.5% to 9.0% for 1999. The expected increase in future compensation levels was 4.5% and 4.0% for Coleman for 2000 and 1999, respectively, and 5.0% for BRK Brands, Inc. for both 2000 and 1999.

The assumed health care cost trend rates used in measuring the accumulated post-retirement benefit obligation were 9.0% for the plans for 2001 and were assumed to decrease gradually to 6.0% by 2004.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects (in thousands):

	<u>1-Percentage-Point Increase</u>	<u>1-Percentage-Point Decrease</u>
Effect on total of service and interest cost components .....	\$ 568	\$ (450)
Effect on the post-retirement benefit obligation .....	\$ 5,768	\$ (4,660)

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

**8. Employee Benefit Plans - (continued)**

Net pension expense and periodic post-retirement expense (benefit) include the following components (in thousands):

	Pension Benefits			Post-retirement Benefits		
	2000	1999	1998	2000	1999	1998
Components of net periodic pension benefit cost (benefit):						
Service cost .....	\$ 1,926	\$ 1,858	\$ 1,551	\$ 828	\$ 877	\$ 689
Interest cost .....	12,536	12,271	10,875	2,595	2,516	2,088
Expected return of market value of assets .....	(8,727)	(8,775)	(10,127)	--	--	--
Amortization of unrecognized prior service cost .....	1	--	--	(2,944)	(2,944)	(2,943)
Recognized net actuarial loss .....	<u>1,858</u>	<u>1,936</u>	<u>735</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net periodic benefit cost (benefit) .....	<u>\$ 7,594</u>	<u>\$ 7,290</u>	<u>\$ 3,034</u>	<u>\$ 479</u>	<u>\$ 449</u>	<u>\$ (166)</u>

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the plans with accumulated benefit obligations in excess of plan assets were \$152.2 million, \$149.2 million and \$121.6 million at December 31, 2000 and \$156.2 million, \$151.9 million and \$121.1 million at December 31, 1999, respectively.

*Defined Contribution Plans*

As a result of the Company's acquisitions of Coleman, BRK Brands, Inc. and Signature Brands, the Company amended its Savings & Investment and Profit Sharing Plan ("Savings Plan") to assume the assets of the respective savings plans at each of the acquired companies and establish parity with the benefits provided by the Company. Effective January 1, 1999, all eligible employees could participate in the Savings Plan. Company contributions to these plans include employer matching contributions as well as discretionary contributions depending on the performance of the Company, in an amount up to 10% of eligible compensation. The Company provided \$4.2 million in 2000, \$3.9 million in 1999, and \$1.9 million in 1998 for its defined contribution plans.

**9. Shareholders' Equity (Deficiency)**

*Common Stock*

At December 31, 2000, Sunbeam Corporation had 500,000,000 shares of \$0.01 par value common stock authorized and there were approximately 26 million shares of common stock reserved for issuance upon the exercise of outstanding stock options.

*Compensatory Stock Grants*

On February 20, 1998, Sunbeam Corporation entered into new three-year employment agreements with its then Chairman and Chief Executive Officer and two other then senior officers of the Company. These agreements replaced previous employment agreements entered into in July 1996 that were scheduled to expire in July 1999.

The new employment agreement for Sunbeam Corporation's then Chairman and Chief Executive Officer provided for, among other items, the acceleration of vesting of 200,000 shares of restricted stock and the forfeiture of 133,334 shares of unvested restricted stock granted under the July 1996 agreement, a new equity grant of 300,000 shares of unrestricted stock, a new grant of a ten-year option to purchase 3,750,000 shares of Sunbeam Corporation's common stock with an exercise price equal to the fair market value of the stock at the date of grant and exercisable in three equal annual installments beginning on the date of grant and the acceleration of vesting of 833,333 outstanding stock options granted under the July 1996 agreement, as further described in Note 10. In addition, the new employment agreement with the then Chairman and Chief Executive Officer provided for income tax gross-ups with respect to any tax assessed on the equity grant and acceleration of vesting of restricted stock.

The new employment agreements with the two other then senior officers provided for, among other items, the grant of a total of 180,000 shares of restricted stock that were to vest in four equal annual installments beginning on the date of grant, the acceleration of vesting of 44,000 shares of restricted stock and the forfeiture of the remaining 29,332 shares of unvested restricted stock granted under the July 1996 agreements, new grants of ten-year options to purchase a total of 1,875,000 shares of Sunbeam Corporation's common stock with an exercise price equal to the fair market value of the stock at the date of grant and exercisable in four equal annual installments beginning on the date of grant and the acceleration of vesting of 383,334 outstanding stock options granted under the July 1996 agreements. In addition, the new employment agreements provided for income tax gross-ups with respect to any tax assessed on the restricted stock grants and acceleration of vesting of restricted stock.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

**9. Shareholders' Equity - (continued)**

Compensation expense attributed to the equity grant, the acceleration of vesting of restricted stock and the related income tax gross-ups was recognized in the first quarter of 1998 and compensation expense related to the new restricted stock grants and related tax gross-ups was amortized to expense beginning in the first quarter of 1998 with amortization to continue over the period in which the restrictions lapse. Total compensation expense recognized in 1998 related to these items was approximately \$31 million.

On June 15, 1998, Sunbeam Corporation's board of directors terminated the then Chairman and Chief Executive Officer for cause. Sunbeam Corporation's board of directors subsequently terminated Sunbeam Corporation's then Chief Financial Officer for cause, and announced the terminations or resignations of other senior officers. In connection with the termination or resignation of the senior officers and the termination of their restricted stock grants, the unamortized portion of the deferred compensation expense attributable to the restricted stock grants was reversed. Sunbeam Corporation and certain of its former officers are in disagreement as to Sunbeam Corporation's obligations to these individuals under prior employment agreements and arising from their terminations. See Note 14.

*Accumulated Other Comprehensive Loss*

The components of accumulated other comprehensive loss consist of the following (in thousands):

	<u>Translation Adjustments</u>	<u>Minimum Pension Liability</u>	<u>Total</u>
Balance at December 31, 1998 .....	\$(12,022)	\$(42,008)	\$(54,030)
Balance at December 31, 1999 .....	(25,245)	(48,041)	(73,286)
Balance at December 31, 2000 .....	(37,022)	(48,126)	(85,148)

**10. Employee Stock Options and Awards**

The Sunbeam Corporation Plan, see Note 1, contemplates that Sunbeam Corporation's existing common stock will be canceled along with options and warrants to purchase common stock of Sunbeam Corporation.

Sunbeam Corporation has two stock-based compensation plans, the Amended and Restated Sunbeam Corporation Stock Option Plan (the "Sunbeam Option Plan") and the Sunbeam Corporation 2000 Stock Option Plan (the "Sunbeam 2000 Option Plan"). Thalia Products, Inc. ("Thalia"), a wholly-owned subsidiary of Sunbeam Corporation has the Thalia Products Inc. Stock Option Plan (the "Thalia Option Plan").

Under the Sunbeam Option Plan, all employees are eligible for grants of options to purchase up to an aggregate of 16,300,000 shares of Sunbeam Corporation's common stock at an exercise price equal to or in excess of the fair market value of the Sunbeam Corporation's common stock on the date of grant, except as may otherwise be provided in the term of the grant of the stock options. The term of each option commences on the date of grant and expires on the tenth anniversary of the date of grant, subject to earlier cancellation. Options generally become exercisable over a three-year period.

Under the Sunbeam 2000 Option Plan, directors, officers, all employees and consultants are eligible for grants of options to purchase up to an aggregate of 8,000,000 shares of Sunbeam Corporation's common stock at an exercise price equal to the fair market value of the stock on the date of grant unless determined otherwise by the compensation committee of Sunbeam Corporation's board of directors. Unless otherwise specified by the individual agreement, the term of each option commences on the date of grant and expires on the tenth anniversary of the date of grant, subject to earlier cancellation, and becomes exercisable over a three-year period. During 2000, options to purchase 35,000 shares were granted to non-employee directors at an exercise price of \$3.19 per share. A fair value of \$1.93 per share was assigned to the option grants, using the Black-Scholes option-pricing model, for purposes of presentation of pro forma results in accordance with SFAS No. 123. See discussion of weighted-average assumptions used in determination of the fair value of option grants below.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**10. Employee Stock Options and Awards – (continued)**

During 2000, Thalia adopted the Thalia Option Plan. Under the Thalia Option Plan, directors, officers, all employees and consultants of Thalia, as well as of the Company, are eligible for grants of options to purchase up to an aggregate of 5,000,000 shares of the common stock of Thalia at an exercise price equal to the fair market value of the stock on the date of grant unless determined otherwise by a committee of the Thalia board of directors. Unless otherwise specified by the individual agreement, the term of each option commences on the date of grant and expires on the tenth anniversary of the date of grant, subject to earlier cancellation, and are not exercisable until the consummation of a public offering of common stock of Thalia. During 2000, options to purchase 3,215,000 shares were granted at an exercise price of \$2.00 per share, of which 750,000 were canceled, 2,465,000 were outstanding and none were exercisable at December 31, 2000. Since Thalia is a nonpublic entity, the estimated value of these options was derived using the minimum value method. This method yielded a fair value per option of \$0.86.

The Sunbeam Option Plan also provides for the grant of restricted stock awards of up to 200,000 shares, in the aggregate, to employees and non-employee directors. The Sunbeam Option Plan provided that each non-employee director of the Sunbeam Corporation would automatically be granted 1,500 shares of restricted common stock upon his or her initial election or appointment and upon each subsequent re-election to Sunbeam Corporation's board of directors. In the event of an election or appointment to the Sunbeam Corporation's board of directors at any time other than at the annual meeting of stockholders, the director would have received a prorated amount of restricted common shares. These restricted common shares vested immediately upon the non-employee director's acceptance of his or her election or appointment to the Company's board of directors. Sunbeam Corporation granted 7,500 and 6,000 shares of restricted stock to non-employee directors in 1999 and 1998, respectively, and recognized compensation expense related to these grants of \$0.1 million in 1999 and \$0.2 million in 1998. Effective February 2000, the compensation committee and the board of directors of Sunbeam Corporation approved a new non-employee directors' compensation program providing for an annual grant of an option to purchase 5,000 shares of common stock to be granted on the date of election of a non-employee director and upon each subsequent re-election, having an exercise price equal to the fair market value as defined in the Sunbeam 2000 Option Plan. The options vest and become exercisable at the rate of one-third on each of the first, second, and third anniversaries of the grant, and expire on the tenth anniversary of the grant. No shares of restricted stock were granted to non-employee directors in 2000. See Note 9 for a discussion of restricted stock awards made outside the Sunbeam Option Plan.

In July 1996, options to purchase an aggregate of 3,000,000 shares (of which 2,750,000 options were outstanding at December 28, 1997) were granted outside of the Sunbeam Option Plan at exercise prices equal to the fair market value of the Sunbeam Corporation's common stock on the dates of grant in connection with the employment of a then new Chairman and Chief Executive Officer and two other senior officers of Sunbeam Corporation. These outstanding options have terms of ten years and, with respect to options for 2,500,000 shares, were exercisable in three annual installments beginning July 17, 1996. Options for the remaining 250,000 shares still outstanding were exercisable in three annual installments beginning on the first anniversary of the July 22, 1996 grant date. On February 20, 1998 the vesting provisions of the options granted outside the Sunbeam Option Plan were accelerated. Additional stock option grants outside the Sunbeam Option Plan were made in February 1998, with a portion thereof subsequently canceled in connection with the termination of the then Chairman and Chief Executive Officer for cause. The then Chairman and Chief Executive Officer and another senior officer of Sunbeam Corporation are disputing the termination of their stock option grants. See Notes 9 and 14.

In the third and fourth quarters of 1998, options to purchase an aggregate of 4,200,000 shares were granted outside of the Sunbeam Option Plan in connection with the employment of Sunbeam Corporation's Chief Executive Officer and certain members of the new senior management team. The options were granted to certain senior executives at exercise prices equal to or greater than the fair market value of Sunbeam Corporation's common stock on the dates of the grant. The senior officers were granted options to purchase 3,200,000 shares of common stock at a price of \$7.00 per share; and the new Chief Executive Officer was also granted options to purchase 500,000 shares of common stock at a price of \$10.50 per share and 500,000 shares at a price of \$14.00 per share.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**10. Employee Stock Option Awards - (continued)**

In August 1998, Sunbeam Corporation approved a plan to exchange outstanding common stock options held by the Company's employees. The exchange program, which has been completed, provided for outstanding options with exercise prices in excess of \$10.00 per share to be exchanged for new options on a voluntary basis in an exchange ratio ranging from approximately two to three old options for one new option (as determined by reference to a Black-Scholes option-pricing model), with the exercise price of the new options set at \$7.00 per share. The new options granted as part of the exchange were priced at an exercise price approximating the market value of the Sunbeam Corporation's common stock at the date of the pricing and, consequently, there was no related compensation expense.

In January 2000, options to purchase an aggregate of 4,150,000 shares, at \$4.13 per share, were granted outside of the Sunbeam Option Plan, Sunbeam 2000 Option Plan and the Thalia Option Plan (collectively, the "Option Plans"), to the Company's Chief Executive Officer and certain senior executives. The options were granted at an exercise price in excess of the fair market value of the Company's common stock on the date of grant. All of these outstanding options have terms of ten years and become fully exercisable at the end of two to three year periods if the executive remains employed by the Company as of such date.

The Company applies APB Opinion No. 25 and related interpretations in accounting for its stock options. Accordingly, no compensation cost has been recognized for outstanding stock options. Had compensation cost for the Company's outstanding stock options been determined based on the fair value at the grant dates for those options consistent with SFAS No. 123, the Company's net loss and basic and diluted loss per share would have differed as reflected by the pro forma amounts indicated below (in thousands, except per share amounts):

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net loss:			
As reported.....	\$ (1,405,278)	\$ (299,519)	\$ (897,923)
Pro forma .....	(1,426,062)	(331,842)	(1,023,932)
Basic and diluted net loss per share:			
As reported.....	(13.09)	(2.97)	(9.25)
Pro forma .....	(13.29)	(3.29)	(10.54)

The Company's pro forma net loss for 1998 includes approximately \$68 million of compensation cost relating to options issued to Sunbeam Corporation's former Chairman and Chief Executive Officer (3,750,000) and former Chief Financial Officer (1,125,000) in connection with their February 1998 employment agreements. The options of the two former officers are included in the outstanding options issued outside the plan in the following table at December 31, 2000, 1999 and 1998. The Company and these individuals are in dispute regarding the status of these options. See Note 14.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Expected volatility .....	56.10%	55.90%	52.80%
Risk-free interest rate.....	5.00%	6.49%	4.68%
Dividend yield .....	0.0%	0.0%	0.0%
Expected life .....	5 years	5 years	6 years

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**10. Employee Stock Option Awards - (continued)**

A summary of the status of the Company's outstanding stock options, other than those discussed above relating to the Sunbeam 2000 Option Plan and the Thalia Option Plan, as of December 31, 2000, 1999 and 1998, and changes during the years then ended is presented below:

	2000		1999		1998	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
<u>Plan options:</u>						
Outstanding at beginning of year .....	10,670,854	\$ 8.98	5,612,908	\$ 13.32	6,654,068	\$ 25.61
Granted .....	1,020,000	2.52	6,092,275	5.67	6,663,998	17.13
Exercised .....	—	—	(6,932)	5.00	(879,088)	22.25
Canceled .....	<u>(1,691,561)</u>	11.37	<u>(1,027,397)</u>	13.90	<u>(6,826,070)</u>	27.75
Outstanding at end of year .....	<u>9,999,293</u>	\$ 8.00	<u>10,670,854</u>	\$ 8.98	<u>5,612,908</u>	\$ 13.32
Options exercisable at year-end .....	5,425,700	\$ 10.34	3,358,424	\$ 14.74	1,717,545	\$ 20.91
Weighted-average fair value of options granted during the year .....		\$ 1.49		\$ 3.29		\$ 10.47
<u>Options granted outside the Option Plans:</u>						
Outstanding at beginning of year .....	11,825,000	\$ 21.01	11,825,000	\$ 21.01	2,750,000	\$ 12.43
Granted .....	4,150,000	4.13	—	—	9,825,000	24.62
Canceled .....	<u>—</u>	—	<u>—</u>	—	<u>(750,000)</u>	36.85
Outstanding at end of year .....	<u>15,975,000</u>	\$ 16.34	<u>11,825,000</u>	\$ 21.01	<u>11,825,000</u>	\$ 21.01
Options exercisable at year-end .....	8,025,000	\$ 26.99	7,625,000	\$ 28.04	7,625,000	\$ 28.04
Weighted-average fair value of options granted during the year .....		\$ 2.65		N/A		\$ 13.71

As discussed above, included in the outstanding and exercisable options issued outside the Sunbeam Option Plan, as presented above, are options issued to Sunbeam Corporation's former Chairman and Chief Executive Officer (3,750,000) and a former Chief Financial Officer (1,125,000) in connection with their February 1998 employment agreements. The Company and these individuals are in a dispute regarding the status of these options. See Note 14.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**10. Employee Stock Option Awards - (continued)**

The following table summarizes information about stock options outstanding, other than those discussed above relating to the Sunbeam 2000 Option Plan and the Thalia Option Plan, at December 31, 2000:

<u>Range of Exercise Prices</u>	<u>Number Outstanding at 12/31/00</u>	<u>Options Outstanding Weighted-Average Remaining Contractual Life (Years)</u>	<u>Weighted-Average Exercise Price</u>
\$0.50 to \$3.19 .....	722,499	9.67	\$ 1.92
\$3.20 to \$4.13 .....	4,188,666	9.01	4.12
\$4.14 to \$6.68 .....	5,147,668	8.50	5.50
\$6.69 to \$7.00 .....	5,219,477	7.32	6.99
\$7.01 to \$12.25 .....	3,759,837	6.29	11.20
\$12.26 to \$36.85 .....	6,818,875	6.72	31.57
\$36.86 to \$49.10 .....	<u>117,271</u>	<u>6.71</u>	<u>40.93</u>
\$0.50 to \$49.10 .....	<u>25,974,293</u>	<u>7.71</u>	<u>\$ 13.31</u>

<u>Range of Exercise Prices</u>	<u>Number Exercisable at 12/31/00</u>	<u>Options Exercisable Weighted-Average Exercise Price</u>
\$0.50 to \$3.19 .....	2,499	\$ 2.63
\$3.20 to \$4.13 .....	2,166	4.11
\$4.14 to \$6.68 .....	2,031,665	5.66
\$6.69 to \$7.00 .....	2,079,045	6.99
\$7.01 to \$12.25 .....	2,920,079	11.71
\$12.26 to \$36.85 .....	6,301,632	32.99
\$36.86 to \$49.10 .....	<u>113,614</u>	<u>40.85</u>
\$0.50 to \$49.10 .....	<u>13,450,700</u>	<u>\$ 20.28</u>

**11. Supplementary Financial Statement Data**

Supplementary Balance Sheet data at the end of each fiscal year is as follows (in thousands):

	<u>2000</u>	<u>1999</u>
Receivables:		
Trade .....	\$ 242,356	\$ 404,905
Sundry .....	<u>24,041</u>	<u>3,777</u>
	266,397	408,682
Valuation allowance .....	<u>(40,195)</u>	<u>(44,344)</u>
	<u>\$ 226,202</u>	<u>\$ 364,338</u>
Inventories:		
Finished goods .....	\$ 276,144	\$ 330,179
Work in process .....	26,574	30,691
Raw materials and supplies .....	<u>96,982</u>	<u>99,810</u>
	<u>\$ 399,700</u>	<u>\$ 460,680</u>
Prepaid expenses and other current assets:		
Deferred income taxes .....	\$ 24,976	38,701
Prepaid expenses and other .....	<u>22,031</u>	<u>33,429</u>
	<u>\$ 47,007</u>	<u>\$ 72,130</u>

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**11. Supplementary Financial Statement Data - (continued)**

	<u>2000</u>	<u>1999</u>
Property, plant and equipment:		
Land.....	\$ 10,610	\$ 10,864
Buildings and improvements.....	193,256	185,987
Machinery and equipment.....	446,243	428,320
Furniture and fixtures.....	<u>21,377</u>	<u>21,950</u>
	671,486	647,121
Accumulated depreciation and amortization.....	<u>(233,062)</u>	<u>(200,005)</u>
	<u>\$ 438,424</u>	<u>\$ 447,116</u>
Trademarks, tradenames, goodwill and other:		
Trademarks and tradenames.....	\$ 648,106	\$ 597,110
Goodwill.....	24,603	1,196,812
Deferred financing costs.....	54,626	50,407
Other intangible assets.....	<u>30,192</u>	<u>27,884</u>
	757,527	1,872,213
Accumulated amortization.....	<u>(127,832)</u>	<u>(156,155)</u>
	629,695	1,716,058
Other assets.....	<u>19,398</u>	<u>31,228</u>
	<u>\$ 649,093</u>	<u>\$1,747,286</u>
Other current liabilities:		
Payrolls, commissions and employee benefits.....	\$ 55,611	\$ 70,345
Advertising and sales promotion.....	40,539	56,950
Product warranty.....	43,928	51,370
Sales returns.....	8,843	15,425
Interest and amendment fees.....	46,188	9,849
Other.....	<u>76,474</u>	<u>96,870</u>
	<u>\$ 271,583</u>	<u>\$ 300,809</u>
Other long-term liabilities:		
Accrued post-retirement benefit obligation.....	\$ 44,806	\$ 46,775
Accrued pension.....	32,695	35,256
Product liability, product warranty and workers compensation.....	78,237	72,750
Amendment fees.....	-	8,475
Other.....	<u>85,677</u>	<u>78,008</u>
	<u>\$ 241,415</u>	<u>\$ 241,264</u>

Supplementary Statement of Cash Flows data for each fiscal year are summarized as follows (in thousands):

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Cash paid during the period for:			
Interest (net of interest received).....	<u>\$ 143,342</u>	<u>\$ 163,491</u>	<u>\$ 80,807</u>
Income taxes (net of refunds).....	<u>\$ 2,258</u>	<u>\$ (7,461)</u>	<u>\$ (17,358)</u>



**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**12. Asset Impairment, Restructuring and Other Charges**

*2000 Goodwill Impairment*

During the fourth quarter of 2000, as a result of the general weakening in the business from the prior year, combined with significant acquisition related debt, as well as the future prospects of the businesses, the Company determined that the goodwill resulting from the acquisitions of Coleman and Signature Brands was impaired. As a result, based upon estimates of the fair value of Coleman and Signature Brands, the Company recorded a \$1.052 billion charge that is reflected in the operating loss in the Consolidated Statements of Operations. The goodwill impairment charge recorded is comprised of all of the remaining carrying value of the goodwill associated with the Company's acquisition of Coleman (approximately \$916 million) and Signature Brands (approximately \$136 million).

*2000 European Restructuring Plan*

During the fourth quarter of 2000, the Company recorded a \$4.3 million charge associated with a restructuring plan related to its European operations. The restructuring plan provides for the reduction of warehouses, distribution centers, manufacturing and distribution headcount, product offerings and stock keeping units ("SKUs"). The \$4.3 million restructuring charge was recorded in SG&A and consists primarily of severance and other employee costs resulting from the elimination of approximately 80 positions. In tandem with the restructuring plan, the Company discontinued certain product offerings, and eliminated certain SKUs within product lines. As a result, a \$7.1 million charge was recorded in Cost of Goods Sold in the fourth quarter to state this inventory at the lower-of-cost-or-market, based on management's best estimate of net realizable value.

*2000 Glenwillow Plant Closure*

In March 2000, the Company announced its intention to shut down operations at its Glenwillow facility, which manufactures and distributes Mr. Coffee brand coffee makers and coffee filters. These operations were fully consolidated into other existing facilities and the Glenwillow facility was closed as of June 30, 2000. As a result of this decision, the Company recorded a charge of \$5.1 million (\$3.3 million and \$1.8 million in the first and second quarters, respectively) primarily related to the write-off of fixed assets and leasehold improvements, severance costs and contract and lease termination fees. This charge was recorded in SG&A (\$0.6 million in each of the first and second quarters of 2000) and Cost of Goods Sold (\$2.7 million and \$1.2 million in the first and second quarters of 2000, respectively). The closing of this facility resulted in the elimination of approximately 300 positions. The Company incurred additional incremental costs during the second quarter of 2000 of approximately \$2.5 million (included in Cost of Goods Sold), primarily related to relocation of certain manufacturing equipment and machinery to other Company manufacturing locations and higher warehousing costs as a result of increased inventory levels to avoid customer supply issues during the plant shut-down. Such amounts were charged to operations as incurred. As of December 31, 2000, substantially all of the amounts accrued had been paid and the Company does not expect to incur any material additional costs associated with this plant closure.

*2000 Sunbeam Retail Stores Closing*

In the first quarter of 2000, in connection with the Company's on-going review of its businesses, the decision was made to close the remaining Sunbeam retail stores. As a result of this decision, a charge of \$2.5 million, primarily related to the write-off of leasehold improvements, severance and lease termination fees was recorded in the first quarter of 2000. This charge was recorded in SG&A (\$2.2 million) and Cost of Goods Sold (\$0.3 million). The majority of these stores were closed during the second quarter of 2000 and resulted in the elimination of approximately 60 positions. The Company does not anticipate incurring future additional incremental costs. As of December 31, 2000, substantially all of the amounts accrued had been paid.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

**12. Asset Impairment, Restructuring and Other Charges - (continued)**

*1999 Eastpak Goodwill Impairment*

During the fourth quarter of 1999, the Company announced its intent to sell Eastpak. As a result of this change in the Company's business strategy for Eastpak, an evaluation for impairment of Eastpak's long-lived assets was performed pursuant to SFAS No. 121. Based upon this analysis, the Company determined that the fair market value of Eastpak's long-lived assets, including intangibles, was less than the carrying value. Accordingly, during the fourth quarter of 1999, the Company adjusted the carrying value of Eastpak's net assets to its estimated fair value (less estimated costs of sale) resulting in a non-cash impairment charge of \$52.0 million. This charge reduced the goodwill associated with Eastpak. The fair market value of Eastpak was determined based upon the purchase price agreed to between the Company and VF Corporation in a purchase agreement between Sunbeam Corporation and VF Corporation (the "Eastpak Sale Agreement"). This fourth quarter charge is reflected in SG&A in the 1999 Consolidated Statement of Operations.

The sale of Eastpak closed on May 26, 2000, resulting in net proceeds of \$89.9 million. The final purchase price was subject to certain post-closing adjustments and retention of certain liabilities. During the third quarter of 2000, the Company received the post-closing settlement for the sale of Eastpak of \$10.2 million and finalized the accounting for the transaction. The post-closing settlement resulted in total net proceeds from the sale of \$102.6 million and a reduction of \$3.2 million to the asset impairment charge previously recognized for Eastpak. This reduction in the impairment charge resulted primarily from the Company's ability to sell certain of the Eastpak manufacturing facilities rather than closing such facilities as was assumed in the original impairment calculation. This adjustment is reflected in SG&A in the 2000 Consolidated Statement of Operations. Eastpak was acquired by the Company in March 1998. Net sales from Eastpak were approximately 5% of consolidated net sales for the periods prior to its disposition. Eastpak's operating income in 2000, 1999 and 1998 was not significant. Eastpak's results of operations are included in the Company's Outdoor Leisure business group through May 26, 2000.

*1999 Fixed Asset Impairment and Excess and Obsolete Inventory Charges*

In the fourth quarter of 1999, in connection with the completion of the Company's 2000 strategic planning process, a decision was made to discontinue a number of products, primarily scales, humidifiers and certain camping stoves, lights and air mattresses, previously made by the Company, resulting in equipment and tooling that will no longer be utilized by the Company and inventory levels in excess of anticipated sales volume. In addition, as a result of the Company's business planning process, which was completed in the fourth quarter of 1999, the Company identified certain other assets that would no longer be required for ongoing operations. Accordingly, a charge of \$8.0 million was recorded in the fourth quarter of 1999 in Cost of Goods Sold to write certain of these fixed assets down to their estimated fair market values. Substantially all of this charge related to machinery, equipment and tooling at the Company's Hattiesburg, Mississippi manufacturing facility. These assets were taken out of service at the time of the write-down and were not depreciated further after the write-down. These assets had a nominal salvage value and/or no significant remaining carrying value as of December 31, 1999 and were disposed of during 2000. Depreciation expense associated with these assets approximated \$0.9 million in 1999, and \$0.6 million in 1998. During the fourth quarter of 1999 the Company also made a decision to discontinue certain grill and grill accessory SKUs. As a result of this decision, the Company reduced the economic useful life associated with the machinery, equipment and tooling used for these SKUs. Approximately \$3 million of additional depreciation expense was recorded over the fourth quarter of 1999 from the time the decision was made to exit the product line until production ceased at December 31, 1999 and resulted in the affected assets being fully depreciated. Depreciation expense associated with these assets was \$4.6 million in 1999 and \$1.5 million in 1998. These assets were disposed of during 2000, and the Company did not generate significant proceeds as a result of the disposals. Additionally, as a result of the Company's decision to discontinue certain camping stoves, lights, air mattresses, scales and humidifiers, a \$3.0 million charge was recorded during the fourth quarter of 1999 to properly state this inventory at the lower-of-cost-or-market. The Company also recognized approximately \$0.8 million related to certain other product lines to properly state the inventory at the lower-of-cost-or-market. These charges for excess inventories were based upon management's best estimate of net realizable value.

*1998 First Alert Goodwill Impairment*

In the fourth quarter of 1998, the Company recorded a \$62.5 million charge for the write-off of the carrying value of First Alert's goodwill. As a result of the significant losses incurred by First Alert, as well as its future prospects, the Company determined that the goodwill relating to the First Alert acquisition was impaired and, based on the determination of fair value, wrote off the net carrying value of the goodwill. This charge is reflected in SG&A expense in the 1998 Consolidated Statement of Operations.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**12. Asset Impairment, Restructuring and Other Charges - (continued)**

*1998 Fixed Asset Impairment, Plant Closing and Excess and Obsolete Inventory Charges*

In the second quarter of 1998, as a result of decisions to outsource or discontinue a substantial number of products previously made by the Company (principally breadmakers, toasters and certain other appliances, air and water filtration products and the elimination of certain SKUs within existing product lines, primarily relating to appliances, grills and grill accessories), certain facilities and equipment that would no longer be used were identified. Accordingly, a charge of \$29.6 million was recorded in Cost of Goods Sold to write certain of these assets down to their estimated fair market value. Approximately 80% of this charge related to machinery, equipment and tooling at the Company's Mexico City and Hattiesburg, Mississippi manufacturing plants, the estimated fair value of which was derived through an auction process. The remainder of this charge related to tooling and equipment at various other facilities, which either had a nominal value or the fair market value of which was derived through an auction process. These assets were taken out of service at the time of the write-down and consequently were not depreciated further after the write-down. The net carrying value of these assets after the write-down approximated \$2.2 million and these assets were disposed of by December 31, 1999. Depreciation expense associated with these assets approximated \$2.6 million in 1998.

Personnel at the Mexico City facility were notified in the second quarter of 1998 that the plant was scheduled for closure at year-end 1998, accordingly, at that time, a liability of \$1.8 million was recorded in Cost of Goods Sold primarily for employee severance. The employee severance related to approximately 1,200 positions of which approximately 1,100 were terminated, and \$1.4 million paid in severance as of December 31, 1998. Substantially all of the remaining positions were eliminated and severance payments were made by July 31, 1999. In the third quarter of 1998, the Company recorded in Cost of Goods Sold, an additional provision for impairment of fixed assets of \$3.1 million in an acquired entity, relating to assets taken out of service for which there was no remaining value. The asset impairment resulted from management's decision, during the third quarter, to discontinue certain SKUs within product lines (principally generators, compressors and propane cylinders) subsequent to the acquisition. These fixed assets were taken out of service at the time of the write-down and consequently were not depreciated further after the write-down. Depreciation expense associated with these assets approximated \$0.8 million in 1998. In the fourth quarter of 1998, the Company recorded a \$7.1 million charge as a result of management's decision, during the fourth quarter, to outsource the production of certain appliances (principally irons). This charge to Cost of Goods Sold primarily consisted of a provision for certain tooling and equipment (\$6.7 million) and severance and related benefits (\$0.4 million). This tooling and equipment, which had no remaining value, was written off. These fixed assets were taken out of service at the time of the write-down, and consequently depreciation was discontinued at the time of the write-down. Depreciation expense associated with these assets approximated \$2.4 million in 1998. The severance costs related to approximately 45 production employees. Substantially all of these employees' positions were eliminated and the severance obligation was paid by December 31, 1999.

During 1997 and the first half of 1998, the Company built inventories in anticipation of 1998 sales volumes which did not materialize. As a result, it was necessary to dispose of some portions of excess inventories at amounts less than cost. Accordingly, during 1998, when the facts and circumstances were known that such sales volume would not materialize, the Company recorded \$58.2 million in charges (of which \$46.4 million, \$2.2 million and \$9.6 million, were recorded during the second, third and fourth quarters, respectively) to properly state this inventory at the lower-of-cost-or-market. This inventory primarily related to certain appliances, grills and grill accessories. The Company also recorded a charge of \$11.0 million during the second quarter for excess inventories for raw materials and work in process that will not be used due to outsourcing the production of breadmakers, toasters and certain other appliances. In addition, during 1998, the Company made the decision to exit certain product lines, primarily air and water filtration products and eliminate certain SKUs within existing product lines, primarily relating to appliances, grills and grill accessories. As a result of this decision, a \$26.6 million charge was recorded during the second quarter to properly state this inventory at the lower-of-cost-or-market. Total charges for excess inventories recorded at the lower-of-cost-or-market, based on management's best estimate of net realizable value, amounted to approximately \$95.8 million at December 31, 1998.

**13. Segment, Customer and Geographic Data**

Sunbeam's operations are managed through four reportable segments: Household, Outdoor Leisure, International and Corporate. Reportable segments are identified by the Company based upon the distinct products manufactured (Household and Outdoor Leisure) or based upon the geographic region in which its products are distributed (International). The Company's reportable segments are all separately managed.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**13. Segment, Customer and Geographic Data - (continued)**

The Household group consists of appliances (including mixers, blenders, food steamers, bread makers, rice cookers, coffee makers, toasters, irons and garment steamers), health products (including vaporizers, humidifiers, air cleaners, massagers, hot and cold packs and blood pressure monitors), scales, personal care products (including hair clippers and trimmers and related products for the professional beauty, barber and veterinarian trade and sales of products to commercial and institutional channels), blankets (including electric blankets, heated throws and mattress pads) and through the Company's wholly-owned subsidiary, BRK Brands, Inc., First Alert products (smoke and carbon monoxide detectors, fire extinguishers and home safety equipment).

The Outdoor Leisure group includes outdoor recreation products (which encompass tents, sleeping bags, coolers, camping stoves, lanterns and outdoor heaters), outdoor cooking products (including gas and charcoal outdoor grills and grill parts and accessories), Powermate products (including portable power generators and air compressors), and Eastpak and Timberland branded products (including backpacks, bookbags and other travel related gear). See Note 12 for discussion of the May 2000 Eastpak divestiture.

The International group is managed through five regional subdivisions: Europe, Latin America, Japan, Canada and East Asia. Europe includes the manufacture, sales and distribution of Campingaz products and sales and distribution in Europe, Africa and the Middle East of other Company products. The Latin American region includes the manufacture, sales and distribution throughout Latin America of small appliances, and sales and distribution of personal care products, professional clippers and related products, camping products and Powermate products. Japan includes the sales and distribution of primarily outdoor recreation products. Canada includes sales of substantially all the Company's products and East Asia encompasses sales and distribution in all areas of East Asia other than Japan of substantially all the Company's products.

The Company's Corporate group provides certain management, accounting, legal, risk management, treasury, human resources, tax and management information services to all operating groups and also includes the operations of the Sunbeam retail stores prior to their closing in the first quarter of 2000, and the conduct of the Company's licensing activities.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies, see Note 2. Sunbeam evaluates performance and allocates resources based upon profit or loss from operations before amortization, income taxes, minority interest, interest expense, significant and unusual gains and losses and foreign exchange gains and losses. Intersegment sales and transfers are primarily recorded at cost.

The following tables include selected financial information with respect to Sunbeam's four operating segments. Business segment information for prior years has been reclassified to conform to the current year presentation.

	<u>Household</u>	<u>Outdoor Leisure</u>	<u>International</u>	<u>Corporate</u>	<u>Total</u>
<b>Year Ended December 31, 2000</b>					
Net sales to unaffiliated customers .....	\$ 764,960	\$ 780,365	\$ 524,844	\$ 6,226	\$ 2,076,395
Intersegment net sales .....	72,814	117,601	1,838	—	192,253
Segment operating earnings (loss) .....	36,185	431	31,831	(81,365)	(12,918)
Segment assets .....	450,544	748,294	250,031	338,782	1,787,651
Segment depreciation expense .....	24,501	35,147	7,490	8,628	75,766
<b>Year Ended December 31, 1999</b>					
Net sales to unaffiliated customers .....	\$ 837,057	\$ 966,448	\$ 583,684	\$ 10,790	\$ 2,397,979
Intersegment net sales .....	81,253	150,938	7,050	—	239,241
Segment operating earnings (loss) .....	37,324	68,770	50,131	(82,428)	73,797
Segment assets .....	707,436	1,713,045	385,200	326,668	3,132,349
Segment depreciation expense .....	25,986	40,490	6,076	9,658	82,210
<b>Year Ended December 31, 1998</b>					
Net sales to unaffiliated customers .....	\$ 722,462	\$ 659,380	\$ 435,372	\$ 19,657	\$ 1,836,871
Intersegment net sales .....	62,971	111,583	98,120	—	272,674
Segment operating loss .....	(53,445)	(60,800)	(20,189)	(123,101)	(257,535)
Segment assets .....	863,628	1,807,844	415,078	318,967	3,405,517
Segment depreciation expense .....	24,404	31,043	3,395	5,194	64,036

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**13. Segment, Customer and Geographic Data - (continued)**

Reconciliation of selected segment information to Sunbeam's consolidated totals for the years ended:

	December 31, 2000	December 31, 1999	December 31, 1998
Net sales:			
Net sales for reportable segments .....	\$ 2,268,648	\$ 2,637,220	\$ 2,109,545
Elimination of intersegment net sales .....	<u>(192,253)</u>	<u>(239,241)</u>	<u>(272,674)</u>
Consolidated net sales .....	<u>\$ 2,076,395</u>	<u>\$ 2,397,979</u>	<u>\$ 1,836,871</u>
Segment (loss) earnings:			
Total (loss) earnings for reportable segments .....	\$ (12,918)	\$ 73,797	\$ (257,535)
Unallocated amounts:			
Interest expense .....	(217,507)	(200,181)	(130,607)
Other expense, net .....	(3,425)	3,599	4,284
Amortization of intangible assets .....	(51,457)	(49,796)	(43,830)
European restructuring charge .....	(4,291)	--	--
Provision for inventory and fixed assets (Note 12) .....	(7,107)	(15,068)	(135,230)
Issuance of warrants (Note 3) .....	--	--	(70,000)
Former employees deferred compensation and severance (Note 9) .....	(5,713)	(4,716)	(34,400)
Goodwill impairment (Note 12) .....	(1,052,278)	(52,000)	(62,500)
Year 2000 and system initiative expenses .....	--	(27,279)	(10,000)
Restatement related charges .....	(39,069)	(7,607)	(20,400)
Litigation and environmental and other reserve adjustments (Note 14) .....	(1,489)	(11,292)	(3,659)
Insurance recovery .....	10,000	--	--
Exchange offer expenses .....	(5,409)	--	--
Purchase accounting adjustments .....	(4,280)	--	(28,100)
Glenwillow closure (Note 12) .....	(7,572)	--	--
Retail Stores closings (Note 12) .....	(2,544)	--	--
Other (charges) benefit .....	<u>(2,163)</u>	<u>(2,643)</u>	<u>(4,371)</u>
	<u>(1,394,304)</u>	<u>(366,983)</u>	<u>(538,813)</u>
Consolidated loss before income taxes, minority interest and extraordinary charge .....	<u>\$ (1,407,222)</u>	<u>\$ (293,186)</u>	<u>\$ (796,348)</u>

*Enterprise-Wide Disclosures*

Net sales on a global basis from the Company's Household products represented 47%, 43% and 50%, of consolidated net sales in 2000, 1999, and 1998, respectively. Net sales from the Company's Outdoor Leisure products category represented 53%, 56% and 50% of consolidated net sales in 2000, 1999 and 1998, respectively.

	2000	Fiscal Years Ended 1999	1998
Geographic Area Data			
Net sales to unaffiliated customers:			
United States .....	\$1,551,552	\$1,814,295	\$1,401,499
Europe .....	187,551	239,725	170,909
Latin America .....	165,242	148,108	158,670
Other .....	<u>172,050</u>	<u>195,851</u>	<u>105,793</u>
Total net sales .....	<u>\$2,076,395</u>	<u>\$2,397,979</u>	<u>\$1,836,871</u>
Identifiable assets:			
United States .....	\$1,537,620	\$2,747,149	\$2,990,439
Europe .....	116,621	232,896	244,916
Latin America .....	71,183	66,995	86,872
Other .....	<u>62,227</u>	<u>85,309</u>	<u>83,290</u>
Total identifiable assets .....	<u>\$1,787,651</u>	<u>\$3,132,349</u>	<u>\$3,405,517</u>

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**13. Segment, Customer and Geographic Data –(continued)**

Revenue from one retail customer in the United States in Sunbeam's Household and Outdoor Leisure segments accounted for approximately 21%, 19%, and 18%, of consolidated net sales in 2000, 1999, and 1998, respectively. Receivables from this customer excluding the effect of the Company's receivable securitization program approximated \$57.3 million and \$85.0 million at December 31, 2000 and 1999, respectively. The Company establishes its credit policies based on an ongoing evaluation of its customers' creditworthiness and competitive market conditions and establishes its allowance for doubtful accounts based on an assessment of exposures to credit losses at each balance sheet date. The Company believes its allowance for doubtful accounts is sufficient based on the credit exposures outstanding.

**14. Commitments and Contingencies**

*Litigation*

Commencing in April 1998, lawsuits were filed on behalf of purchasers of Sunbeam Corporation's common stock against Sunbeam Corporation and some of its present and former directors and former officers, as well as Arthur Andersen LLP ("Arthur Andersen"), Sunbeam Corporation's independent accountants for the period covered by the lawsuits, alleging violations of the federal and state securities laws as discussed below. These lawsuits have been consolidated in the U.S. District Court for the Southern District of Florida. The plaintiffs seek an unspecified award of money damages. As a result of Sunbeam Corporation's Filing, this case is automatically stayed under the Bankruptcy Code as against Sunbeam Corporation. Under the Sunbeam Corporation Plan, if it is confirmed and becomes effective, the claims of the plaintiffs against Sunbeam Corporation will be discharged with no recovery for such claims.

Commencing October 1998, class action lawsuits were filed in the U.S. District Court for the Southern District of Florida on behalf of certain purchasers of the Debentures against Sunbeam Corporation, certain of Sunbeam Corporation's former officers and directors and Arthur Andersen, alleging, among other things, violations of federal and state securities laws. The cases have been consolidated. The plaintiffs seek, among other things, either unspecified monetary damages or rescission of their purchase of the Debentures. As a result of Sunbeam Corporation's Filing, this case is automatically stayed under the Bankruptcy Code as against Sunbeam Corporation. Under Sunbeam Corporation's Plan, if it is confirmed and becomes effective, the claims of the plaintiffs against Sunbeam Corporation will be discharged with no recovery for such claims.

In April 1998, a purported derivative action was filed in the Circuit Court for the Fifteenth Judicial Circuit in and for Palm Beach County, Florida against Sunbeam Corporation and some of its present and former directors and former officers. In this action, plaintiffs allege, among other things, that Messrs. Dunlap and Kersh, Sunbeam Corporation's former Chairman and Chief Executive Officer and former Chief Financial Officer, respectively, caused Sunbeam Corporation to employ fraudulent accounting procedures in order to enable them to secure new employment contracts, and seeks a declaration that the individual defendants have violated fiduciary duties, an injunction against the payment of compensation to Messrs. Dunlap and Kersh or the imposition of a constructive trust on such payments, and unspecified money damages. The defendants have each moved to dismiss the amended complaint in whole or in part. As a result of Sunbeam Corporation's Filing, this case is automatically stayed under the Bankruptcy Code as against Sunbeam Corporation. Pursuant to the Bankruptcy Code and Sunbeam Corporation Plan, if it is confirmed and becomes effective, such derivative actions become assets of Sunbeam Corporation.

Sunbeam Corporation was named as a defendant in an action filed in the District Court of Tarrant County, Texas, 48th Judicial District, on November 20, 1998. The plaintiffs in this action are purchasers of the Debentures. The plaintiffs allege that Sunbeam Corporation violated the Texas Securities Act and the Texas Business & Commercial Code and committed state common law fraud in connection with the offering and sale of the Debentures. Sunbeam Corporation specially appeared to assert an objection to the Texas court's exercise of personal jurisdiction over Sunbeam Corporation, and the complaint was dismissed without prejudice for lack of jurisdiction. In October 2000, the plaintiffs also filed a complaint against Sunbeam Corporation's subsidiary Sunbeam Products, Inc. in the District Court for Dallas County alleging substantially the same allegations as the complaint filed against Sunbeam Corporation in Tarrant County. The court in such case has, on its own motion, closed this case without prejudice, and provided either party to the case the right to file a motion to reinstate the case within a 30 day period following the conclusion of the Chapter 11 case of Sunbeam Products, Inc.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**14. Commitments and Contingencies - (continued)**

Messrs. Dunlap and Kersh have commenced an action against Sunbeam Corporation in the Chancery Court for the State of Delaware seeking advancement from Sunbeam Corporation of their alleged expenses incurred in connection with defending themselves in the various actions described above in which they are defendants and the investigation by the SEC described below. As a result of Sunbeam Corporation's Filing, this case is automatically stayed under the Bankruptcy Code. Under Sunbeam Corporation's Plan, if it is confirmed and becomes effective, the claims of Messrs. Dunlap and Kersh for these payments will be discharged with no recovery for such claims.

On February 9, 1999, Messrs. Dunlap and Kersh filed with the American Arbitration Association demands for arbitration of claims under their respective employment agreements with Sunbeam Corporation. Messrs. Dunlap and Kersh are requesting a finding by the arbitrator that Sunbeam Corporation terminated their employment without cause and that they should be awarded certain benefits based upon their respective employment agreements. Sunbeam Corporation has answered the arbitration demands of Messrs. Dunlap and Kersh and has filed counterclaims seeking, among other things, the return of all consideration paid, or to be paid, under the February 1998 employment agreements between Sunbeam Corporation and Messrs. Dunlap and Kersh. As a result of Sunbeam Corporation's Filing, this case is automatically stayed under the Bankruptcy Code. Under the Sunbeam Corporation Plan, if it is confirmed and becomes effective, the claims of Messrs. Dunlap and Kersh will be discharged with no recovery for such claims.

Commencing in July 1998, three of the insurers that issued directors and officers insurance filed suit against the Company requesting a declaratory judgment that the directors' and officers' liability insurance policy for coverage issued by such issuers was invalid and/or had been properly canceled. Two of these cases were transferred to the U.S. District Court for the Southern District of Florida for coordination and consolidation of pre-trial proceedings with the various actions pending in that court. One of the cases is pending in the Circuit Court of the Seventeenth Judicial Circuit in and for Broward County, Florida. As a result of Sunbeam Corporation's Filing, these cases are automatically stayed. In April 1999, Sunbeam Corporation filed an action in the U.S. District Court for the Southern District of Florida against National Union Fire Insurance Company of Pittsburgh, PA, Gulf Insurance Company and St. Paul Mercury Insurance Company ("St. Paul") requesting, among other things, a declaratory judgment that these insurers are not entitled to rescind their respective directors' and officers' liability insurance policies issued to Sunbeam Corporation and a declaratory judgment that Sunbeam Corporation is entitled to coverage from these insurance companies for the various lawsuits described herein under directors' and officers' liability insurance policies issued by each of the defendants. Sunbeam Corporation has settled these litigations. As part of the settlement of such litigation with St. Paul, a certain portion of the settlement was placed in trust for the benefit of the various beneficiaries under such policy including Sunbeam Corporation.

By letter dated June 17, 1998, the staff of the Division of Enforcement of the SEC advised Sunbeam Corporation that it was conducting an informal inquiry into Sunbeam Corporation's accounting policies and procedures and requested that Sunbeam Corporation produce certain documents. In July 1998, the SEC issued a Formal Order of Private Investigation, pursuant to which subpoenas were served on Sunbeam Corporation requiring the production of certain documents. Sunbeam Corporation has provided numerous documents to the SEC staff and continues to cooperate with the SEC staff. Sunbeam Corporation has, however, declined to provide the SEC with material that Sunbeam Corporation believes is subject to the attorney-client privilege and the work product immunity. The staff of the SEC has informed Sunbeam Corporation that it has completed its investigation, and has submitted to Sunbeam Corporation a proposed order which provides that Sunbeam Corporation will cease and desist from future violations of the antifraud and other provisions of the federal securities laws, but does not provide for the imposition of monetary penalties. Sunbeam Corporation and the staff of the SEC are in discussions regarding the foregoing. Sunbeam Corporation cannot predict at this time the timing or the outcome of these discussions.

Sunbeam Corporation and/or its subsidiaries are also involved in various other lawsuits arising from time to time which Sunbeam Corporation considers to be ordinary routine litigation incidental to its business. In the opinion of Sunbeam Corporation, the resolution of these routine matters, and of certain matters relating to prior operations, individually or in the aggregate, will not have a material adverse effect upon the financial position, results of operations or cash flows of Sunbeam Corporation and its subsidiaries.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**14. Commitments and Contingencies - (continued)**

Amounts accrued for litigation matters represent the anticipated costs (damages and/or settlement amounts) in connection with pending litigation and claims and related anticipated legal fees for defending such actions. The costs are accrued when it is both probable that an asset has been impaired or a liability has been incurred and the amount can be reasonably estimated. The accruals are based upon the Company's assessment, after consultation with counsel, of probable loss based on the facts and circumstances of each case, the legal issues involved, the nature of the claim made, the nature of the damages sought and any relevant information about the plaintiffs and other significant factors which vary by case. When it is not possible to estimate a specific expected cost to be incurred, the Company evaluates the range of probable loss and records the minimum end of the range. As of December 31, 2000, Sunbeam Corporation and its subsidiaries had established accruals for litigation matters of \$40.5 million (representing \$11.7 million and \$28.8 million for estimated damages or settlement amounts and legal fees, respectively), and \$24.3 million as of December 31, 1999 (representing \$9.6 million and \$14.7 million for estimated damages or settlement amounts and legal fees, respectively). It is anticipated that the \$40.5 million accrual at December 31, 2000 will be paid as follows: \$31.3 million in 2001 and \$9.2 million in 2002. These accruals were set prior to the Filing and do not reflect the effect of any possible discharge of some of the matters for which reserves were set or the effect of the automatic stay under the Bankruptcy Code on the timing of the payment of such accruals. The Company believes, based on information available on December 31, 2000, that anticipated probable costs of litigation matters existing as of December 31, 2000 have been adequately reserved to the extent determinable.

The Company recorded an additional \$39.1 million and \$7.6 million for the fiscal twelve months of 2000 and 1999, respectively, for defense costs for restatement-related litigation. The \$39.1 million charge reflects the Company's current estimate of additional defense costs through June 2001. The Company's estimate of the additional defense costs was based primarily upon actual defense costs experienced in the second through fourth quarters of 2000 and a projection of expected future costs through the various trial dates of such litigations based on such costs to date (which are considered to be representative of the expected future costs).

*Environmental Matters*

The Company's operations, like those of comparable businesses, are subject to certain federal, state, local and foreign environmental laws and regulations in addition to laws and regulations regarding labeling and packaging of products and the sales of products containing certain environmentally sensitive materials. The Company believes it is in substantial compliance with all environmental laws and regulations which are applicable to its operations. Compliance with environmental laws and regulations involves certain continuing costs; however, such costs of ongoing compliance have not resulted, and are not anticipated to result, in a material increase in the Company's capital expenditures or to have a material adverse effect on the Company's competitive position, results of operations, financial position or cash flows.

In addition to ongoing environmental compliance at its operations, the Company also is actively engaged in environmental remediation activities, many of which relate to divested operations. As of December 31, 2000, Sunbeam Corporation or various of its subsidiaries have been identified by the United States Environmental Protection Agency ("EPA") or a state environmental agency as a potentially responsible party ("PRP") in connection with six sites subject to the federal Superfund Act and eight sites subject to state Superfund laws comparable to the federal law (collectively the "Environmental Sites"), exclusive of sites at which Sunbeam Corporation or various of its subsidiaries have been designated (or expects to be designated) as a de minimis (less than 1%) participant.

The Superfund Act, and related state environmental remediation laws, generally authorize governmental authorities to remediate a Superfund site and to assess the costs against the PRPs or to order the PRPs to remediate the site at their expense. Liability under the Superfund Act is joint and several and is imposed on a strict basis, without regard to degree of negligence or culpability. As a result, Sunbeam Corporation or various of its subsidiaries recognize their responsibility to determine whether other PRPs at a Superfund site are financially capable of paying their respective shares of the ultimate cost of remediation of the site. Whenever Sunbeam Corporation or various of its subsidiaries have determined that a particular PRP is not financially responsible, it has assumed for purposes of establishing reserve amounts that such PRP will not pay its respective share of the costs of remediation. To minimize Sunbeam Corporation's or various of its subsidiaries' potential liability with respect to the Environmental Sites, Sunbeam Corporation or various of its subsidiaries have actively participated in steering committees and other groups of PRPs established with respect to such sites. Sunbeam Corporation or various of its subsidiaries engage in active remediation activities at thirteen sites, seven of which are among the Environmental Sites referred to above, and six of which have not been designated as Superfund sites under federal or state law. The remediation efforts in which the Sunbeam Corporation or various of its subsidiaries are involved include facility investigations, including soil and groundwater investigations, corrective measure studies, including feasibility studies, groundwater monitoring, extraction and treatment and soil sampling, excavation and treatment relating to environmental clean-ups. In certain instances, Sunbeam Corporation or various of its subsidiaries have entered into agreements with governmental authorities to undertake



**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**14. Commitments and Contingencies - (continued)**

additional investigatory activities and in other instances has agreed to implement appropriate remedial actions. Sunbeam Corporation or various of its subsidiaries, when necessary, have also established reserve amounts for certain non-compliance matters including those involving air emissions.

Sunbeam Corporation or various of its subsidiaries have established reserves to cover the anticipated probable costs of investigation and remediation, based upon periodic reviews of all sites for which they have, or may have remediation responsibility. Sunbeam Corporation or various of its subsidiaries accrue environmental investigation and remediation costs when it is probable that a liability has been incurred, the amount of the liability can be reasonably estimated and their responsibility for the liability is established. Generally, the timing of these accruals coincides with the earlier of formal commitment to an investigation plan, completion of a feasibility study or a commitment to a formal plan of action. As of December 31, 2000 and December 31, 1999, Sunbeam Corporation's consolidated environmental reserves were \$19.3 million (representing \$18.1 million for the estimated costs of facility investigations, corrective measure studies, or known remedial measures, and \$1.2 million for estimated legal costs) and \$19.9 million (representing \$18.2 million for the estimated costs of facility investigations, corrective measure studies, or known remedial measures, and \$1.7 million for estimated legal costs), respectively. The reserves for the matters that are the responsibility of the inactive domestic subsidiaries of Sunbeam Corporation (the "Inactive Subsidiaries") that have not filed for reorganization under the Bankruptcy Code and liabilities for reserves that have been established for Sunbeam Corporation that are subject to discharge under the Sunbeam Corporation Plan total, in the aggregate, \$5.6 million as of December 31, 2000; of which \$4.9 million represents the estimated costs of facility investigations, corrective measure studies, or known remedial measures, and \$0.7 million represents the estimated legal costs. As a result of Sunbeam Corporation's Filing, funding is no longer available to the Inactive Subsidiaries. It is anticipated that the \$13.7 million accrual at December 31, 2000 (which is exclusive of the accrual for the aggregate of the accrual for the matters subject to discharge under the Sunbeam Corporation Plan and the accrual for the Inactive Subsidiaries) will be paid as follows: \$2.6 million in 2001, \$1.7 million in 2002, \$1.6 million in 2003, \$0.7 million in 2004, \$0.3 million in 2005 and \$6.8 million thereafter. Sunbeam Corporation or various of its subsidiaries accrued its best estimate of investigation and remediation costs based upon facts known to them at such dates and because of the inherent difficulties in estimating the ultimate amount of environmental costs, which are further described below, these estimates may materially change in the future as a result of the uncertainties described below. Estimated costs, which are based upon experience with similar sites and technical evaluations, are judgmental in nature and are recorded at undiscounted amounts without considering the impact of inflation and are adjusted periodically to reflect changes in applicable laws or regulations, changes in available technologies and receipt by Sunbeam Corporation and various of its subsidiaries of new information. It is difficult to estimate the ultimate level of future environmental expenditures due to a number of uncertainties surrounding environmental liabilities. These uncertainties include the applicability of laws and regulations, changes in environmental remediation requirements, the enactment of additional regulations, uncertainties surrounding remediation procedures including the development of new technology, the identification of new sites for which Sunbeam Corporation and various of its subsidiaries could be a PRP, information relating to the exact nature and extent of the contamination at each site and the extent of required cleanup efforts, the uncertainties with respect to the ultimate outcome of issues which may be actively contested and the varying costs of alternative remediation strategies. The Company continues to pursue the recovery of some environmental remediation costs from certain of its liability insurance carriers; however, such potential recoveries have not been offset against potential liabilities and have not been considered in determining their environmental reserves.

Due to uncertainty over remedial measures to be adopted at some sites, the possibility of changes in environmental laws and regulations and the fact that joint and several liability with the right of contribution is possible at federal and state Superfund sites, Sunbeam Corporation and various of its subsidiaries' ultimate future liability with respect to sites at which remediation has not been completed may vary from the amounts reserved as of December 31, 2000. As a result of the Filings, environmental matters, mostly involving claims for cost recovery or damages, have been automatically stayed under the Bankruptcy Code as against the Debtors unless an order lifting the stay is granted. Under the Sunbeam Corporation Plan, if it is confirmed and becomes effective, the claims for payment of money against Sunbeam Corporation will be discharged with no recovery for such claims.

The Company believes, based on information available as of December 31, 2000 for sites where costs are estimable, that the costs of completing environmental remediation of all sites for which the Company has a remediation responsibility have been adequately reserved and that the ultimate resolution of these matters will not have a material adverse effect upon the Company's financial position, results of operations or cash flows.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

**14. Commitments and Contingencies - (continued)**

*Product Liability Matters*

As a consumer goods manufacturer and distributor, Sunbeam Corporation and/or its subsidiaries face the risk of product liability and related lawsuits involving claims for substantial money damages, product recall actions and higher than anticipated rates of warranty returns or other returns of goods. These claims could result in liabilities that could have a material adverse effect on Sunbeam Corporation's consolidated financial position, results of operations or cash flows. Some of the product lines Sunbeam Corporation acquired in the 1998 acquisitions have increased its exposure to product liability and related claims.

Sunbeam Corporation and/or its subsidiaries are party to various personal injury and property damage lawsuits relating to their products and incidental to its business. Annually, Sunbeam Corporation sets its product liability insurance program which is an occurrence based program based on Sunbeam Corporation and its subsidiaries current and historical claims experience and the availability and cost of insurance. The program for 2000 is comprised of a self-insurance retention of \$3.5 million per occurrence, and is limited to \$28.0 million in the aggregate.

As a result of the Filings, product liability cases existing on the date of the Filings are automatically stayed under the Bankruptcy Code against the Debtors, unless an order is granted lifting the stay.

Cumulative amounts estimated to be payable by the Company with respect to pending and potential claims for all years in which the Company is liable under its self-insurance retention have been accrued as liabilities. Such accrued liabilities are necessarily based on estimates (which include actuarial determinations made by independent actuarial consultants as to liability exposure, taking into account prior experience, numbers of claims and other relevant factors); thus, the Company's ultimate liability may exceed or be less than the amounts accrued. The methods of making such estimates and establishing the resulting liability are reviewed on a regular basis and any adjustments resulting therefrom are reflected in current operating results.

Historically, product liability awards have rarely exceeded the Company's individual per occurrence self-insured retention. There can be no assurance, however, that the Company's future product liability experience will be consistent with its past experience. Based on existing information, the Company believes that the ultimate conclusion of the various pending product liability claims and lawsuits of the Company, individually or in the aggregate, will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

*Leases*

The Company rents certain facilities, equipment and retail stores under operating leases. Rental expense for operating leases amounted to \$26.3 million in 2000, \$28.9 million in 1999, and \$31.4 million in 1998. The minimum future rentals due under noncancelable operating leases as of December 31, 2000 aggregated to \$107.4 million. The amounts payable in each of the years 2001-2005 and thereafter are \$18.9 million, \$16.3 million, \$12.8 million, \$10.7 million, \$8.8 million and \$39.9 million, respectively.

*Certain Debt Obligations*

Responsibility for servicing certain debt obligations of the Company's predecessor were assumed by third parties in connection with the acquisition of former businesses, although the Company's predecessor remained the primary obligor in accordance with the respective loan documents. Such obligations, which amounted to approximately \$14.7 million at December 31, 2000, 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 SFAS No. 76, *Extinguishment of Debt*. Management believes that the third parties will continue to meet their obligations pursuant to the assumption agreements.

*Purchase and Other Commitments*

In conjunction with the sale of the Biddeford, Maine textile mill in 1997, Sunbeam Products, Inc, a wholly-owned subsidiary of the Company, entered into a five-year agreement to purchase blanket shells from the mill. The agreement was terminated in August 2000.

In connection with Coleman Powermate's 1995 purchase of substantially all of the assets of Active Technologies, Inc. ("ATI"), Coleman Powermate may be required to make payments to the predecessor owner of ATI of up to \$18.8 million based on Coleman Powermate's sales of ATI related products and royalties received by Coleman Powermate for licensing arrangements related to ATI patents. As of December 31, 2000, the amounts paid under the terms of this agreement have been immaterial.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**15. Related Party Transactions**

*Services Provided by M&F*

Pursuant to the settlement agreement with M&F, see Note 3, M&F agreed to make certain executive management personnel available to the Company and to provide certain management assistance to the Company. The Company does not reimburse M&F for such services, other than reimbursement of out-of-pocket expenses paid to third parties.

*Liquidation of Options*

In accordance with the Coleman Merger Agreement, the unexercised options under Coleman's stock option plans were cashed out at a price per share equal to the difference between \$27.50 per share and the exercise price of such options. A significant shareholder of the Company, who held 500,000 Coleman stock options, received a net payment of \$6,750,000 in January of 2000. Coleman stock options held by employees were cashed out in December 1999. Messrs. Shapiro and Isko and Ms. Clark, executive officers of Sunbeam Corporation at such time, held 77,500, 20,000 and 25,000 options, respectively, for which they received net payments of \$823,000, \$226,099 and \$275,005, respectively.

*Arrangements Between Coleman and M&F*

Coleman and an affiliate of M&F are parties to a cross-indemnification agreement pursuant to which Coleman has agreed to indemnify such affiliate, its officers, directors, employees, control persons, agents and representatives against all past, present and future liabilities, including product liability and environmental matters, related to the initial assets of Coleman, which Coleman acquired from such affiliate in December 1991. In addition, pursuant to this cross-indemnification agreement, the M&F affiliate has agreed to indemnify Coleman and its officers, directors, employees, agents and representatives against all other liabilities of such M&F affiliate or any of its subsidiaries, including liabilities relating to the assets it did not transfer to Coleman in December 1991. This cross-indemnification agreement survived the Coleman merger.

Coleman previously was included in the consolidated tax group for the M&F companies and was a party to a tax sharing agreement with a M&F affiliate, pursuant to which Coleman paid to such affiliate the amount of taxes which would have been paid by Coleman if it were required to file separate federal, state or local income tax returns. The tax sharing agreement was terminated upon the acquisition of Coleman; however, the acquisition agreement provides for certain tax indemnities and tax sharing payments among the Company and the M&F affiliates relating to periods prior to the acquisition.

*Lease of Office Space*

During 1999 and 1998, the Company sublet office space in New York City from an affiliate of M&F. The expense for such rent during 1999 and 1998 was approximately \$90,000 and \$130,000, respectively. The lease was terminated in 1999.

**SUNBEAM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**16. Unaudited Quarterly Financial Data**

	<u>Fiscal 2000 (a)</u>			
	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
	(Dollars in millions, except per share data)			
Net sales.....	\$539.1	\$609.6	\$466.2	\$461.5
Gross profit.....	133.3	152.0	105.1	83.2
Operating loss.....	(2.5)	(18.3)	(32.3)	(1,133.2)
Net loss.....	(59.4)	(80.2)	(84.1)	(1,181.6)
Basic and diluted loss per share.....	(0.55)	(0.75)	(0.78)	(11.01)

During 2000, significant unusual charges affected the respective quarters as follows:

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
European restructuring charge.....	\$ --	\$ --	\$ --	\$ 4.3
European excess and obsolete inventory.....	--	--	--	7.1
Glenwillow plant closure.....	3.3	4.3	--	--
Retail store closings.....	2.5	--	--	--
Purchase accounting.....	4.3	--	--	--
Insurance recovery.....	(10.0)	--	--	--
Restatement-related litigation.....	--	21.9	1.2	16.0
Final settlement of Eastpak sale.....	--	--	(3.2)	--
Exchange Offer expense.....	--	--	5.4	--
Severance.....	--	--	--	5.7
Advisory costs.....	--	--	--	4.9
Goodwill impairment.....	--	--	--	1,052.3
Certain litigation and environmental reserves adjustments and other.....	--	0.3	0.5	1.2
Total.....	<u>\$ 0.1</u>	<u>\$ 26.5</u>	<u>\$ 3.9</u>	<u>\$ 1,091.5</u>

	<u>Fiscal 1999 (a)</u>			
	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
	(Dollars in millions, except per share data)			
Net sales.....	\$523.9	\$660.9	\$601.6	\$611.6
Gross profit.....	126.5	173.7	162.8	141.6
Operating (loss) profit.....	(14.8)	13.5	4.3	(99.6)
Net loss.....	(60.7)	(46.9)	(47.4)	(144.5)
Basic and diluted loss per share.....	(0.60)	(0.47)	(0.47)	(1.43)

During 1999, significant unusual charges affected the respective quarters as follows:

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Provision for inventory and fixed assets (Note 12).....	\$ 0.3	\$ --	\$ 0.5	\$ 14.2
Severance.....	--	--	0.5	4.2
Asset impairment.....	--	--	--	52.0
Year 2000 systems initiatives expenses.....	8.1	5.4	6.8	7.0
Costs associated with financial statement restatement.....	--	3.6	1.2	2.8
Litigation, environmental and other reserve adjustments.....	--	0.5	3.7	7.1
Other (charges) benefits.....	1.1	0.3	0.3	0.9
Total.....	<u>\$ 9.5</u>	<u>\$ 9.8</u>	<u>\$ 13.0</u>	<u>\$ 88.2</u>

Due to the net loss incurred, earnings per share calculations exclude common share equivalents for all four quarters and for the year in 2000 and 1999.