**EXHIBIT D**

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the period ended September 30, 2000

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the transition period from __________ to __________

Commission File No. 1-000052

Sunbeam Corporation
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware<br>(State or other jurisdiction of incorporation or organization) | 25-1638266<br>(I.R.S. Employer Identification Number) |
| 2381 Executive Center Drive<br>Boca Raton, FL<br>(Address of principal executive offices) | 33431<br>(Zip Code) |

(561) 912-4100
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

On November 16, 2000 there were 107,303,692 shares of the registrant's Common Stock ($.01 par value) outstanding.

SUNBEAM CORPORATION AND SUBSIDIARIES

QUARTERLY REPORT
ON FORM 10-Q

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

SUNBEAM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(Amounts in thousands, except per share amounts)

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2000 | September 30, 1999 | September 30, 2000 | September 30, 1999 |
| Net Sales | $466,230 | $601,554 | $1,614,926 | $1,786,428 |
| Cost of goods sold | 361,110 | 438,789 | 1,224,473 | 1,323,483 |
| Selling, general and administrative expense | 137,444 | 158,455 | 443,629 | 459,957 |
| Operating (loss) income | (32,324) | 4,310 | (53,176) | 2,988 |
| Interest expense, net | 54,798 | 48,334 | 160,659 | 136,631 |
| Other (income) expense, net | (2,032) | (5,219) | 2,669 | (4,619) |
| Loss before income taxes and minority interest | (85,090) | (38,805) | (216,504) | (129,024) |
| Income tax (benefit) provision: | | | | |
| Current | 1,208 | (5,276) | 5,110 | 1,370 |
| Deferred | (2,214) | 8,928 | 1,823 | 11,291 |
| | (1,006) | 3,652 | 6,933 | 12,661 |
| Minority interest | -- | 4,897 | 255 | 13,354 |
| Net loss | $(84,084) | $(47,354) | $(223,692) | $(155,039) |
| Basic and diluted net loss per share | $(0.78) | $(0.47) | $(2.08) | $(1.54) |
| Basic and diluted weighted average common shares outstanding | 107,423 | 100,746 | 107,301 | 100,743 |

See Notes to Condensed Consolidated Financial Statements.

## SUNBEAM CORPORATION AND SUBSIDIARIES
## CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Amounts in thousands)

| | September 30, 2000 | December 31, 1999 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $23,388 | $40,799 |
| Receivables, net | 244,050 | 364,338 |
| Inventories | 488,346 | 460,680 |
| Prepaid expenses, deferred income taxes and other current assets | 61,553 | 72,130 |
| Total current assets | 817,337 | 937,947 |
| Property, plant and equipment, net | 430,507 | 447,116 |
| Trademarks, tradenames, goodwill and other, net | 1,712,019 | 1,747,286 |
| | $2,959,863 | $3,132,349 |
| LIABILITIES AND SHAREHOLDERS' DEFICIENCY | | |
| Current liabilities: | | |
| Short-term debt and current portion of long-term debt | $1,572,556 | $139,806 |
| Accounts payable | 149,709 | 185,610 |
| Other current liabilities | 271,414 | 300,809 |
| Total current liabilities | 1,993,679 | 626,225 |
| Long-term debt, less current portion | 858,332 | 2,164,002 |
| Other long-term liabilities | 240,213 | 241,264 |
| Deferred income taxes | 109,288 | 93,288 |
| Minority interest | -- | 66,910 |
| Commitments and contingencies (Note 9) | | |
| 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 | (1,133,208) | (1,109,516) |
| Accumulated other comprehensive loss | (89,144) | (73,286) |
| Total shareholders' deficiency | (241,649) | (59,340) |
| | $2,959,863 | $3,132,349 |

See Notes to Condensed Consolidated Financial Statements.

## SUNBEAM CORPORATION AND SUBSIDIARIES
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Amounts in thousands)

| | Nine Months Ended | |
|---|---|---|
| | September 30, 2000 | September 30, 2000 |
| Operating Activities: | | |
| Net loss | $(223,692) | $(155,039) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 94,720 | 93,917 |
| Non-cash interest charges | 34,743 | 34,120 |
| Deferred income taxes | 1,823 | 11,291 |
| Minority interest | 255 | 13,354 |
| Gain on sale of property, plant and equipment | (969) | (3,405) |
| Changes in working capital and other, net of acquisitions | (4,809) | (67,409)* |
| Net cash used in operating activities | (97,929) | (73,171) |
| Investing Activities: | | |
| Capital expenditures | (43,137) | (63,205) |
| Net proceeds from sale of Eastpak assets | 102,609 | -- |
| Net purchase of Coleman minority interest | (80,941) | -- |
| Net proceeds from other asset sales | 9,512 | 5,517 |
| Other | (597) | (679) |
| Net cash used in investing activities | (12,554) | (58,367) |
| Financing Activities | | |
| Net borrowing under revolving credit facilities | 141,904 | 105,025 |
| Net repayments of term credit facilities | (45,949) | (2,940) |
| Other | (2,883) | (2,891) |
| Net cash provided by financing activities | 93,072 | 99,194 |
| Net decrease in cash and cash equivalents | (17,411) | (32,344) |
| Cash and cash equivalents at beginning of period | 40,799 | 61,432 |
| Cash and cash equivalents at end of period | $23,388 | $29,088 |

See Notes to Condensed Consolidated Financial Statements.

SUNBEAM CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Operations and Basis of Presentation

Organization

Sunbeam Corporation and its wholly-owned subsidiaries ("Sunbeam" or 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 and book bags; and portable generators and compressors. The Company, through its Thalia Products Inc. ("Thalia") subsidiary, is developing Home Linking Technology (TM), or HLT (TM), which is designed to allow products to communicate with each other.

See Note 3 for information relevant to management's plan to fund its capital and debt service requirements.

Basis of Presentation

The Condensed Consolidated Balance Sheet of the Company as of September 30, 2000 and the Condensed Consolidated Statements of Operations and Cash Flows for the three and nine months ended September 30, 2000 and 1999 are unaudited. The unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions of Form 10-Q and Rule 10-01 of Regulation S-X. The December 31, 1999 Condensed Consolidated Balance Sheet was derived from the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1999. The condensed consolidated financial statements contained herein should be read in conjunction with the consolidated financial statements and related notes contained in the Company's 1999 Annual Report on Form 10-K. In the opinion of management, the unaudited condensed consolidated financial statements contained herein include all adjustments (consisting of only recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. These interim results of operations are not necessarily indicative of results for future periods.

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 attributable to common shareholders by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding (all related to outstanding stock options, warrants and the Zero Coupon Convertible Senior Subordinated Debentures due 2018 (the "Debentures")).

For the nine months ended September 30, 2000 and 1999, respectively, 10,909 and 78,562 shares related to stock options were not included in diluted average common shares outstanding because their effect would be antidilutive. Stock options to purchase 22,892,810 and 19,420,292 common shares were excluded from potential common shares at September 30, 2000 and 1999, respectively, as the option exercise prices were greater than the average market price of the Company's common stock during the period. Diluted average common shares outstanding as of September 30, 2000 and 1999 excludes 13,242,050 shares issuable upon conversion of the Debentures and 27,480,549 and 23,000,000 shares issuable on the exercise of warrants as of September 30, 2000 and September 30, 1999, respectively, due to antidilution.

New Accounting Standards

In September 2000, the FASB issued SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (a replacement of FASB Statement No. 125). This Statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. This Statement is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. Disclosures about securitization and collateral accepted need not be reported for periods ending on or before December 15, 2000, for which financial statements are presented for comparative purposes. The Company has not yet determined the effect of SFAS No. 140 on the consolidated financial position, results of operations or cash flows.

In July 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Hedging Activities (an amendment of FASB Statement No. 133) which amends SFAS No. 133, to provide additional guidance and to exclude certain provisions, which were determined by the FASB to be a burden on corporations. SFAS No. 133 requires the recognition of all derivatives in the Company's Consolidated Balance Sheets as either assets or liabilities measured at fair value and is effective for fiscal years beginning after June 15, 2000. It further provides criteria for derivative instruments to be designated as fair value, cash flow or foreign currency hedges and establishes accounting standards for reporting changes in the fair value of the derivative instruments. Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, the

effective portion of the hedge's change in fair value is either (1) offset against the change in fair value of the hedged asset, liability or firm commitment through income or (2) held in equity until the hedged item is recognized in income. The ineffective portion of a hedge's change in fair value is immediately recognized in income. Upon adoption, the Company will be required to adjust hedging instruments to fair value in the balance sheet and recognize the offsetting gains or losses as adjustments to be reported in net income, or other comprehensive income, as appropriate.

Sunbeam has a cross-disciplinary implementation team in place to address SFAS No. 133 related issues. The team has been implementing a SFAS No. 133 compliant risk management policy, globally educating both financial and non-financial personnel, inventorying embedded derivatives and addressing other various SFAS No. 133 related issues. The Company will adopt SFAS No. 133 for the 2001 fiscal year. Although the Company continues to review the effect of the implementation of SFAS No. 133, the Company does not currently believe its adoption will have a material impact on its consolidated financial position, results of operations or cash flows. However, the impact of adoption of SFAS No. 133 on the Company's results of operations is dependent upon the fair values of the Company's derivatives and related financial instruments at the date of adoption and may result in more pronounced quarterly fluctuations in other income and expense.

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 will be required to adopt SAB 101 by the fourth quarter of fiscal 2000. The Company does not believe that SAB 101 will have a material impact on its consolidated financial position, results of operations or cash flows.

Reclassifications

Certain prior year amounts have been reclassified to conform with the 2000 presentation.

2. 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 The Coleman Company, Inc. ("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 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.

In January 2000, pursuant to a merger agreement dated as of February 27, 1998, 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 Coleman employee options, in accordance with the merger agreement, which occurred in December 1999. In addition, pursuant to a court approved settlement of claims by Coleman public stockholders 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 (see Note 9), 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 Condensed 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 identified 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 | 88 |
| Net cash paid and equity issued | 146 |
| Fair value of total liabilities assumed | 19 |
| Fair value of assets acquired | 165 |
| Excess of purchase price over fair value of net assets acquired | 157 |
| | $ 8 |

The excess of purchase price over the fair value of net assets acquired has been classified as goodwill. Goodwill related to the Coleman acquisition is being amortized on a straight-line basis over 40 years. Approximately $1.1 billion of goodwill was recorded by the Company in connection with the acquisition of Coleman. Goodwill has been allocated to the various operating businesses of Coleman based on the estimated fair value of Coleman's component businesses.

As of the date of the acquisition of approximately 81% of Coleman, in March 1998, the then management of the Company determined that approximately 117 employees of Coleman would need to be involuntarily terminated in order to eliminate duplicate activities and functions and fully integrate Coleman into the Company's operations. The Company recognized a liability of approximately $8 million representing severance and benefit costs related to the 117 employees pursuant to the termination plan. This liability was included in the allocation of purchase price. As of June 30, 2000, the Company had paid all of the severance benefits and no additional charges are anticipated in future periods related to this matter.

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 September 30, 2000 because the transaction occurred at the beginning of the period. The pro forma results for the period ending September 30, 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):

| | Nine Months Ended September 30, 1999 |
|---|---|
| Net sales | $ 1,786.4 |
| Net loss | (150.9) |
| Basic and diluted loss per share from continuing operations | (1.40) |

## Divestitures

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(R) brand name ("Professional Clippers"). The Company is currently conducting the sale process for the sale of such business.

In January 2000, the Company entered into a long-term licensing agreement with Helen of Troy Ltd. that will allow this company 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(R) branded retail hair clippers and trimmers through April 30, 2001. The Company also agreed to continue to manufacture Oster branded retail hair clippers and trimmers until 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. The foregoing retail hair clippers and trimmers are referred to as "Retail Clippers".

See Note 7 for discussion related to the sale of the Eastpak business.

3. Debt

In March 1998, the Company replaced its $250 million syndicated unsecured five-year revolving credit facility with a revolving and term credit facility (the "Credit Facility"). The Credit Facility provided for aggregate borrowings of up to $1.7 billion and in addition to other customary covenants, required the Company to maintain specified consolidated leverage, interest coverage and fixed charge coverage ratios as of the end of each fiscal quarter occurring after March 31, 1998 and on or prior to the latest stated maturity date for any of the borrowings under the Credit Facility.

As a result of, among other things, its operating losses incurred during the first half of 1998, the Company did not achieve the specified financial ratios for June 30, 1998 and it appeared unlikely that the Company would achieve the specified financial ratios for September 30, 1998. Consequently, the Company and its lenders entered into an agreement dated as of June 30, 1998 that waived through December 31, 1998 all defaults arising from the failure of the Company to satisfy the specified financial ratios for June 30, 1998 and September 30, 1998. Pursuant to an agreement with the Company dated as of October 19, 1998, the Company's lenders extended all of the waivers through April 10, 1999 and also waived through such date all defaults arising from any failure by the Company to satisfy the specified financial ratios for December 31, 1998. In April 1999, such waivers were extended through April 10, 2000 and on April 10, 2000, such waivers were extended through April 14, 2000.

On April 14, 2000, the Company and its lenders entered into an amendment to the Credit Facility that, among other things, waived until April 10, 2001 all defaults arising from any failure by the Company to satisfy certain financial ratios for any fiscal quarter end occurring through March 31, 2001. As part of the April 14, 2000 amendment, the Company agreed to a minimum cumulative earnings before interest, taxes, depreciation and amortization ("EBITDA") covenant that is based on consolidated EBITDA and is tested at the end of each month occurring on or prior to March 31, 2001. Because the existing waiver expires on April 10, 2001, debt related to the Credit Facility and all debt containing cross-default provisions is classified as current in the September 30, 2000 Condensed Consolidated Balance Sheet.

The Company and its lenders entered into an amendment to the Credit Facility on August 10, 2000 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 the Company with a supplemental $50 million reducing revolving credit facility (the "Supplemental Revolver") having a final maturity date of December 31, 2000. Prior to the November 10, 2000 amendment described below, the availability under the Supplemental Revolver provided that it reduced by $10 million on the last day of each month commencing on August 31, 2000 and that outstanding loans under the Supplemental Revolver could not exceed at any time the lesser of the availability under the Supplemental Revolver or a borrowing base calculated by reference to the domestic inventory of the Company's Powermate subsidiary and outdoor cooking strategic business unit. The Company paid a facility fee to its lenders of $62,500 for the Supplemental Revolver.

As a result of continuing sales declines and operating losses during the third quarter of 2000, the Company did not achieve the specified cumulative EBITDA test required by the Credit Facility for September 30, 2000 and it appeared unlikely that the Company would achieve the test going forward. Consequently, the Company and its lenders entered into an amendment to the Credit Facility dated as of November 10, 2000 that (i) waives all defaults arising from the failure of the Company to satisfy the cumulative EBITDA test for any period ending on or prior to December 31, 2000; (ii) provides that, on or before December 31, 2000, the Company and the lenders will amend the cumulative EBITDA test to establish monthly EBITDA levels for the 2001 calendar year which are reasonably satisfactory to the lenders and which will be based on the Company's 2001 business plan to be provided to the Company's lenders in December 2000; (iii) provides that availability under the Supplemental Revolver is increased to $50 million without the monthly $10 million reduction or the limitation based on the borrowing base; and (iv) extends the maturity date for the Supplemental Revolver to April 10, 2001. The November 10, 2000 amendment also provides that the payment dates for the $19.1 million term loan payment and the $8.5 million amendment fee for the previously agreed to April 15, 1999 amendment, both of which were originally scheduled to be paid November 30, 2000, are deferred until April 10, 2001. If the Company is unable to satisfy the adjusted cumulative EBITDA covenant for any of the months of January through March 2001, the Company would be required to seek a waiver or amendment to such covenant from its lenders and there can be no assurance that the Company could obtain a waiver or amendment or that any such waiver or amendment would be on terms favorable to the Company. In addition, the November 10, 2000 amendment provides that, after making the $27.6 million payment of principal and fees due April 10, 2001, the Company may use the remaining net proceeds from asset sales to repay the revolving credit facility without reducing the lenders' commitments under such facility and subject, to the terms of the Credit Facility, the Company may reborrow such proceeds. However, the lenders' consent is required for certain asset sales and they may refuse to consent or condition their consent on not allowing the Company full access to the net proceeds thereon.

The following description of the Credit Facility reflects the significant terms of the Credit Facility as amended to date.

In addition to the Supplemental Revolver, the 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 million maturing March 30, 2005 ($52.5 million of which was used to complete the Coleman merger which occurred on January 6, 2000); (ii) up to $800 million in term loans maturing on March 30, 2005 (all of which has been borrowed, of which $35.0 million was used to complete the Coleman merger which occurred on January 6, 2000 and of which $78.0 million has been repaid) and (iii) a $500 million term loan maturing September 30, 2006 (all of which has been borrowed and of which $7.9 million has been repaid). As of September 30, 2000 after giving effect to the November 10, 2000 amendment which increased the amounts available under the Supplemental Revolver described below, of the remaining $1.664 billion Credit Facility, $1.538 billion was outstanding under the Credit Facility and approximately $68 million would have been available for borrowing. The remaining $58.1 million of the $1.664 billion Credit Facility was committed for outstanding letters of credit.

Pursuant to the Credit Facility, interest accrues, at the Company's option: (i) at the London Interbank Offered Rate ("LIBOR"), or (ii) at the base rate of the administrative agent which is generally the higher of the prime commercial lending rate of the administrative agent or the Federal Funds Rate 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 September 30, 2000. The applicable interest margins are subject to further downward adjustment upon the reduction of the aggregate borrowings under the Credit Facility. Borrowings under the 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. In addition, borrowings under the 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. 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 from time to time under the Supplemental Revolver are secured by substantially all of the assets and 100% of the stock of the Company's Canadian subsidiary and are guaranteed by the Canadian subsidiary.

Under terms of the April 14, 2000 amendment to the Credit Facility, the Company was obligated to pay the bank lenders an amendment fee for the April 14, 2000 amendment of 0.50% of the commitments under the 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 7.) On April 10, 2001, the Company also must pay an amendment fee previously agreed to for the April 15, 1999 amendment equal to 0.50% of the commitments under the Credit Facility as of April 15, 1999, totaling $8.5 million. An additional amendment fee relating to the April 15, 1999

amendment equal to $8.5 million will be payable to the bank lenders if the aggregate loan and commitment exposure under the Credit Facility is equal to or more than $1.2 billion on November 30, 2000, with such fee being payable on June 30, 2001. The $17 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 is being amortized to interest expense using the straight-line method over the one year term of that amendment.

In addition to the above described EBITDA and other tests and ratios, the Credit Facility contains covenants customary for credit facilities of a similar nature, including limitations on the ability of the Company and its subsidiaries, including Coleman, to, among other things, (i) declare dividends or repurchase stock, (ii) prepay, redeem or repurchase debt, incur liens and 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) make capital expenditures, (vii) fail to maintain its trade receivable securitization programs (or, in the case of the Sunbeam Receivables Program (as defined below), obtain an alternative receivables program within 60 days of termination of the Sunbeam Receivables Program), (viii) engage in mergers, acquisitions and asset sales, (ix) engage in certain transactions with affiliates, (x) settle certain litigation, (xi) alter its cash management system and (xii) alter the businesses they conduct. The Credit Facility provides for events of default customary for transactions of this type, including nonpayment, misrepresentation, breach of covenant, cross-defaults, bankruptcy, material adverse change arising from compliance with ERISA, material adverse judgments, entering into guarantees and change of ownership and control. Furthermore, the Credit Facility requires the Company to prepay loans under the Credit Facility on December 31, 2000 to the extent that cash on hand in the Company's concentration accounts plus the aggregate amount of unused revolving loan commitments on that date exceed $185.0 million.

Unless waived by the bank lenders, the failure of the Company to satisfy any of the financial ratios and tests contained in the Credit Facility or the occurrence of any other event of default under the Credit Facility would entitle the bank lenders to (a) receive a 2.00% increase in the interest rate applicable to outstanding loans and increase the trade letter of credit fees to 1.00% and (b) declare the outstanding borrowings under the Credit Facility immediately due and payable and exercise all or any of their other rights and remedies. Any such acceleration or other exercise of rights and remedies would likely have a material adverse effect on the Company.

Pursuant to the April 14, 2000 amendment, term loan payments originally scheduled for September 30, 1999 and March 31, 2000 in the amount of $69.3 million on each date are to be made as follows: (i) $69.3 million upon sale of Eastpak, which occurred May 26, 2000, (ii) $30.8 million on November 30, 2000 ($11.7 million of which has already been paid with the proceeds of the sale of Eastpak and certain other asset sales) and (iii) $38.5 million on April 10, 2001. The April 14, 2000 amendment also provided that the payment dates for the $69.3 million term loan payments originally

scheduled for each of September 30, 2000 and March 31, 2001 be deferred until April 10, 2001. The November 10, 2000 amendment provides that the November 30, 2000 term loan payment ($19.1 million) and the amendment fee payment ($8.5 million) be deferred until April 10, 2001.

In March 1998, the Company completed an offering of Debentures due 2018 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 are 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 the Company. The Debentures are not redeemable by the Company prior to March 25, 2003. On or after such date, the Debentures are redeemable for cash with at least 30 days notice, at the option of the Company. The Company is required to purchase Debentures at the option of the holder as of March 25, 2003, March 25, 2008 and March 25, 2013, at purchase prices equal to the issue price plus accrued original discount to such dates. The Company may, at its option, elect to pay any such purchase price in cash or common stock, or any combination thereof. However, the Credit Facility prohibits the Company from redeeming or repurchasing debentures for cash.

In July 2000, the Company 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, the Company 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, the Company 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 through September 30, 2000 relating to the proposed transaction. See additional discussion at "Exchange Offer" within Item 2.

As discussed in Note 2, the Company announced it intends to sell its Professional Clippers business. However, there can be no assurance as to whether or when such sale will be consummated. Moreover, the terms, timing and use of the net proceeds from such sale is subject to the approval of the lenders under the Credit Facility, and there can be no assurance that the lenders will consent to any sale or as to the terms of any consent provided.

As described below in Note 4, the purchaser under the Sunbeam Receivables Program has determined to cease operations and consequently will cease purchasing receivables from the Company on January 15, 2001. The Company intends to seek a replacement receivables program, although there can be no assurance that the Company will be able to obtain a replacement program or that the terms of any such replacement program will be favorable to the Company. In addition, the Coleman Receivable Program contains cross-default provisions that provide the purchasers of the receivables an option

to cease purchasing receivables if the Company is in default under the Credit Facility. In addition, these agreements contain various other covenants customary for these types of programs, including financial covenants. While the Company was in compliance with such covenants through September 30, 2000, the Company anticipates that it will be required to obtain a waiver or an amendment for certain covenants contained in the Coleman Receivable Program early in 2001 due primarily to the anticipated financial performance of Coleman and Powermate during 2000. The Company believes that such waiver or modification can be obtained, although there can be no assurance that any such waiver or amendment would be obtained or if obtained, would be on terms favorable to the Company.

The Company believes its borrowing capacity under the Credit Facility including its Supplemental Revolver, foreign working capital lines, cash flow from the operations of the Company, existing cash and cash equivalent balances, proceeds from its receivable securitization programs, the portion of the proceeds from the proposed sale of the Professional Clippers business which the Company may retain as described above and net proceeds from the sale of other non-core assets will be sufficient to support planned working capital needs and planned capital expenditures through April 2001. However, as described above, there are uncertainties regarding the terms and timing of the sale of the Professional Clipper business, the Company's ability to obtain lender consent to allow the Company access to all or most of the proceeds thereof (after payment of the $27.6 million in principal and fees due April 10, 2001) and the Company's ability to obtain a replacement receivables program for the Sunbeam Receivables Program. Given these and other uncertainties 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, restructuring indebtedness, selling other assets or operations and/or reducing expenditures for new product development, cutting other costs, and some of such actions would require the consent of the lenders under the Credit 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 Credit Facility. See "Cautionary Statements".

4. Accounts Receivable Securitization

The Company has entered into a receivable securitization program, which expires March 2001, to sell without recourse, through a wholly-owned subsidiary, certain trade accounts receivable (the "Sunbeam Receivables Program"). In March 2000, the Company entered into an amendment to such receivables program to increase this program to $100 million from $70 million. In mid-November 2000, the purchaser under the Sunbeam Receivables Program informed the Company that it intends to cease its operations in mid-February 2001, and consequently will cease purchasing account receivables from the Company on January 15, 2001. The Company intends to seek a replacement receivables program for the Sunbeam Receivables Program, although there can be no assurance that

the Company will be able to obtain a replacement program (which inability may be an event of default under the Credit Agreement, unless waived by the Company's lenders (see Note 3)), or that the terms of any such replacement program will be favorable to the Company.

In April 2000, the Company's Coleman and Powermate 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 million in trade accounts receivable. These trade accounts receivable programs contain cross-default provisions that provide the purchasers of the receivables an option to cease purchasing receivables if the Company is in default under the Credit Facility. In addition, these agreements contain various other covenants customary for these types of programs, including financial covenants. While the Company was in compliance with such covenants through September 30, 2000, the Company anticipates that it will be required to obtain a waiver or an amendment for certain covenants contained in the Coleman Receivable Program early in 2001 due primarily to the anticipated financial performance of Coleman and Powermate during 2000. The Company believes that such waiver or modification can be obtained, although there can be no assurance that any such waiver or amendment would be obtained or if obtained, would be on terms favorable to the Company. During the nine months ended September 30, 2000 and 1999, the Company received approximately $667.1 million and $228.4 million, respectively, under these arrangements. At September 30, 2000 and 1999, the Company had reduced accounts receivable by approximately $98.4 million and $36.9 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 $5.4 million and $1.7 million during the nine months ended September 30, 2000 and 1999, respectively, and have been classified as interest expense in the accompanying Condensed Consolidated Statements of Operations. The Company, through wholly-owned subsidiaries, retains collection and administrative responsibilities for the purchased receivables.

5. Comprehensive Loss

The components of the Company's comprehensive loss are as follows (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2000 | September 30, 1999 | September 30, 2000 | September 30, 1999 |
| Net loss | $(84,084) | $(47,354) | $(223,692) | $(155,039) |
| Foreign currency translation adjustment, net of taxes | (9,108) | 528 | (15,858) | (10,150) |
| Comprehensive loss | $(93,192) | $(46,826) | $(239,550) | $(165,189) |

As of September 30, 2000 and December 31, 1999, "Accumulated other comprehensive loss," as reflected in the Condensed Consolidated Balance Sheets is comprised of the following:

| | Currency Translation Adjustments | Minimum Pension Liability | Total |
|---|---|---|---|
| Balance at September 30, 2000 | $(41,103) | $(48,041) | $(89,144) |
| Balance at December 31, 1999 | (25,245) | (48,041) | (73,286) |

6. Supplementary Financial Statement Data

Supplementary Balance Sheet data at the end of each period is as follows (in thousands):

| | September 30, 2000 | December 31, 1999 |
|---|---|---|
| Receivables: | | |
| Trade | $276,963 | $ 404,905 |
| Sundry | 8,816 | 3,777 |
| | 285,779 | 408,682 |
| Valuation allowance | (41,729) | (44,344) |
| | $244,050 | $ 364,338 |
| Inventories: | | |
| Finished goods | $346,047 | $ 330,179 |
| Work in process | 42,708 | 30,691 |
| Raw materials and supplies | 99,591 | 99,810 |
| | $488,346 | $ 460,680 |

Supplementary Statements of Cash Flows data is as follows (in thousands):

| | Nine Months Ended | |
|---|---|---|
| | September 30, 2000 | September 30, 1999 |
| Cash paid during the period for: | | |
| Interest | $99,944 | $ 124,981 |
| Income taxes, net of refunds | $ 2,207 | $ 2,145 |

7. Asset Impairment and Other Charges

The Company is in the process of evaluating a restructuring plan related to its European operations. The restructuring plan will include, but will not be limited to, the reduction of warehouse and distribution centers, manufacturing headcount and the reduction of the Company's product offerings and stock keeping units ("SKU's). As of September 30, 2000, the restructuring plan has not been finalized; however, the Company expects to finalize the plan and record a charge relating to such activities in the fourth quarter of 2000. The Company is unable to estimate the expected charge related to this restructuring, as the evaluation process has not been completed.

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. At September 30, 2000, the accrual balance relating to the closing of the Glenwillow facility was insignificant.

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. At September 30, 2000 the accrual balance relating to the closing of Sunbeam's retail stores was insignificant.

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 million. This charge reduced the goodwill associated with Eastpak. The fair market value of Eastpak was determined based upon the purchase price in the Eastpak Sale Agreement (before adjustment). This charge is reflected in SG&A in the fourth quarter of 1999 Consolidated Statements of Operations.

In March 2000, the Company entered into the Eastpak Sale Agreement with VF Corporation, which provided for the sale of Eastpak. 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 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 valuation. Accordingly, the estimated costs of the transaction were reduced. This adjustment was reflected in SG&A in the Condensed Consolidated Statement of Operations during the third quarter of 2000. Eastpak, a wholly-owned subsidiary of Coleman, was acquired by the Company in March 1998. Net sales from Eastpak were approximately 5% of consolidated net sales in the first nine months of both 2000 and 1999. Operating income in the first nine months of 2000 and 1999 was not significant. Eastpak's results of operations are included in the Company's Outdoor Leisure business group through May 26, 2000.

In the fourth quarter of 1999, in connection with the completion of the Company's strategic planning process for 2000, the decision was made to discontinue a number of products, primarily scales, humidifiers and certain camping stoves, lights and air mattresses, 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 part of the 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 either a nominal salvage value or no significant remaining carrying value as of December 31, 1999 and had been disposed of by September 30, 2000. Depreciation expense associated with these assets approximated $0.9 million for the year ended 1999. During the fourth quarter of 1999 the Company also decided 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 for the year ended 1999. These assets were disposed of during the first half of 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.

At September 30, 2000 and December 31, 1999, the Company had $0.5 and $0.9 million of restructuring accruals, respectively relating to its 1996 restructuring plan. The $0.5 million accrued at September 30, 2000 was comprised of $0.4 million relating to lease payments and termination fees and $0.1 million relating to discontinued operations. It is anticipated that the remaining restructuring accrual of $0.5 million will be paid through 2006.

8. Segment, Customer and Geographic Data

The following tables include selected financial information with respect to Sunbeam's four operating segments. Corporate expenses include, among other items, expenses for services which are provided in varying levels to the three operating groups including Year 2000 efforts during the nine months ended September 30, 1999.

| | Household | Outdoor Leisure | International | Corporate | Total |
|---|---|---|---|---|---|
| Nine Months Ended September 30, 2000 | | | | | |
| Net sales to unaffiliated customers... | $ 519,307 | $ 665,968 | $ 425,070 | $ 4,581 | $ 1,614,926 |
| Intersegment net sales ..................... | 54,158 | 103,355 | 1,627 | -- | 159,140 |
| Segment earnings (loss) .................. | 15,892 | 24,189 | 33,529 | (60,394) | 13,216 |
| Segment depreciation expense ......... | 18,195 | 26,850 | 4,000 | 6,618 | 55,663 |
| Nine Months Ended September 30, 1999 | | | | | |
| Net sales to unaffiliated customers... | $ 555,207 | $ 774,698 | $ 444,305 | $ 12,218 | $ 1,786,428 |
| Intersegment net sales ..................... | 57,070 | 126,681 | 6,896 | -- | 190,647 |
| Segment earnings (loss) .................. | 16,087 | 74,540 | 46,839 | (64,603) | 72,863 |
| Segment depreciation expense ......... | 19,436 | 27,654 | 4,034 | 4,392 | 55,516 |
| Segment Assets | | | | | |
| September 30, 2000.......................... | $ 638,905 | $ 1,640,476 | $ 334,580 | $ 345,902 | $ 2,959,863 |
| December 31, 1999 .......................... | 707,436 | 1,707,559 | 385,200 | 332,154 | 3,132,349 |

Reconciliation of selected segment information to Sunbeam's consolidated totals:

| | Nine Months Ended September 30, 2000 | Nine Months Ended September 30, 1999 |
|---|---|---|
| Net sales: | | |
| Net sales for reportable segments | $ 1,774,066 | $ 1,977,075 |
| Elimination of intersegment net sales | (159,140) | (190,647) |
| Consolidated net sales | $ 1,614,926 | $ 1,786,428 |
| Segment earnings: | | |
| Total earnings for reportable segments | $ 13,216 | $ 72,863 |
| Unallocated amounts: | | |
| Interest expense | (160,659) | (136,631) |
| Other income, net | 5394,619 | |
| Amortization of intangible assets | (39,057) | (38,401) |
| Year 2000 related expenses | -- | (20,301) |
| Restatement related litigation expense | (23,157) | (4,792) |
| Environmental and other certain litigation expenses | (789) | (4,226) |
| Insurance recovery | 10,000 | -- |
| Glenwillow closing (Note 7) | (7,572) | -- |
| Retail Store closings (Note 7) | (2,544) | -- |
| Purchase accounting adjustment | (4,280) | -- |
| Exchange offer expenses | (5,409) | -- |
| Asset impairment (Note 7) | 3,208 | -- |
| Other charges | -- | (2,155) |
| | (229,720) | (201,887) |
| Consolidated loss before income taxes and minority interest | $ (216,504) | $ (129,024) |

## 9. Commitments and Contingencies

### Litigation

On April 23, 1998, two class action lawsuits were filed on behalf of purchasers of the Company's common stock in the U.S. District Court for the Southern District of Florida against the Company and some 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 defendant Arthur Andersen LLP ("Arthur Andersen"), the Company's independent accountants for the period covered by the lawsuit.

On June 16, 1998, the court entered an order consolidating all these suits and all similar class actions subsequently filed (collectively, the "Consolidated Federal Actions"). On January 6, 1999, plaintiffs filed a consolidated amended class action complaint against the Company, some 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 the Company's business operations and future prospects in an effort to artificially inflate the price of the Company'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 the Company, causing the Company 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 the Company's common stock or who purchased call options or sold put options with respect to the Company's common stock during the period April 23, 1997 through June 30, 1998, excluding the defendants, their affiliates, and employees of the Company. Defendants have opposed that motion. 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 the Company, and a third-party complaint against a former director of the Company 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 the Company'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.

On April 7, 1998, a purported derivative action was filed in the Circuit Court for the Fifteenth Judicial Circuit in and for Palm Beach County, Florida against the Company and some of its present and former directors and former officers. The action alleged that the individual defendants breached their fiduciary duties and wasted corporate assets when the Company granted stock options in February 1998 to three of its now former officers and directors. In June 1998, all defendants filed a motion to dismiss the complaint for failure to make a pre-suit demand on the Company's board of directors. In February 1999, plaintiffs filed an amended derivative complaint nominally on behalf of the Company against some of its present and former directors and former officers and Arthur Andersen. This amended complaint alleges, among other things, that Messrs. Dunlap and Kersh, the Company's former Chairman and Chief Executive Officer and former Chief Financial Officer, respectively, caused the Company 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.

During 1998, purported class action and derivative lawsuits were filed in the Court of Chancery of the State of Delaware in New Castle County and in the U.S. District Court for the Southern District of Florida by stockholders of the Company against the Company, MacAndrews & Forbes and some of the Company's present and former

directors. These complaints allege, among other things, that the defendants breached their fiduciary duties when the Company entered into a settlement agreement with the MacAndrews & Forbes subsidiary that sold the Company a controlling interest in Coleman. In such settlement agreement, the MacAndrews & Forbes subsidiary released the Company from threatened claims arising out of the Company's acquisition of its interest in Coleman, and MacAndrews & Forbes agreed to provide management support to the Company. Under the settlement agreement, the MacAndrews & Forbes subsidiary was granted a warrant expiring August 24, 2003 to purchase up to an additional 23 million shares of the Company's common stock at an exercise price of $7 per share, subject to anti-dilution provisions. The derivative actions filed in the Delaware Court of Chancery were consolidated. The plaintiffs voluntarily dismissed this action. The action filed in the U.S. District Court for the Southern District of Florida has been dismissed. In April 2000, a complaint was filed in the U.S. District Court for the Southern District of Florida against the Company, certain current and former directors, Messrs. Dunlap and Kersh and MacAndrews & Forbes alleging, among other things, that certain of the defendants breached their fiduciary duty when the Company entered into a settlement agreement with MacAndrews & Forbes, and certain of the defendants breached their fiduciary duty and wasted corporate assets by, among other things, issuing materially false and misleading statements regarding the Company's financial condition. The plaintiff in this action seeks, among other things, recission of the warrants issued to MacAndrews & Forbes and an injunction preventing the issuance of warrants and damages. Each of the defendants has filed a motion to dismiss this complaint.

In September 1998, an action was filed in the 56th Judicial District Court of Galveston County, Texas 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 the Company's alleged misstatements and omissions regarding the Company'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 the Company's common stock on their own behalf and on behalf of their respective clients. The Company 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 U.S. District Court for the Southern District of Florida and consolidated with the Consolidated Federal Actions.

In October 1998, a class action lawsuit was filed in the U.S. District Court for the Southern District of Florida on behalf of certain purchasers of the Debentures against the Company and certain of the Company's former officers and directors. In April 1999, a class action lawsuit was filed in the U.S. District Court for the Southern District of Florida on behalf of persons who purchased Debentures during the period of March 20, 1998 through June 30, 1998, inclusive, but after the initial offering of such Debentures against the Company, Arthur Andersen, the Company's former auditor, and certain former officers and directors. The court consolidated the two cases and the plaintiffs have filed a consolidated class action on behalf of persons who purchased Debentures 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 Debentures. This action is coordinated with the Consolidated Federal Actions.

The Company has been 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 the Company violated the Texas Securities Act and the Texas Business & Commercial Code and committed state common law fraud by materially misstating the financial position of the Company in connection with the offering and sale of the Debentures. The complaint seeks rescission, as well as compensatory and exemplary damages in an unspecified amount. The Company specially appeared to assert an objection to the Texas court's exercise of personal jurisdiction over the Company, and a hearing on this objection took place in April 1999. Following the hearing, the court entered an order granting the Company's special appearance and dismissing the case without prejudice. The plaintiffs appealed, which appeal was denied. The plaintiffs have appealed to the Texas Supreme Court. In October 2000, the plaintiffs also filed a complaint against the Company's subsidiary Sunbeam Products, Inc. in the District Court for Dallas County alleging substantially the same allegations as the complaint filed against the Company in Tarrant County.

Messrs. Dunlap and Kersh have commenced an action against the Company in the Chancery Court for the State of Delaware seeking advancement from the Company 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. The Company has denied their claims. Discovery has commenced, and no trial date has been set.

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 the Company. Messrs. Dunlap and Kersh are requesting a finding by the arbitrator that the Company terminated their employment without cause and that they should be awarded certain benefits based upon their respective employment agreements. The Company 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 the Company and Messrs. Dunlap and Kersh. An answer was filed by Messrs. Dunlap and Kersh generally denying the Company's counterclaim. The arbitration hearings have commenced and hearings are scheduled on various dates through April 2001.

On September 13, 1999, an action naming the Company and Arthur Andersen as defendants was filed in the Circuit Court for Montgomery County, Alabama. The plaintiffs in this action are purchasers of the Company'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 the Company for contribution and indemnity. The Company 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 and consolidated with the Consolidated Federal Actions.

In September 2000, an action naming the Company as a defendant was filed in the Circuit Court for Ozaukee County, Wisconsin. The plaintiffs allege that the Company violated the federal securities laws in connection with the offering and sale of the Debentures. The plaintiffs seek recission and damages. The Company has removed the action to Federal Court.

The Company intends to vigorously defend each of the foregoing lawsuits, but cannot predict the outcome and is not currently able to evaluate the likelihood of the Company's success in each case or the range of potential loss, if any. However, if the Company were to lose one or more of these lawsuits, judgments would likely have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

In July 1998, the American Alliance Insurance Company ("American Alliance") filed suit against the Company in the U.S. District Court for the Southern District of New York requesting a declaratory judgment of the court that the directors' and officers' liability insurance policy for excess coverage issued by American Alliance was invalid and/or had been properly canceled by American Alliance. As a result of a motion made by the Company, this case has been 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. In October 1998, an action was filed by Federal Insurance Company ("Federal Insurance") in the U.S. District Court for the Middle District of Florida requesting the same relief as that requested by American Alliance in the previously filed action as to additional coverage levels under the Company's directors' and officers' liability insurance policy. This action has been transferred to the U.S. District Court for the Southern District of Florida. Discovery in the cases brought by American Alliance and Federal Insurance is underway and coordinated with the discovery in the Consolidated Federal Actions. In December 1998, an action was filed by Executive Risk Indemnity, Inc. in the Circuit Court of the Seventeenth Judicial Circuit in and for Broward County, Florida requesting the same relief as that requested by American Alliance and Federal Insurance in their previously filed actions as to additional coverage levels under the Company's directors' and officers' liability insurance policy. In April 1999, the Company filed an action in the U.S. District Court for the Southern District of Florida against National Union Fire Insurance Company of Pittsburgh, PA ("National Union"), Gulf Insurance Company ("Gulf") and St. Paul Mercury Insurance Company ("St. Paul") requesting, among other things, a declaratory judgment that National Union is not entitled to rescind its directors' and officers' liability insurance policies to the Company and a declaratory judgment that the Company 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. The Company has settled its litigation with National Union. In response to the Company's complaint, defendants St. Paul and Gulf have answered and asserted counterclaims seeking rescission and declaratory relief that no coverage is available to the Company. The Company intends to pursue recovery from all of its insurers if damages are awarded against the Company or its indemnified officers and/or directors under any of the foregoing actions and to recover attorneys' fees covered under those policies. The Company's failure to obtain such insurance recoveries following an adverse judgment in any of the actions described above could have a material adverse effect on the Company's financial position, results of operations or cash flows.

By letter dated June 17, 1998, the staff of the Division of Enforcement of the SEC advised the Company that it was conducting an informal inquiry into the Company's accounting policies and procedures and requested that the Company produce certain documents. In July 1998, the SEC issued a Formal Order of Private Investigation, designating SEC officers to take testimony and pursuant to which a subpoena was served on the Company requiring the production of certain documents. In November 1998, another SEC subpoena requiring the production of additional documents was received by the Company. The Company has provided numerous documents to the SEC staff and continues to cooperate with the SEC staff. The Company has, however, declined to provide the SEC with material that the Company believes is subject to the attorney-client privilege and the work product immunity. The staff of the SEC has informed the Company that its has completed its investigation, and intends to recommend to the SEC that enforcement action be taken against the Company. The Company and the staff of the SEC are in discussions regarding the foregoing. The Company cannot predict at this time the outcome of these discussions.

The Company and its subsidiaries are also involved in various other lawsuits arising from time to time which the Company considers to be ordinary routine litigation incidental to its business. In the opinion of the Company, 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 the Company.

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 September 30, 2000, the Company had established accruals for

litigation matters of $32.4 million (representing $6.5 million and $25.9 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 $32.4 million accrual at September 30, 2000 will be paid as follows: $7.5 million in 2000, $24.4 million in 2001 and $0.5 million in 2002. The Company believes, based on information available on September 30, 2000, that anticipated probable costs of litigation matters existing as of September 30, 2000 have been adequately reserved to the extent determinable.

The Company recorded an additional $23.2 million and $4.8 million for the fiscal nine months of 2000 and 1999, respectively, for defense costs for restatement-related litigation. The $23.2 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 and third 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 condition 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 September 30, 2000, the Company has 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 the Company has 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, the Company recognizes its 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 the Company has 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 the Company's potential liability with respect to the Environmental Sites, the Company has actively participated in steering committees and other groups of PRPs established with respect to such sites. The Company currently is engaged 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 Company is 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, the Company has entered into agreements with governmental authorities to undertake additional investigatory activities and in other instances has agreed to implement appropriate remedial actions. The Company has also established reserve amounts for certain non-compliance matters including those involving air emissions.

The Company has established reserves to cover the anticipated probable costs of investigation and remediation, based upon periodic reviews of all sites for which the Company has, or may have remediation responsibility. The Company accrues 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 the Company's 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 the Company's commitment to a formal plan of action. As of September 30, 2000 and December 31, 1999, the Company's environmental reserves were \$19.4 million (representing \$18.0 million for the estimated costs of facility investigations, corrective measure studies, or known remedial measures, and \$1.4 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. It is anticipated that the \$19.4 million accrual at September 30, 2000 will be paid as follows: \$1.6 million in 2000, \$3.6 million in 2001, \$2.6 million in 2002, \$0.8 million in 2003, \$0.7 million in 2004 and \$10.1 million thereafter. The Company has accrued its best estimate of investigation and remediation costs based upon facts known to the Company 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 the Company 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 the Company 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 the Company's 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, the Company's ultimate future liability with respect to sites at which remediation has not been completed may vary from the amounts reserved as of September 30, 2000.

The Company believes, based on information available as of September 30, 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 condition, results of operations or cash flows.

Product Liability Matters

As a consumer goods manufacturer and distributor, the Company and/or its subsidiaries face the constant risks 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 the Company's consolidated financial position, results of operations or cash flows. Some of the product lines the Company acquired in the 1998 acquisitions have increased its exposure to product liability and related claims.

The Company is party to various personal injury and property damage lawsuits relating to its products and incidental to its business. Annually, the Company sets its product liability insurance program which is an occurrence based program based on the Company's current and historical claims experience and the availability and cost of insurance. The Company's 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.

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.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the accompanying condensed consolidated financial statements and the related footnotes included in this quarterly report on Form 10-Q, as well as the consolidated financial statements, related footnotes and management's discussion and analysis of financial condition and results of operations in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

European Restructuring

The Company is in the process of evaluating a restructuring plan related to its European operations. The restructuring plan will include, but will not be limited to, the reduction of warehouse and distribution centers, manufacturing headcount and the reduction of the Company's product offerings and stock keeping units ("SKU's"). As of September 30, 2000, the restructuring plan has not been finalized, however, the Company expects to finalize the plan and record a charge relating to such activities in the fourth quarter of 2000. The Company is unable to estimate the expected charge related to this restructuring as the evaluation process has not been completed.

Exchange Offer

In July 2000, the Company announced an offer to acquire all of the currently outstanding zero coupon debentures due 2018 (the "Debentures") in exchange (the "Exchange Offer") for senior secured subordinated debentures and shares of Sunbeam common stock. On September 12, 2000, the Company 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, the Company 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 through September 30, 2000 relating to the proposed transaction.

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 The Coleman Company, Inc. ("Coleman") from an affiliate of MacAndrews & Forbes ("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 approximately $1,016 million in debt of Coleman and its parent corporations. Immediately thereafter, as a result of the exercise of Coleman employee stock options, the Company's indirect beneficial ownership of Coleman decreased to approximately 79%.

In January 2000, pursuant to a merger agreement dated as of February 27, 1998, 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 Coleman employee options, in accordance with the merger agreement, which occurred in December 1999. In addition, pursuant to a court approved settlement of claims by Coleman public stockholders 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 (see Note 9 to the Condensed Consolidated Financial Statements) 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 Condensed Consolidated Statements of Operations from the respective dates of acquisition. Prior to the completion of the merger on January 6, 2000, the approximate 20% of Coleman's results of operations and net equity allocable to the public shareholders was reported as minority interest.

## Divestitures

### Clippers Businesses

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(R) brand name ("Professional Clippers"). The Company is currently conducting the sale process for the sale of such business.

In January 2000, the Company entered into a long-term licensing agreement with Helen of Troy Ltd. that will allow this company 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(R) branded retail hair clippers and trimmers through April 30, 2001. The Company also agreed to continue to manufacture Oster branded retail hair clippers and trimmers until 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. The foregoing retail hair clippers and trimmers are referred to as "Retail Clippers".

### Eastpak Business

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 million. This charge reduced the goodwill associated with Eastpak. The fair market value of Eastpak was determined based upon the purchase price in the Eastpak Sale Agreement (before adjustment). This charge is reflected in SG&A in the fourth quarter of 1999 Consolidated Statements of Operations.

In March 2000, the Company entered into the Eastpak Sale Agreement with VF Corporation, which provided for the sale of Eastpak. 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 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 valuation. Accordingly, the estimated costs of the transaction were reduced. This adjustment was reflected in SG&A in the Condensed Consolidated Statement of Operations during the third quarter of 2000. Eastpak, a wholly-owned subsidiary of Coleman, was acquired by the Company in March 1998. Net sales from Eastpak were approximately 5% of consolidated net sales in the first nine months of both 2000 and 1999. Operating income in the first nine months of 2000 and 1999 was not significant. Eastpak's results of operations are included in the Company's Outdoor Leisure business group through May 26, 2000.

Significant and Unusual Charges

Consolidated operating results for 2000 and 1999 were impacted by a number of significant and unusual charges. Operating (loss) income, adjusted for these items, is summarized in the following table and succeeding narrative.

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2000 | September 30, 1999 | September 30, 2000 | September 30, 1999 |
| (Amounts in millions) | | | | |
| Net sales – As reported | $ 466.2 | $ 601.6 | $ 1,614.9 | $ 1,786.4 |
| Divested businesses | (3.2) | (38.3) | (45.7) | (89.1) |
| Adjusted net sales | 463.0 | 563.3 | 1,569.2 | 1,697.3 |
| Gross margin - As reported | 105.1 | 162.8 | 390.5 | 462.9 |
| Divested businesses | 0.4 | (14.3) | (14.4) | (32.4) |
| Significant and unusual adjustments: | | | | |
| Glenwillow plant closure | -- | -- | 6.4 | -- |
| Retail store closings | | -- | 0.3 | -- |
| Purchase accounting | -- | -- | 4.3 | -- |
| Adjusted gross margin | 105.5 | 148.5 | 387.1 | 430.5 |
| Adjusted gross margin percentage | 22.8% | 26.4% | 24.7% | 25.4% |
| Selling, general and administrative expense ("SG&A") - As reported | 137.4 | 158.5 | 443.6 | 460.0 |
| Divested businesses | (0.3) | (11.9) | (13.8) | (29.7) |
| Significant and unusual adjustments: | | | | |
| Asset impairment | 3.2 | -- | 3.2 | -- |
| Exchange Offer expense | (5.4) | -- | (5.4) | -- |
| Glenwillow plant closure | -- | -- | (1.2) | -- |
| Retail store closings | -- | -- | (2.2) | -- |
| Restatement related litigation | (1.2) | (1.1) | (23.2) | (4.8) |
| Certain litigation and environmental reserve adjustments | (0.5) | (3.7) | (0.8) | (4.2) |
| Insurance recovery | -- | -- | 10.0 | -- |
| Year 2000 and systems initiatives expenses | -- | (6.8) | -- | (20.3) |
| Contract termination expense and other | -- | (0.8) | -- | (2.2) |
| Adjusted SG&A expense | 133.2 | 134.2 | 410.2 | 398.8 |
| Adjusted operating (loss) income | $ (27.7) | $ 14.3 | $ (23.1) | $ 31.7 |

The results from operations for the three and nine month periods ending September 30, 2000 and 1999 are adjusted to exclude the results of the Retail Clippers business and the Eastpak business, which were divested in the first and second quarters of 2000, respectively. Presentation of results for the periods presented excluding the divested businesses is provided to enhance comparability between the periods presented.

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. At September 30, 2000, the accrual balance relating to the closing of the Glenwillow facility was insignificant.

Retail store closings

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. At September 30, 2000 the accrual balance relating to the closing of Sunbeam's retail stores was insignificant.

Purchase accounting

The Company recorded the Coleman acquisition using the purchase method of accounting. In accordance with this accounting method, inventory pertaining to the acquisition of the remaining approximately 20% minority interest in Coleman was recorded at fair value. The fair value of the inventory exceeded the book value reflected on the balance sheet of the acquired company as of the acquisition date. The excess of the fair value of inventory over its pre-acquisition book value was recorded in cost of sales as the inventory was sold. The non-recurring impact of this purchase accounting adjustment was $4.3 million in the first quarter of 2000.

Asset Impairment

See "Eastpak Business" within this Item 2 - "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Exchange Offer expense

See "Exchange Offer" within this Item 2 - "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Restatement-related litigation

By letter dated June 17, 1998, the staff of the Division of Enforcement of the Securities and Exchange Commission ("SEC") advised the Company that it was conducting an informal inquiry into the Company's accounting policies. The Company is also involved in significant litigation, including class and derivative actions relating to events which led to the restatement of its consolidated financial statements, the issuance of the warrant to M&F, the sale of the Debentures and the employment agreements of Messrs. Dunlap and Kersh. The foregoing investigation and litigation are collectively referred to as "restatement-related litigation". The Company has recorded aggregate charges of $23.2 million in the first nine months of 2000 ($22.0 million in the second quarter and $1.2 million in the third quarter) and $4.8 million in the first nine months of 1999 ($3.7 million in the second quarter and $1.1 million in the third quarter) for defense costs for restatement-related litigation. The charges recorded reflect the Company's current estimate as of September 30, 2000 of additional defense costs through the expected or scheduled trial dates or termination dates for such restatement-related litigation. The Company's estimate of the additional defense costs was based primarily upon actual defense costs experienced 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).

Certain litigation and environmental reserve adjustments

During the first nine months of 2000 and 1999, the Company recorded additional environmental reserves of $0.8 million ($0.3 million in the second quarter and $0.5 million in the third quarter) and $1.2 million ($0.5 million in the second quarter and $0.7 million in the third quarter), respectively, primarily related to divested operations. Additionally, during the third quarter of 1999, the Company recorded a charge of $3.0 million related to a litigation matter arising out of circumstances the Company believes are not likely to reoccur.

Insurance recovery

In the first quarter of 2000, the Company settled one of its claims related to its directors' and officers' liability insurance policies pursuant to which, among other things, the insurer reimbursed the Company for $10 million of defense costs, which was the limit

of the policy at issue. This reimbursement is included in SG&A in the first quarter of 2000.

Year 2000 and systems initiatives expenses

Through September 30, 2000, including costs incurred in 1999 and 1998, the Company had expended approximately $67 million to address Year 2000 systems issues of which approximately 50% was recorded as capital expenditures and the remainder as SG&A expense. During the first nine months of 1999, the Company incurred $20.3 million ($8.1 million in the first quarter, $5.4 million in the second quarter, and $6.8 million in the third quarter) in costs to address Year 2000 issues. No significant costs have been incurred during 2000 and the Company does not expect to incur material additional costs related to Year 2000.

Contract termination and other

In the first quarter of 1999, the Company recorded a charge of $0.8 million relating to the renegotiations of a contract with one of the Company's trademark licensees. In addition, approximately $0.9 million was recorded ($0.3 million in each the first, second and third quarters of 1999) as a result of management's strategic decision to close a warehouse in Mexico.

In the third quarter of 1999, the Company recognized severance costs of $0.5 million related to the Company's decision to consolidate management of its strategic business units.

Three Months Ended September 30, 2000 Compared to Three Months Ended September 30, 1999

Consolidated net sales for the three months ended September 30, 2000 and 1999 were $466.2 million and $601.6 million respectively, a decrease of $135.4 million or approximately 23%. Excluding the impact of divested businesses, net sales for the third quarter of 2000 decreased $100.3 million or 17.8% as compared to the same period in the prior year. This variance was primarily due to a decrease in revenue from products with unusually high 1999 sales that the Company believes were driven by year 2000 concerns ("Year 2000 Products") in the Outdoor Leisure business. Additionally, a lower level of severe storm activity in 2000 impacted sales of Year 2000 Products. The Company also believes that sales of its products across all businesses were adversely affected by retailer purchasing patterns during the third quarter of 2000. Consumer take away during this time period out-paced retailer replenishment, resulting in part from uncertain and potentially weakening domestic retail conditions. The Company expects that during the fourth quarter of 2000, this purchasing trend by retailers will continue, as well as lower overall consumer purchases. Net sales for the Outdoor Leisure group decreased $82.5 million to $140.9 million in the third quarter of 2000. Excluding the domestic net sales of Eastpak for the 1999 period, net sales decreased $71.3 million or 33.6% as compared to the third quarter of 1999. This decrease is largely attributable to the reduction in sales of

Year 2000 Products, specifically Powermate(R) generators and Coleman cooking and lighting products. The Company believes that the decline in revenue from Powermate is a result of a combination of factors that have impacted the portable generator category generally during 2000, including weather conditions (lack of storm activity) and the effect of Year 2000 related sales in the second half of 1999. The decline in Coleman's revenue was also impacted by the effect of the aforementioned Year 2000 related sales as well as the impact of unseasonably cold weather during the second and third quarters of 2000, which adversely impacted sales of outdoor products. Sales of Year 2000 Products by Powermate and Coleman are expected to continue to lag behind 1999 for the balance of the year as a result of the positive impact that Year 2000 related concerns and storm activity had on 1999 sales levels. Excluding divested operations and Year 2000 Products sales from both periods presented, revenue for the Outdoor Leisure group was approximately $8.1 million or 9% lower in the 2000 period as compared to the same quarter in the prior year. This decrease was across all product categories and is largely due to the impact of the aforementioned impact of consumer and retailer purchasing patterns. Household net sales decreased $21.5 million, or 9.0%, to $218.3 million in the third quarter of 2000 as compared to the same period in the prior year. Excluding the net sales of the Retail Clippers business for both the 2000 and 1999 periods, net sales decreased $18.2 million or approximately 8% as compared to the third quarter of 1999. This decrease in revenue in the 2000 period is attributable to decreases primarily in bedding and health products. Partially offsetting this decrease is continued improvement in sales of appliances, primarily driven by increased sales of toasters and Mr. Coffee products. The Company believes that net sales in the Household segment in the third quarter of 2000 as compared to the 1999 period were adversely affected by the impact of retailer purchasing patterns described above. International net sales decreased $33.9 million to $105.2 million in the third quarter of 2000 as compared to the same period in the prior year. Excluding the International net sales of Eastpak and the Retail Clippers business for the 1999 period, net sales decreased $13.3 million or 11.2% as compared to the third quarter of 1999. The variance in International net sales in the 2000 period is primarily attributable to decreases in net sales in Europe and Canada. The net sales decrease in Europe was driven by lower levels of sales of outdoor recreation products and unfavorable foreign currency exchange rates. The decrease in net sales in Canada resulted from lower levels of sales of Powermate generators. These decreases are partially offset by increases in net sales in Latin America resulting from higher levels of sales of appliances.

**Gross margin** for the third quarter in 2000 was $105.1 million, or $57.7 million lower than the comparable period in 1999. Excluding the effects of divestitures, adjusted gross margin was $105.5 million in the third quarter of 2000, or $43.0 million lower than the comparable period in 1999. As a percentage of adjusted net sales, adjusted gross margin was 22.8% in the third quarter of 2000 as compared to the third quarter 1999 adjusted gross margin of 26.4%. The decrease in the gross margin percentage, adjusted for divestitures, is largely attributable to the Outdoor Leisure and International groups. These decreases were primarily driven by unfavorable manufacturing fixed cost absorption resulting from the lower production levels in the 2000 period and the effect of

the shift in product mix, primarily related to Year 2000 Products in the 1999 period, as gross margins on these products are higher than the overall average gross margin on the products the Company sells. These decreases are partially offset by decreases in customer allowances, which are deductions from gross sales to arrive at net sales. The gross margin percentage for the Household group, excluding the Retail Clippers business, improved approximately 2% in the third quarter of 2000 as compared to the same period in 1999. This improvement in gross margin results from a number of actions by the Company, including sourcing certain products outside the U.S., reductions in costs resulting from the Glenwillow plant closure and decreases in customer returns and allowances.

SG&A expense in the third quarter of 2000 was $137.4 million, representing a 13.3% decrease compared to the same period in the prior year. Excluding the effects of divestitures and significant and unusual items, as summarized above under "Significant and Unusual Charges", SG&A expense for 2000 was consistent with the same period in 1999. As a percentage of adjusted net sales, adjusted SG&A increased to 28.8% in the third quarter of 2000 from 23.8% in the same period in the prior year. This percentage increase is primarily attributable to the effect of the reduced sales volumes combined with increases in certain fixed administrative expenses, including insurance, as compared to the same period in the prior year. In addition, research and development ("R&D") spending increased by $1.5 million in the 2000 period. The higher levels of R&D costs relate to new product development, including "Smart Products" and Powermate generators.

Consolidated operating results for the third quarters of 2000 and 1999, were a loss of $32.3 million in 2000 and profit of $4.3 million in 1999. Operating results, as adjusted, were a loss of $27.7 million and a profit of $14.3 million in the third quarter of 2000 and 1999, respectively. This change resulted from the factors discussed above.

Interest expense, net in the third quarter of 2000 was $54.8 million as compared to $48.3 million in the same period in the prior year. Approximately half of this increase is attributable to higher levels of borrowings during the third quarter of 2000. The increased level of borrowings was primarily attributable to borrowings to fund the completion of the Coleman merger in January 2000 and for working capital purposes. The balance of the increase was driven by the impact of higher interest rates during the 2000 period and the amortization of the loan amendment fee (approximately $1 million) the Company is obligated to pay under the terms of the Credit Facility. These increases are partially offset by the decrease in interest expense related to liquidated damages payable to debenture holders (approximately $1 million) included in 1999. See Note 3 to the Condensed Consolidated Financial Statements for a discussion of the loan amendment fee.

Other income, net was $2.0 million for the third quarter of 2000. This amount primarily relates to gains from miscellaneous asset sales. Other income, net of $5.2 million for the third quarter of 1999 included a gain of approximately $4 million relating to the sale of the Mexico City facility. This gain was partially offset by losses from other miscellaneous asset sales of approximately $1.5 million. The balance of other income, net

in 1999 resulted from favorable foreign exchange rates, primarily from the Company's operations in Japan.

The minority interest reported for the third quarter of 1999 primarily relates to the minority interest held in Coleman by minority shareholders.

The Company recorded a deferred tax benefit in the third quarter of 2000 primarily due to losses in foreign jurisdictions. Approximately $1.6 million of the $3.7 million income tax expense recorded in the third quarter of 1999 related to a U.S. tax liability generated by Coleman as a separate U.S. tax filing entity. In July 1999, the Company acquired a sufficient ownership interest in Coleman to permit it and Coleman to file consolidated U.S. tax returns with Coleman for all future periods. The remaining tax expense recorded in the third quarter of 1999 related to taxes on foreign income. No net tax benefit was recorded on the Company's domestic losses in either year as it is management's assessment that the Company cannot demonstrate that it is more likely than not that deferred tax assets resulting from these losses would be realized through future taxable income.

Nine Months Ended September 30, 2000 Compared to Nine Months Ended September 30, 1999

Net sales for the nine months ended September 30, 2000 and 1999 were $1,614.9 million and $1,786.4 million, respectively, representing a decrease of $171.5 million or approximately 10%. Excluding the impact of divested businesses, adjusted net sales for the nine months ended September 30, 2000 decreased $128.1 million, or 7.5%, as compared to the same period in the prior year. This variance was primarily due to decreases in revenue from Year 2000 Products in the Outdoor Leisure business. Additionally, a lower level of severe storm activity in 2000 impacted sales of Year 2000 Products. The Company also believes that sales of its products across all businesses were adversely affected by retailer purchasing patterns during the first nine months of 2000. Consumer take away during this time period out-paced retailer replenishment, resulting in part from uncertain and potentially weakening domestic retail conditions. The Company expects that during the fourth quarter of 2000 this purchasing trend by retailers will continue, as well as lower overall consumer purchases. These decreases in revenues were partially offset by increases in sales of outdoor cooking products and appliances. Net sales for the Outdoor Leisure group decreased $114.2 million to $666.0 million in the nine months ended September 30, 2000. Excluding the domestic net sales of Eastpak for both the 2000 and 1999 periods, net sales decreased $97.0 million or 12.8% as compared to the 1999 period. This decrease is largely attributable to the reduction in sales of Year 2000 Products, as discussed above. Excluding the sales of Year 2000 Products, revenue from Coleman products increased over the prior year, largely driven by sales of inflatable furniture and coolers. Outdoor cooking product net sales increased approximately $24 million in the 2000 period as compared to the same period in 1999 largely due to the introduction of Coleman(R) branded gas grills and grill accessories. Household net sales decreased $36.0 million, or 6.5%, to $519.3 million in the nine-month period ended September 30, 2000 as compared to the same period in the prior year. Excluding the net

sales of the domestic Retail Clippers business for both the 2000 and 1999 periods, net sales decreased $30.4 million or 5.7% as compared to the nine-month period ended September 30, 1999. This decrease in revenue in the 2000 period as compared to the same period in the prior year is primarily attributable to decreases in sales of health products (principally heating pads and vaporizers), retail scales and First Alert products. Partially offsetting these decreases is increases in sales of appliances, primarily driven by increased sales of blenders and Mr. Coffee products. International net sales decreased $19.2 million to $425.1 million in the nine months ended September 30, 2000. Excluding the International net sales of Eastpak and the Retail Clippers business for both the 2000 and 1999 periods, net sales were consistent with the 1999 period. Within the International group, net sales in Latin America and Japan increased in the 2000 period as compared to the same period in the prior year resulting from higher levels of sales of appliances and outdoor recreation products, respectively. These increases were largely offset by decreases in net sales in the 2000 period in Canada as a result of lower levels of sales of Powermate generators and decreased net sales in Europe in the 2000 period driven by lower levels of sales of outdoor recreation products and unfavorable foreign currency exchange rates.

Gross margin for the first nine months of 2000 was $390.5 million, or $72.4 million lower than the comparable period in 1999. Excluding the effects of divested businesses and significant and unusual items, as summarized above under "Significant and Unusual Charges", adjusted gross margin was $387.1 million in the first nine months or $43.4 million lower than the comparable period in 1999. As a percentage of adjusted net sales, adjusted gross margin was 24.7% in the 2000 period as compared to 25.4% in the same period in 1999. The variance in the gross margin percentage in the 2000 period as compared to the same period in 1999 is attributable to the factors described above. Excluding the gross margins on the Year 2000 Products, which are higher than the overall average gross margin on the products the Company sells, adjusted gross margin as a percent of sales in the nine month period ended September 30, 2000 improved over the same period in the prior year.

SG&A expense for the first nine months of 2000 was $443.6 million, a decrease of $16.4 million or 3.6% compared to the same period in the prior year. Excluding the effects of divested businesses and significant and unusual items, as summarized above under "Significant and Unusual Charges", SG&A expense for 2000 was $11.4 million, or 2.9% higher than the same period in 1999. As a percentage of adjusted net sales, adjusted SG&A increased to 26.1% in the first nine months of 2000 from 23.5% in the same period in the prior year. The variance is largely attributable to the previously discussed increased spending related to R&D costs and advertising and marketing, which increased $7.6 million and $10.7 million, respectively, in the first nine months of 2000 as compared to the same period in the prior year, combined with the effect of lower net sales. The increases in advertising and marketing relate to new product introductions, including Coleman branded grills and grill accessories and outdoor recreation products. The variance in advertising and marketing expenses on a year-over-year basis are also impacted by the timing of 1999 programs for the Outdoor Leisure group, which largely

occurred in the second half of 1999. These increases in SG&A expenses are partially offset by the reduction of volume driven selling and administrative costs as a result of the lower level of net sales for the first nine months of 2000 compared to the same period in the prior year. Additionally, the 1999 period included higher costs associated with Sunbeam retail stores, and higher bad debt expense (approximately $5 million).

Operating results for the first nine months of 2000 and 1999, were a loss of $53.2 million in 2000 and a profit of $3.0 million in 1999. Operating results, as adjusted, were a loss of $23.1 million and a profit of $31.7 million in the nine months ended September 30, 2000 and 1999, respectively. This change resulted from the factors discussed above.

Interest expense increased from $136.6 million in 1999 to $160.7 million in 2000. Approximately half of this increase is attributable to higher levels of borrowings during the 2000 period. The increased level of borrowings was primarily due to borrowings to fund the completion of the Coleman merger in January 2000 and for working capital purposes. The balance of the increase was driven by the impact of higher interest rates during the 2000 period and the amortization of the loan amendment fee ($6.9 million) the Company is obligated to pay under the terms of the Credit Facility. These increases are partially offset by the decrease in interest expense related to liquidated damages payable to debenture holders (approximately $3 million) included in 1999. See Note 3 to the Condensed Consolidated Financial Statements for a discussion of the loan amendment fee.

Other expense, net of $2.7 million for the nine month period ending September 30, 2000 includes $4.6 million in losses on foreign exchange rates, primarily driven by the Company's operations in Europe. These losses were partially offset by the previously discussed gains resulting from miscellaneous asset sales. Other income, net of $4.6 million in 1999 included a gain of approximately $4 million relating to the sale of the Mexico City facility. This gain was partially offset by losses from other miscellaneous asset sales of approximately $0.3 million. The remaining other income, net in 1999 resulted from favorable foreign exchange rates, primarily from the Company's operations in Japan.

The minority interest reported in 2000 and 1999 relates to the minority interest held in Coleman by minority shareholders.

Tax expense recorded through September 30, 2000 totaled $6.9 million, of which $2.1 million related to Eastpak and the remainder related primarily to taxes on foreign income. Approximately $1.6 million of the $12.7 million income tax expense recorded in 1999 related to a U.S. tax liability generated by Coleman as a separate U.S. tax filing entity. In July 1999, the Company acquired a sufficient ownership interest in Coleman to permit it to file consolidated U.S. tax returns with Coleman for all future periods. The remaining tax expense recorded in 1999 related to taxes on foreign income. No net tax benefit was recorded on the Company's domestic losses in either year as it is management's assessment that the Company cannot demonstrate that it is more likely

than not that deferred tax assets resulting from these losses would be realized through future taxable income.

Foreign Operations

After adjusting for the divestiture of Retail Clippers and Eastpak, approximately 80% of the Company's business is conducted in U.S. dollars, including domestic sales, U.S. dollar denominated export sales, primarily to Latin American markets and Asian sales. The Company's non-U.S. dollar denominated sales are made principally by subsidiaries in Europe, Canada, Japan, Latin America and Mexico. Translation adjustments resulting from the Company's non-U.S. denominated subsidiaries have not had a material impact on the Company's financial condition, results of operations or cash flows.

On a limited basis, the Company selectively uses derivatives, primarily foreign exchange option and forward contracts, to manage foreign exchange exposures that arise in the normal course of business. No derivative contracts are entered into for trading or speculative purposes. The use of derivatives has not had a material impact on the Company's financial results.

Seasonality

Sunbeam's consolidated sales are not expected to exhibit substantial seasonality; however, sales are expected to be strongest during the second quarter of the calendar year. Furthermore, sales of a number of products, including warming blankets, vaporizers, humidifiers, grills, First Alert products, camping and generator products may be impacted by unseasonable weather conditions.

Liquidity and Capital Resources

Debt Instruments

In order to finance the 1998 acquisitions of Coleman, First Alert, Inc. ("First Alert") and Signature Brands USA, Inc. ("Signature Brands") and to refinance substantially all of the indebtedness of the Company and the three acquired companies, the Company consummated an offering in March 1998 of Debentures due 2018 having a yield to maturity of 5% (approximately $2,014 million principle amount at maturity), which resulted in approximately $730 million of net proceeds to the Company, and borrowed about $1,325 million under its Credit Facility.

The Debentures are 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 adjustments upon occurrence of certain events. The Debentures are subordinated in right of payment to all existing and future senior indebtedness of the Company. The Debentures are not redeemable by the Company prior to March 25, 2003. On or after such date, the Debentures are redeemable for cash with at

least 30 days notice, at the option of the Company. The Company is required to purchase Debentures at the option of the holder as of March 25, 2003, March 25, 2008 and March 25, 2013, at purchase prices equal to the issue price plus accrued original discount to such dates. The Company may, at its option, elect to pay any such purchase price in cash or common stock or any combination thereof. However, the Credit Facility prohibits the Company from redeeming or repurchasing debentures for cash.

In July 2000, the Company announced an Exchange Offer to acquire all of the currently outstanding Debentures in exchange for secured notes and shares of Sunbeam common stock. On September 12, 2000, the Company 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. See additional discussion at "Exchange Offer" within Item 2.

Concurrent with the 1998 acquisitions, the Company replaced its $250 million syndicated unsecured five-year revolving credit facility with the Credit Facility. The Credit Facility provided for aggregate borrowings of up to $1.7 billion and in addition to other customary covenants, required the Company to maintain specified consolidated leverage, interest coverage and fixed charge coverage ratios as of the end of each fiscal quarter occurring after March 31, 1998 and on or prior to the latest stated maturity date for any of the borrowings under the Credit Facility.

As a result of, among other things, its operating losses incurred during the first half of 1998, the Company did not achieve the specified financial ratios for June 30, 1998 and it appeared unlikely that the Company would achieve the specified financial ratios for September 30, 1998. Consequently, the Company and its lenders entered into an agreement dated as of June 30, 1998 that waived through December 31, 1998 all defaults arising from the failure of the Company to satisfy the specified financial ratios for June 30, 1998 and September 30, 1998. Pursuant to an agreement with the Company dated as of October 19, 1998, the Company's lenders extended all of the waivers through April 10, 1999 and also waived through such date all defaults arising from any failure by the Company to satisfy the specified financial ratios for December 31, 1998. In April 1999, such waivers were extended through April 10, 2000 and on April 10, 2000 such waivers were extended through April 14, 2000.

On April 14, 2000, the Company and its lenders entered into an amendment to the Credit Facility that, among other things, waived until April 10, 2001 all defaults arising from any failure by the Company to satisfy certain financial ratios for any fiscal quarter end occurring through March 31, 2001. As part of the April 14, 2000 amendment, the Company agreed to a minimum cumulative earnings before interest, taxes, depreciation and amortization ("EBITDA") covenant that is based on consolidated EBITDA and is tested at the end of each month occurring on or prior to March 31, 2001. Because the existing waiver expires on April 10, 2001, debt related to the Credit Facility and all debt containing cross-default provisions is classified as current in the September 30, 2000 Condensed Consolidated Balance Sheet.

The Company and its lenders entered into an amendment to the Credit Facility on August 10, 2000 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 the Company with a supplemental $50 million reducing revolving credit facility (the "Supplemental Revolver") having a final maturity date of December 31, 2000. Prior to the November 10, 2000 amendment described below, the availability under the Supplemental Revolver provided that it reduced by $10 million on the last day of each month commencing on August 31, 2000 and that outstanding loans under the Supplemental Revolver could not exceed at any time the lesser of the availability under the Supplemental Revolver or a borrowing base calculated by reference to the domestic inventory of the Company's Powermate subsidiary and outdoor cooking strategic business unit. The Company paid a facility fee to its lenders of $62,500 for the Supplemental Revolver.

As a result of continuing sales declines and operating losses during the third quarter of 2000, the Company did not achieve the specified cumulative EBITDA test required by the Credit Facility for September 30, 2000 and it appeared unlikely that the Company would achieve the test going forward. Consequently, the Company and its lenders entered into an amendment to the Credit Facility dated as of November 10, 2000 that (i) waives all defaults arising from the failure of the Company to satisfy the cumulative EBITDA test for any period ending on or prior to December 31, 2000; (ii) provides that, on or before December 31, 2000, the Company and the lenders will amend the cumulative EBITDA test to establish monthly EBITDA levels for the 2001 calendar year which are reasonably satisfactory to the lenders and which will be based on the Company's 2001 business plan to be provided to the Company's lenders in December 2000; (iii) provides that availability under the Supplemental Revolver is increased to $50 million without the monthly $10 million reduction or the limitation based on the borrowing base; and (iv) extends the maturity date for the Supplemental Revolver to April 10, 2001. The November 10, 2000 amendment also provides that the payment dates for the $19.1 million term loan payment and the $8.5 million amendment fee for the previously agreed to April 15, 1999 amendment, both of which were originally scheduled to be paid November 30, 2000, are deferred until April 10, 2001. If the Company is unable to satisfy the adjusted cumulative EBITDA covenant for any of the months of January through March 2001, the Company would be required to seek a waiver or amendment to such covenant from its lenders and there can be no assurance that the Company could obtain a waiver or amendment or that any such waiver or amendment would be on terms favorable to the Company. In addition, the November 10, 2000 amendment provides that, after making the $27.6 million payment of principal and fees due April 10, 2001, the Company may use the remaining net proceeds from asset sales to repay the revolving credit facility without reducing the lenders' commitments under such facility and subject, to the terms of the Credit Facility, the Company may reborrow such proceeds. However, the lender's consent is required for certain asset sales and they could refuse to consent or condition their consent on not allowing the Company full access to the net proceeds thereon.

The following description of the Credit Facility reflects the significant terms of the Credit Facility as amended to date.

In addition to the Supplemental Revolver, the 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 million maturing March 30, 2005 ($52.5 million of which was used to complete the Coleman merger which occurred on January 6, 2000); (ii) up to $800.0 million in term loans maturing on March 30, 2005 (all of which has been borrowed, and of which $35.0 million was used to complete the Coleman merger which occurred on January 6, 2000 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 September 30, 2000, after giving effect to the November 10, 2000 amendment which increased the amounts available under the Supplemental Revolver described below, of the remaining $1.664 billion Credit Facility, $1.538 billion was outstanding under the Credit Facility and approximately $68 million would have been available for borrowing. The remaining $58.1 million of the $1.664 billion Credit Facility was committed for outstanding letters of credit.

Pursuant to the Credit Facility, interest accrues, at the Company's option: (i) at the London Interbank Offered Rate ("LIBOR"), or (ii) at the base rate of the administrative agent which is generally the higher of the prime commercial lending rate of the administrative agent or the Federal Funds Rate 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 September 30, 2000. The applicable interest margins are subject to further downward adjustment upon the reduction of the aggregate borrowings under the Credit Facility. Borrowings under the 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. In addition, borrowings under the 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. 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 from time to time under the Supplemental Revolver are secured by substantially all of the assets and 100% of the stock of the Company's Canadian subsidiary and are guaranteed by the Canadian subsidiary.

Under terms of the April 14, 2000 amendment to the Credit Facility, the Company was obligated to pay the bank lenders an amendment fee for the April 14, 2000 amendment of 0.50% of the commitments under the 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 Eastpak. (See Note 7 to the Condensed Consolidated Financial Statements.) On April 10, 2001, the Company also must pay an amendment fee previously agreed to for the April 15, 1999 amendment equal to 0.50% of the commitments under the Credit Facility as of

April 15, 1999, totaling $8.5 million. An additional amendment fee relating to the April 15, 1999 amendment equal to $8.5 million will be payable to the bank lenders if the aggregate loan and commitment exposure under the Credit Facility is equal to or more than $1.2 billion on November 30, 2000, with such fee being payable on June 30, 2001. The $17 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 is being amortized to interest expense using the straight-line method over the one year term of that amendment.

In addition to the above described EBITDA and other tests and ratios, the Credit Facility contains covenants customary for credit facilities of a similar nature, including limitations on the ability of the Company and its subsidiaries, including Coleman, to, among other things, (i) declare dividends or repurchase stock, (ii) prepay, redeem or repurchase debt, incur liens and 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) make capital expenditures, (vii) fail to maintain its trade receivable securitization programs (or, in the case of the Sunbeam Receivables Program (as defined below), obtain an alternative receivables program within 60 days of termination of the Sunbeam Receivables Program), (viii) engage in mergers, acquisitions and asset sales, (ix) engage in certain transactions with affiliates, (x) settle certain litigation, (xi) alter its cash management system and (xii) alter the businesses they conduct. The Credit Facility provides for events of default customary for transactions of this type, including nonpayment, misrepresentation, breach of covenant, cross-defaults, bankruptcy, material adverse change arising from compliance with ERISA, material adverse judgments, entering into guarantees and change of ownership and control. Furthermore, the Credit Facility requires the Company to prepay loans under the Credit Facility on December 31, 2000 to the extent that the cash on hand in the Company's concentration accounts plus the aggregate amount of unused revolving loan commitments on that date exceed $185.0 million.

Unless waived by the bank lenders, the failure of the Company to satisfy any of the financial ratios and tests contained in the Credit Facility or the occurrence of any other event of default under the Credit Facility would entitle the bank lenders to (a) receive a 2.00% increase in the interest rate applicable to outstanding loans and increase the trade letter of credit fees to 1.00% and (b) declare the outstanding borrowings under the Credit Facility immediately due and payable and exercise all or any of their other rights and remedies. Any such acceleration or other exercise of rights and remedies would likely have a material adverse effect on the Company.

Pursuant to the April 14, 2000 amendment, term loan payments originally scheduled for September 30, 1999 and March 31, 2000 in the amount of $69.3 million on each date are to be made as follows: (i) $69.3 million on the sale of Eastpak, which occurred on May 26, 2000, (ii) $30.8 million on November 30, 2000 ($11.7 million of which has already been paid with the proceeds of the sale of Eastpak and certain other asset sales) and (iii) $38.5 million on April 10, 2001. The April 14, 2000 amendment

provided that the payment dates for the $69.3 million term loan payments originally scheduled for each of September 30, 2000 and March 31, 2001 are deferred until April 10, 2001. In addition, the November 10, 2000 amendment provides that the November 30, 2000 term loan payment ($19.1 million) and the amendment fee payment ($8.5 million) be deferred until April 10, 2001. (See Note 3 to the Condensed Consolidated Financial Statements.)

Cash Flows

As of September 30, 2000, the Company had cash and cash equivalents of $23.4 million and total debt of $2.4 billion. Cash used in operating activities during the nine months ending September 30, 2000 was $97.9 million, compared to the $73.2 million used during the nine months ending September 30, 1999. This change is primarily attributable to a decrease in operating results after giving effect to non-cash items, partially offset by decreased working capital needs during the 2000 period. The decrease in cash used for working capital during the 2000 period was primarily driven by accounts receivable, which decreased approximately $99 million from December 31, 1999 largely as a result of the impact of the lower level of net sales in 2000 as compared to the same period in 1999. In addition, the decrease in accounts receivable during the nine months ending September 30, 2000 reflects the impact of the increase in the existing accounts receivable securitization program ( the "Sunbeam Receivables Program") from $70 million to $100 million, effective March 31, 2000 and the new program entered into in April 2000 for the sale of Coleman's and Powermate's trade account receivables. (See Note 4 to the Condensed Consolidated Financial Statements.) During the same period in 1999, accounts receivable increased by approximately $78 million largely due to the Company's Outdoor Leisure division, which experienced strong levels of second and third quarter sales in 1999. During the first nine months of 2000, inventory levels increased approximately $60 million due to the seasonal inventory build in the Company's Household groups (primarily appliances and bedding products) and as a result of the decrease in sales of Year 2000 Products and reduced sales resulting from weakening retail conditions during the 2000 period as compared to the same period in 1999. In the first nine months of 1999, inventory levels decreased by $7.2 million primarily due to the fact that 1998 year-end inventory levels were high and the Company was actively working to reduce inventory to the appropriate level. Accounts payable decreased during the nine month period ending September 30, 2000 by approximately $35 million primarily due to a decrease in purchasing as a result of the lower sales volume and higher levels of inventory at September 30, 2000. During the first nine months of 1999, accounts payable increased approximately $30 million. The increase in payables in the 1999 period resulted from accounts payable balances being at a low level at year-end 1998 due to a decrease in purchasing as a result of the excess levels of inventory in December 1998. Decreases in other liabilities, primarily accrued interest, account for the majority of the balance of the cash used for working capital in 1999.

Cash used in investing activities in the nine month period ending September 30, 2000 reflects $80.9 million for the purchase of the remaining approximate 20% interest in Coleman and proceeds of $102.6 million relating to the sale of Eastpak. Capital spending

for the nine months ending September 30, 2000 totaled $43.1 million, primarily for equipment and tooling for new products and the expansion of the Company's Neosho, Missouri warehouse. Investing activities for the 2000 period also includes approximately $10 million from the sale of assets, including the sale of the former Coleman headquarters building (approximately $5 million). Capital spending in the comparable 1999 period was $63.2 million and was primarily for information systems, including expenditures relating to Year 2000 readiness and equipment and tooling for new products. The Company anticipates 2000 capital spending to be less than 5% of net sales.

Cash provided by financing activities totaled $93.1 million in the nine month period ending September 30, 2000 and reflected net borrowings under the Company's Credit Facility. Approximately $81 million of the borrowings under the Credit Facility resulted from the Company's purchase of the remaining 20% interest in Coleman. These borrowings were partially offset by repayments of approximately $79 million made with proceeds from the sale of Eastpak. The balance of the increased borrowings under the Credit Facility was used to fund the Company's working capital requirements. Cash provided by financing activities totaled $99.2 million in the nine months ending September 30, 1999 and reflects net borrowings under the Company's Credit Facility. (See Note 3 to the Condensed Consolidated Financial Statements.)

At September 30, 2000, standby and commercial letters of credit aggregated $58.1 million and were predominately for insurance policies, workers' compensation, and international trade activities. In addition, as of September 30, 2000, surety bonds with a contract value of $72.2 million were outstanding largely for the Company's pension plans and as a result of environmental issues and litigation judgments that are currently under appeal.

As discussed in Note 2 to the Condensed Consolidated Financial Statements, the Company announced it intends to sell its Professional Clippers business. However, there can be no assurance as to whether or when such sale will be consummated. Moreover, the terms, timing and use of the net proceeds from such sale is subject to the approval of the lenders under the Credit Facility, and there can be no assurance that the lenders will consent to any sale or as to the terms of any consent provided.

As described in Note 4 to the Condensed Consolidated Financial Statements, the purchaser under the Sunbeam Receivables Program has determined to cease operations and consequently will cease purchasing receivables from the Company on January 15, 2001. The Company intends to seek a replacement receivables program, although there can be no assurance that the Company will be able to obtain a replacement program or that the terms of any such replacement program will be favorable to the Company. In addition, the Coleman Receivable Program contains cross-default provisions that provide the purchasers of the receivables an option to cease purchasing receivables if the Company is in default under the Credit Facility. In addition, these agreements contain various other covenants customary for these types of programs, including financial covenants. While the Company was in compliance with such covenants through September 30, 2000, the Company anticipates that it will be required to obtain a waiver

or an amendment for certain covenants contained in the Coleman Receivable Program early in 2001 due primarily to the anticipated financial performance of Coleman and Powermate during 2000. The Company believes that such waiver or modification can be obtained, although there can be no assurance that any such waiver or amendment would be obtained or if obtained, would be on terms favorable to the Company.

The Company believes its borrowing capacity under the Credit Facility including its Supplemental Revolver, foreign working capital lines, cash flow from the operations of the Company, existing cash and cash equivalent balances, proceeds from its receivable securitization programs (See Note 4 to the Condensed Consolidated Financial Statements), the portion of the proceeds from the proposed sale of the Professional Clippers business which the Company may retain as described above and net proceeds from the sale of other non-core assets will be sufficient to support planned working capital needs and planned capital expenditures to April 2001. However, as described above, there are uncertainties regarding the terms and timing of the sale of the Professional Clipper business, the Company's ability to obtain lender consent to allow the Company access to all or most of the proceeds thereof (after payment of the $27.6 million in principal and fees due April 10, 2001) and the Company's ability to obtain a replacement receivables program for the Sunbeam Receivables Program. Given these and other uncertainties 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, restructuring indebtedness, selling other assets or operations and/or reducing expenditures for new product development, cutting other costs, and some of such actions would require the consent of the lenders under the Credit 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 Credit Facility. See "Cautionary Statements".

By letter dated June 17, 1998, the staff of the Division of Enforcement of the SEC advised the Company that it was conducting an informal inquiry into the Company's accounting policies and procedures and requested that the Company produce certain documents. In July 1998, the SEC issued a Formal Order of Private Investigation, designating SEC officers to take testimony and pursuant to which a subpoena was served on the Company requiring the production of certain documents. In November 1998, another SEC subpoena requiring the production of additional documents was received by the Company. The Company has provided numerous documents to the SEC staff and continues to cooperate with the SEC staff. The Company has, however, declined to provide the SEC with material that the Company believes is subject to the attorney-client privilege and the work product immunity. The staff of the SEC has informed the Company that its has completed its investigation, and intends to recommend to the SEC that enforcement action be taken against the Company. The Company and the staff of the

SEC are in discussions regarding the foregoing. The Company cannot predict at this time the outcome of these discussions.

The Company is involved in significant litigation, including class and derivative actions, relating to events which led to the restatement of its consolidated financial statements, the issuance of the warrant to a subsidiary of M&F, the sale of the debentures and the employment agreements of Messrs. Dunlap and Kersh. The Company intends to vigorously defend each of the actions, but cannot predict the outcome and is not currently able to evaluate the likelihood of the Company's success in each case or the range of potential loss. However, if the Company were to lose these suits, the resulting judgments would likely have a material adverse effect on the Company's financial position, results of operations or cash flows. Additionally, the Company's insurance carriers, on the one hand, and the Company on the other, have filed various suits against each other requesting a declaratory judgment on the validity of the directors' and officers' liability insurance policies or have advised the Company of their intent to deny coverage under such policies. The Company is defending these claims and pursuing recovery from its insurers. See Part II- "Other Information". The Company's failure to obtain such insurance recoveries following an adverse judgment against the Company on any of the foregoing actions could have a material adverse effect on the Company's financial position, results of operations or cash flows.

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 plaintiff, 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 September 30, 2000 the Company had established accruals for litigation matters of $32.4 million (representing $6.5 million and $25.9 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 settlements and legal fees, respectively.) It is anticipated that the $32.4 million accrual at September 30, 2000 will be paid as follows: $7.5 million in 2000, and $24.4 million in 2001 and $0.5 million in 2002. The Company believes, based on information available to the Company on September 30, 2000, that anticipated probable costs of litigation matters existing as of September 30, 2000 have been adequately reserved to the extent determinable.

As a consumer goods manufacturer and distributor, the Company faces the constant risks 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 the Company's financial position, results of operations or cash flows. Some of the product lines the Company acquired in the 1998 acquisitions have increased its exposure to product liability and related claims.

The Company and its subsidiaries are also involved in various lawsuits from time to time that the Company considers to be ordinary routine litigation incidental to its business. In the opinion of the Company, 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 on the financial position, results of operations or cash flows of the Company.

See Note 9 to the Condensed Consolidated Financial Statements.

New Accounting Standards

In September 2000, the FASB issued SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (a replacement of FASB Statement No. 125). This Statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. This Statement is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. Disclosures about securitization and collateral accepted need not be reported for periods ending on or before December 15, 2000, for which financial statements are presented for comparative purposes. The Company has not yet determined the effect of SFAS No. 140 on the consolidated financial position, results of operations or cash flows.

In July 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Hedging Activities (an amendment of FASB Statement No. 133) which amends SFAS No. 133, to provide additional guidance and to exclude certain provisions, which were determined by the FASB to be a burden on corporations. SFAS No. 133 requires the recognition of all derivatives in the Company's Consolidated Balance Sheets as either assets or liabilities measured at fair value and is effective for fiscal years beginning after June 15, 2000. It further provides criteria for derivative instruments to be designated as fair value, cash flow or foreign currency hedges and establishes accounting standards for reporting changes in the fair value of the derivative instruments. Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either (1) offset against the change in fair value of the hedged asset, liability or firm commitment through income or (2) held in equity until the hedged item is recognized in income. The ineffective portion of a hedge's change in fair value is immediately recognized in income. Upon adoption, the Company will be required to adjust hedging instruments to fair value in the balance sheet and recognize the offsetting gains or losses as adjustments to be reported in net income, or other comprehensive income, as appropriate.

Sunbeam has a cross-disciplinary implementation team in place to address SFAS No. 133 related issues. The team has been implementing a SFAS No. 133 compliant risk management policy, globally educating both financial and non-financial personnel, inventorying embedded derivatives and addressing other various SFAS No. 133 related issues. The Company will adopt SFAS No. 133 for the 2001 fiscal year. Although the Company continues to review the effect of the implementation of SFAS No. 133, the Company does not currently believe its adoption will have a material impact on its consolidated financial position, results of operations or cash flows. However, the impact of adoption of SFAS No. 133 on the Company's results of operations is dependent upon the fair values of the Company's derivatives and related financial instruments at the date of adoption and may result in more pronounced quarterly fluctuations in other income and expense.

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 will be required to adopt SAB 101 by the fourth quarter of fiscal 2000. The Company does not believe that SAB 101 will have a material impact on its consolidated financial position, results of operations or cash flows.

Cautionary Statements

Certain statements in this Quarterly Report on Form 10-Q may constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995, as the same may be amended from time to time (the "Act") and in releases made by the SEC. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the word "estimate," "project," "intend," "expect," "believe," "may," "well," "should," "seeks," "plans," "scheduled to," "anticipates," or "intends," or the negative of these terms or other variations of these terms or comparable language, or by discussions of strategy or intentions, when used in connection with the Company, including its management. These forward-looking statements were based on various factors and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements. These cautionary statements are being made pursuant to the Act, with the intention of obtaining the benefits of the "safe harbor" provisions of the Act. The Company cautions investors that any forward-looking statements made by the Company are not guarantees of future performance. Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements with respect to the Company include, but are not limited to, risks associated with:

- high leverage;

- the Company's ability to continue to have access to its revolving credit facility and its supplemental revolver including the Company's ability to (i) comply with the terms of its Credit Facility, including the cumulative EBITDA and other financial covenants, or (ii) enter into an amendment to its credit agreement containing financial covenants which it and its bank lenders find mutually acceptable or obtain waivers of compliance from such covenants;

- the prices at which the Company is able to sell receivables under its trade accounts receivables securitization programs and/or the Company's ability to continue to sell receivables under either of such programs including the Company's ability to comply with the terms of such programs; or obtain replacement programs on acceptable terms in the event one or both of such programs are terminated;

- the Company's ability to continue to have access to foreign working capital lines or the amount of credit available to the Company under such lines;

- the Company's ability to refinance its indebtedness, including the Credit Facility and/or the Debentures, at acceptable rates with acceptable other terms;

- the Company's ability to consummate the sale of its Professional Clippers business and certain other non-core assets and if consummated, the terms of such sales and the Company's ability to obtain consent from its lenders for such sale or the terms of such consent, including the portion of net proceeds to be retained by the Company;

- weather conditions, including the absence of severe storms such as hurricanes, which can have an unfavorable impact upon sales of Powermate generators and certain of the Company's other products;

- economic uncertainty in Japan, Korea and other Asian countries, as well as in Mexico, Venezuela, and other Latin American countries;

- 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 resulting in a decrease in consumer demands for the Company's products;

- the trend by retailers of increasing the scope of private label or retailer-specific brands, particulary in appliances;

- the Company's ability to fully integrate the Coleman, and Signature Brands businesses and expenses associated with such integration;

- the Company's sourcing of products from international vendors, including the ability to select reliable vendors and obtain on-time delivery and quality products from such vendors;

- the Company's ability to maintain and increase market share for its products at acceptable margins;

- the Company's ability to successfully introduce new products and to provide on-time delivery and a satisfactory level of customer service;

- changes in domestic and/or foreign laws and regulations, including changes in tax laws, accounting standards, environmental laws, occupational, health and safety laws;

- access to foreign markets together with foreign economic conditions, including currency fluctuations and trade, monetary and/or tax policies;

- fluctuations in the cost and availability of raw materials and/or products;

- changes in the availability and costs of labor;

- effectiveness of advertising and marketing programs;

- product quality, including excess warranty costs;

- product liability expenses consisting of insurance, litigation fees and damages and/or settlement costs, as well as other costs including Sunbeam's First Alert subsidiary and costs including legal fees and penalties (if any) and lost business and/or goodwill of product recalls;

- the numerous lawsuits against the Company and the SEC investigation into the Company's accounting practices and policies, and uncertainty regarding the Company's available coverage under its directors' and officers' liability insurance; and

- actions by competitors in existing and/or future lines of businesses including business combinations, new product offerings and promotional activities.

Other factors and assumptions not included in the list above may also cause the Company's actual results to materially differ from those projected.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

On April 23, 1998, two class action lawsuits were filed on behalf of purchasers of the Company's common stock in the U.S. District Court for the Southern District of Florida against the Company and some 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 defendant Arthur Andersen LLP ("Arthur Andersen"), the Company's independent accountants for the period covered by the lawsuit.

On June 16, 1998, the court entered an order consolidating all these suits and all similar class actions subsequently filed (collectively, the "Consolidated Federal Actions"). On January 6, 1999, plaintiffs filed a consolidated amended class action complaint against the Company, some 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 the Company's business operations and future prospects in an effort to artificially inflate the price of the Company'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 the Company, causing the Company 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 the Company's common stock or who purchased call options or sold put options with respect to the Company's common stock during the period April 23, 1997 through June 30, 1998, excluding the defendants, their affiliates, and employees of the Company. Defendants have opposed that motion. 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 the Company, and a third-party complaint against a former director of the Company and against unnamed third party corporations. On July 31, 2000, the court dismissed the former director from Arthur Anderson's counterclaims. On June 30, 2000, the plaintiffs filed a second amended complaint against most of the same defendants (although two of the Company'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.

On April 7, 1998, a purported derivative action was filed in the Circuit Court for the Fifteenth Judicial Circuit in and for Palm Beach County, Florida against the Company and some of its present and former directors and former officers. The action alleged that the individual defendants breached their fiduciary duties and wasted corporate assets when the Company granted stock options in February 1998 to three of its now former officers and directors. In June 1998, all defendants filed a motion to dismiss the

complaint for failure to make a pre-suit demand on the Company's board of directors. In February 1999, plaintiffs filed an amended derivative complaint nominally on behalf of the Company against some of its present and former directors and former officers and Arthur Andersen. This amended complaint alleges, among other things, that Messrs. Dunlap and Kersh, the Company's former Chairman and Chief Executive Officer and former Chief Financial Officer, respectively, caused the Company 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.

During 1998, purported class action and derivative lawsuits were filed in the Court of Chancery of the State of Delaware in New Castle County and in the U.S. District Court for the Southern District of Florida by stockholders of the Company against the Company, MacAndrews & Forbes and some of the Company's present and former directors. These complaints allege, among other things, that the defendants breached their fiduciary duties when the Company entered into a settlement agreement with the MacAndrews & Forbes subsidiary that sold the Company a controlling interest in Coleman. In such settlement agreement, the MacAndrews & Forbes subsidiary released the Company from threatened claims arising out of the Company's acquisition of its interest in Coleman, and MacAndrews & Forbes agreed to provide management support to the Company. Under the settlement agreement, the MacAndrews & Forbes subsidiary was granted a warrant expiring August 24, 2003 to purchase up to an additional 23 million shares of the Company's common stock at an exercise price of $7 per share, subject to anti-dilution provisions. The derivative actions filed in the Delaware Court of Chancery were consolidated. The plaintiffs voluntarily dismissed this action. The action filed in the U.S. District Court for the Southern District of Florida has been dismissed. In April 2000, a complaint was filed in the U.S. District Court for the Southern District of Florida against the Company, certain current and former directors, Messrs. Dunlap and Kersh and MacAndrews & Forbes alleging, among other things, that certain of the defendants breached their fiduciary duty when the Company entered into a settlement agreement with MacAndrews & Forbes, and certain of the defendants breached their fiduciary duty and wasted corporate assets by, among other things, issuing materially false and misleading statements regarding the Company's financial condition. The plaintiff in this action seeks, among other things, recission of the warrants issued to MacAndrews & Forbes and an injunction preventing the issuance of warrants and damages. Each of the defendants has filed a motion to dismiss this complaint.

In September 1998, an action was filed in the 56th Judicial District Court of Galveston County, Texas 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 the Company's alleged misstatements and omissions regarding the Company'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 the Company's common stock on their own behalf and on behalf of their respective clients. The Company 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 U.S. District Court for the Southern District of Florida and consolidated with the Consolidated Federal Actions.

In October 1998, a class action lawsuit was filed in the U.S. District Court for the Southern District of Florida on behalf of certain purchasers of the Debentures against the Company and certain of the Company's former officers and directors. In April 1999, a class action lawsuit was filed in the U.S. District Court for the Southern District of Florida on behalf of persons who purchased Debentures during the period of March 20, 1998 through June 30, 1998, inclusive, but after the initial offering of such Debentures against the Company, Arthur Andersen, the Company's former auditor, and certain former officers and directors. The court consolidated the two cases and the plaintiffs have filed a consolidated class action on behalf of persons who purchased Debentures 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 Debentures. This action is coordinated with the Consolidated Federal Actions.

The Company has been 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 the Company violated the Texas Securities Act and the Texas Business & Commercial Code and committed state common law fraud by materially misstating the financial position of the Company in connection with the offering and sale of the Debentures. The complaint seeks rescission, as well as compensatory and exemplary damages in an unspecified amount. The Company specially appeared to assert an objection to the Texas court's exercise of personal jurisdiction over the Company, and a hearing on this objection took place in April 1999. Following the hearing, the court entered an order granting the Company's special appearance and dismissing the case without prejudice. The plaintiffs appealed, which appeal was denied. The plaintiffs have appealed to the Texas Supreme Court. In October 2000, the plaintiffs also filed a complaint against the Company's subsidiary Sunbeam Products, Inc. in the District Court for Dallas County alleging substantially the same allegations as the complaint filed against the Company in Tarrant County.

Messrs. Dunlap and Kersh have commenced an action against the Company in the Chancery Court for the State of Delaware seeking advancement from the Company 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. The Company has denied their claims. Discovery has commenced, and no trial date has been set.

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 the Company. Messrs. Dunlap and Kersh are requesting a finding by the arbitrator that the Company terminated their employment without cause and that they should be awarded certain benefits based upon their respective employment agreements. The Company 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 the Company and Messrs. Dunlap and Kersh. An answer was filed by Messrs. Dunlap and Kersh generally denying the Company's counterclaim. The arbitration hearings have commenced and hearings are scheduled on various dates through April 2001.

On September 13, 1999, an action naming the Company and Arthur Andersen as defendants was filed in the Circuit Court for Montgomery County, Alabama. The plaintiffs in this action are purchasers of the Company'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 the Company for contribution and indemnity. The Company 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 and consolidated with the Consolidated Federal Actions.

In September 2000, an action naming the Company as a defendant was filed in the Circuit Court for Ozaukee County, Wisconsin. The plaintiffs allege that the Company violated the federal securities laws in connection with the offering and sale of the Debentures. The plaintiffs seek recission and damages. The Company has removed the action to Federal Court.

The Company intends to vigorously defend each of the foregoing lawsuits, but cannot predict the outcome and is not currently able to evaluate the likelihood of the Company's success in each case or the range of potential loss, if any. However, if the Company were to lose one or more of these lawsuits, judgments would likely have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

In July 1998, the American Alliance Insurance Company ("American Alliance") filed suit against the Company in the U.S. District Court for the Southern District of New York requesting a declaratory judgment of the court that the directors' and officers' liability insurance policy for excess coverage issued by American Alliance was invalid and/or had been properly canceled by American Alliance. As a result of a motion made by the Company, this case has been 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. In October 1998, an action was filed by Federal Insurance Company ("Federal Insurance") in the U.S. District Court for the Middle District of Florida requesting the same relief as that requested by American Alliance in the previously filed action as to additional coverage levels under the Company's directors' and officers' liability insurance policy. This action has been transferred to the U.S. District Court for the Southern District of Florida. Discovery in the cases brought by American Alliance and Federal Insurance is underway and coordinated with the discovery in the Consolidated Federal Actions. In December 1998, an action was filed by Executive Risk Indemnity, Inc. in the Circuit Court of the Seventeenth Judicial Circuit in and for Broward County, Florida requesting the same relief as that requested by American Alliance and Federal Insurance in their previously filed actions as to additional coverage levels under the Company's directors' and officers' liability insurance policy. In April 1999, the Company filed an action in the U.S. District Court for the Southern District of Florida against National Union Fire Insurance Company of Pittsburgh, PA ("National Union"), Gulf Insurance Company ("Gulf") and St. Paul Mercury Insurance Company ("St. Paul") requesting, among other things, a declaratory judgment that National Union is not entitled to rescind its directors' and officers' liability insurance policies to the Company and a declaratory judgment that the Company 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. The Company has settled its litigation with National Union. In response to the Company's complaint, defendants St. Paul and Gulf have answered and asserted counterclaims seeking rescission and declaratory relief that no coverage is available to the Company. The Company intends to pursue recovery from all of its insurers if damages are awarded against the Company or its indemnified officers and/or directors under any of the foregoing actions and to recover attorneys' fees covered under those policies. The Company's failure to obtain such insurance recoveries following an adverse judgment in any of the actions described above could have a material adverse effect on the Company's financial position, results of operations or cash flows.

By letter dated June 17, 1998, the staff of the Division of Enforcement of the SEC advised the Company that it was conducting an informal inquiry into the Company's accounting policies and procedures and requested that the Company produce certain documents. In July 1998, the SEC issued a Formal Order of Private Investigation, designating SEC officers to take testimony and pursuant to which a subpoena was served on the Company requiring the production of certain documents. In November 1998, another SEC subpoena requiring the production of additional documents was received by the Company. The Company has provided numerous documents to the SEC staff and continues to cooperate with the SEC staff. The Company has, however, declined to provide the SEC with material that the Company believes is subject to the attorney-client privilege and the work product immunity. The staff of the SEC has informed the Company that its has completed its investigation, and intends to recommend to the SEC that enforcement action be taken against the Company. The Company and the staff of the SEC are in discussions regarding the foregoing. The Company cannot predict at this time the outcome of these discussions.

The Company and its subsidiaries are also involved in various other lawsuits arising from time to time which the Company considers to be ordinary routine litigation incidental to its business. In the opinion of the Company, 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 the Company.

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 September 30, 2000, the Company had established accruals for litigation matters of $32.4 million (representing $6.5 million and $25.9 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 $32.4 million accrual at September 30, 2000 will be paid as follows: $7.5 million in 2000, $24.4 million in 2001 and $0.5 million in 2002. The Company believes, based on information available on September 30, 2000, that anticipated probable costs of litigation matters existing as of September , 2000 have been adequately reserved to the extent determinable.

The Company recorded an additional $23.2 million and $4.8 million for the fiscal nine months of 2000 and 1999, respectively, for defense costs for restatement-related litigation. The $23.2 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 and third 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).

Item 2. Exhibits and Reports on Form 8-K

(a) Exhibits

| Exhibit No. | Description |
|---|---|
| 10.1 | Eleventh Amendment dated as of July 6, 2000 to Credit Agreement dated as of March 30, 1998 among Sunbeam Corporation, the subsidiary borrowers referred to therein, the Lenders party thereto, Morgan Stanley Senior Funding, Inc., Bank of America National Trust and Savings Association and First Union National Bank (as amended, the "Credit Agreement") |
| 10.2 | Twelfth Amendment to the Credit Agreement dated as of August 10, 2000 |
| 10.3 | Thirteenth Amendment to the Credit Agreement dated as of September 29, 2000 |
| 10.4 | Fourteenth Amendment to the Credit Agreement dated as of November 10, 2000 |
| 27 | Financial Data Schedule submitted electronically to the Securities and Exchange Commission for information only and not filed. |

(b) Report on Form 8-K

No reports on Form 8-K were filed through September 30, 2000.

## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUNBEAM CORPORATION

By: /s/ BOBBY G. JENKINS
Bobby G. Jenkins
Executive Vice President, and
Chief Financial Officer
(Principal Financial Officer)

Dated: November 17, 2000

## EXHIBIT INDEX

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| --- | --- |
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EXHIBIT E

Sunbeam Corporation and Subsidiaries
(Debtor-in-Possession)
Projected Consolidated Statements of Operations
(in thousands)

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2001 | Fresh Start & Debt Discharge Adjustments | 2001 | 2002 | 2003 |
| | *(pre-emergence)* | | *(post-emergence)* | | |
| Net sales | $ 2,339,072 | $ - | $ 2,339,072 | $ 2,296,413 | $ 2,483,583 |
| Cost of goods sold | 1,759,694 | - | 1,759,694 | 1,658,334 | 1,784,741 |
| Gross margin | 579,378 | - | 579,378 | 638,079 | 698,842 |
| Selling, general and administrative expense | 555,290 | - | 555,290 | 537,185 | 557,801 |
| Operating earnings | 24,088 | - | 24,088 | 100,894 | 141,041 |
| Interest expense, net | 53,379 | - | 53,379 (c) | 65,844 | 67,869 |
| Other (income) expense, net | (54,663) | - | (54,663) | 2,653 | 2,554 |
| Earnings before fresh-start valuation, income taxes and extraordinary item | 25,373 | - | 25,373 | 32,396 | 70,618 |
| Fresh start valuation charges | - | 161,775 (d) | 161,775 | - | - |
| Earnings (loss) before income taxes and extraordinary item | 25,373 | (161,775) | (136,403) | 32,396 | 70,618 |
| Income tax provision | 9,611 | - | 9,611 | 11,065 | 25,951 |
| Earnings (loss) before extraordinary gain | 15,762 | (161,775) | (146,014) | 21,331 | 44,667 |
| Extraordinary gain on discharge of debt, net of income taxes | - | 1,565,444 (a) | 1,565,444 | | |
| Net earnings | $ 15,762 | $ 1,403,669 | $ 1,419,431 | $ 21,331 | $ 44,667 |
| EBITDA | $ 135,000 | | $ 135,000 | $ 189,357 | $ 231,376 |

See Notes to Projected Financial Statements.

Sunbeam Corporation and Subsidiaries
(Debtor-in-Possession)
Projected Consolidated Balance Sheets
(in thousands)

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2001 | Debt Discharge Adjustments | Fresh Start Adjustments | 2001 | 2002 | 2003 |
| **Assets** | *(pre-emergence)* | | | *(post-emergence)* | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | $ 8,798 | $ - | $ - | $ 8,798 | $ 53,714 | $ 119,299 |
| Receivables, net | 345,466 | | - | 345,466 | 373,960 | 406,183 |
| Inventories | 367,739 | | - | 367,739 | 394,733 | 425,242 |
| Prepaid expenses and other current assets | 38,284 | | - | 38,284 | 38,284 | 38,284 |
| Total current assets | 760,287 | - | - | 760,287 | 860,692 | 989,009 |
| Property, plant and equipment, net | 400,496 | | (63,479) (d) | 337,017 | 327,268 | 318,172 |
| Trademarks, tradenames, goodwill and other, net | 616,105 | | (152,745) (d) | 463,360 | 443,054 | 422,749 |
| | $ 1,776,888 | $ - | $ (216,224) | $ 1,560,665 | $ 1,631,014 | $ 1,729,929 |
| **Liabilities and Shareholders' (Deficiency) Equity** | | | | | | |
| Current liabilities: | | | | | | |
| Short-term debt and current portion of long-term debt | $ 45,727 | $ - | $ (8,763) | $ 36,965 | $ 38,521 | $ 39,229 |
| Accounts payable | 152,135 | | - | 152,135 | 159,455 | 172,073 |
| Other current liabilities | 207,652 | | - | 207,652 | 230,747 | 250,166 |
| Total current liabilities | 405,515 | - | (8,763) | 396,752 | 428,723 | 461,468 |
| Long-term debt, less current portion | 0 | 800,000 (a) | 8,763 | 808,763 | 837,207 | 867,999 |
| Other long-term liabilities | 309,275 | | (54,448) (e) | 254,827 | 243,431 | 234,143 |
| Liabilities subject to compromise | 2,465,768 | (2,465,768) (b) | | - | - | - |
| Shareholders' (deficiency) equity | (1,403,670) | 100,324 (a) | (161,775) | (1,465,122) | 121,653 | 166,320 |
| | | 1,565,444 (a) | | 1,565,444 | | |
| | | | | - | | |
| | $ 1,776,888 | $ - | $ (216,224) | $ 1,560,665 | $ 1,631,014 | $ 1,729,929 |

See Notes to Projected Financial Statements.

## Sunbeam Corporation and Subsidiaries
## (Debtor-in-Possession)
## Projected Condensed Consolidated Statements of Cash Flows
## (in thousands)

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2001 | Fresh Start & Debt Discharge Adjustments | 2001 | 2002 | 2003 |
| **Operating activities:** | *(pre-emergence)* | | *(post-emergence)* | | |
| Net earnings | $ 15,762 | $ 1,403,669 | $ 1,419,431 | $ 21,331 | $ 44,667 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | 98,891 | - | 98,891 | 91,116 | 92,889 |
| Non-cash interest charges | 13,524 | - | 13,524 | 30,000 | 31,500 |
| Gain/loss on sale of assets | (57,644) | | (57,644) | | |
| Deferred income tax provision | 2,986 | | 2,986 | 70 | 376 |
| Gain on debt discharge and fresh start adjustments, net | - | (1,403,669) | (1,403,669) | - | - |
| Changes in operating assets and liabilities: | | | | | |
| Receivables, net | (45,067) | - | (45,067) | (28,494) | (32,223) |
| Proceeds from receivables securitization | (89,111) | - | (89,111) | - | - |
| Inventories | 14,021 | - | 14,021 | (26,994) | (30,508) |
| Accounts payable | 7,388 | - | 7,388 | 7,321 | 12,618 |
| Prepaids and other current assets and liabilities | 2,851 | - | 2,851 | 23,095 | 19,419 |
| Other long-term and non-operating liabilities | (28,913) | - | (28,913) | (11,466) | (9,665) |
| Net cash (used in) provided by operating activities | (65,313) | - | (65,313) | 105,978 | 129,072 |
| **Investing activities:** | | | | | |
| Capital expenditures | (59,500) | - | (59,500) | (61,061) | (63,487) |
| Proceeds from sale of assets | 101,153 | | 101,153 | | |
| Net cash provided by (used in) investing activities | 41,653 | - | 41,653 | (61,061) | (63,487) |
| **Financing activities:** | | | | | |
| Net borrowings under credit facilities | 4,367 | - | 4,367 | (0) | - |
| Other, net | (194) | - | (194) | - | - |
| Net cash provided by investing activities | 4,173 | - | 4,173 | (0) | - |
| Net (decrease) increase in cash and cash equivalents | (19,488) | - | (19,488) | 44,916 | 65,586 |
| Cash and cash equivalents beginning of the period | 28,286 | - | 28,286 | 8,798 | 53,714 |
| Cash and cash equivalents end of the period | $ 8,798 | $ - | $ 8,798 | $ 53,714 | $ 119,299 |

See Notes to Projected Financial Statements.

Sunbeam Corporation and Subsidiaries
(Debtor-in-Possession)
Notes to Projected Consolidated Financial Statements
(in thousands)

The pro forma adjustments reflect the total assumed fair market values of the enterprise and is based upon the valuation analysis prepared by WP&C. See Section IX, "Valuation". The WP&C valuation is based upon a number of assumptions, including a successful reorganization of the Debtor's businesses 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. See section X , "Certain Risk Factors to be Considered."

The pro forma adjustments valuing certain long-lived assets at fair market value are based upon preliminary estimates. These estimated values do not purport to be based upon an independent appraisal value or necessarily reflect the values which may be realized if the assets are sold. These fair market value adjustments will be revised when additional information concerning asset and liability valuation becomes available. Adjustments, which could be significant, will be made during the period of time allowable in accordance with SOP 90-7 based upon detailed reviews of the fair values of assets and liabilities as of the Effective Date.

(a) To reflect the issuance of new debt and new stock to the prepetition creditors as follows:

| | | |
|---|---|---|
| Assumed fair value of new Secured Debt | $ 200,000 | |
| Assumed fair value of Secured Convertible Debt | 600,000 | |
| Total assumed fair market value of new Debt | | $ 800,000 |
| Assumed fair value of reorganized Sunbeam Corporation common stock | | 100,324 |
| Fair value of consideration | | 900,324 |
| Carrying value of discharged prepetition liabilities | | (2,465,768) |
| Extraordinary gain on discharge of debt | | $ (1,565,444) |

The reconciliation of fair value above to the WP&C valuation follows:

| | |
|---|---|
| WP&C valuation | $ 1,080,000 |
| Less: | |
| Foreign Debt | (29,241) |
| Other debt, including Industrial Revenue Bonds | (10,405) |
| Receivables securitization repayment | (140,030) |
| Assumed fair value of consideration | $ 900,324 |

(b) To reclassify pre-petition liabilities to non-current liabilities subject to compromise:

| | |
|---|---|
| Bank Credit Facility (1) | 1,547,085 |
| Accrued interest on Bank Credit Facility | 42,790 |
| Accrued commitment fees on Bank Credit Facility | 15,204 |
| Subordinated Convertible Notes | 863,675 |
| Unamortized Debt issuance costs | (38,924) |
| Other long term liabilities (Restatement related litigation reserves) | 35,937 |
| | $ 2,465,768 |

(1) Actual outstanding borrowings as of the Commencement Date, including letters of credit of $72.1 million was $1.653 billion, including the $50 million supplemental revolver. The projections assume the $50 million supplemental revolver was repaid immediately with funds from the DIP financing as well as slightly higher levels of borrowings through February 6, 2001.

(c) Interest assumptions are as follows:

**2001**

A/R securitization:

The projections assume an annual interest rate of 10%, which is applied to the outstanding investment balance. Fees of $3.0 million are amortized in 2001, through the anticipated emergence from Chapter 11.

DIP Credit Facility:

The projections assume an annual interest rate of 11% which is applied to outstanding balance. Fees of $5.7 million are amortized in 2001, through the anticipated emergence from Chapter 11.

(in thousands)

Also included within 2001 is interest expense on prepetition debt of $18 million for the month of January and on all other debt (principally foreign lines) of $1.0 million.

**2002 and 2003**

Senior Notes:

An annual interest rate of 12% is applied to the $200 million Senior Notes.

Convertible Notes:

An annual interest rate of 5% applied to $600 million non-cash pay debt.

**A summary of the terms of the Senior and Convertible Notes are set forth in Exhibits C and D of the Sunbeam Corporation Plan. Certain principal terms of such securities, including the final interest rate, remain to be determined. The interest rates set forth above were assigned solely for the purposes of preparation of the projected financial statements.**

Revolver:

As stated earlier, the Company will need a working capital revolver and/or receivable securitization facility. The assumption is that such facilities will have an assumed annual interest rate of 10%.

Projected interest expense in 2002 and 2003 is calculated as follows:

| | 2002 | 2003 |
|---|---|---|
| Cash expense related to Senior Notes | $ 24,000 | $ 24,000 |
| Non-cash expense related to Convertible Notes | 30,000 | 31,500 |
| Cash expense related to working capital needs | 6,560 | 7,085 |
| Other | 5,284 | 5,284 |
| | $ 65,844 | $ 67,869 |

(d) To reflect the adjustment of certain long-lived assets to the estimated fair market value:

| | | |
|---|---|---|
| Property, plant and equipment | $ (63,479) | |
| Trademarks/tradenames and other | (152,745) | |
| | (216,224) | |
| Income taxes | 54,449 | (e) |
| Total Fresh-Start Valuation Charge | (161,775) | |

These adjustments result in an annual reduction in depreciation and amortization expense of $13 million.

(e) Represents the reversal of tax valuation reserves in connection with Fresh-Start Valuation Charges and was computed using 39.0% tax rate.

(f) Substantially all of the pre-petition debt was in default as a result of the Chapter 11 filings resulting in the classification in the balance sheet as current. Upon the Effective date, the debt is no longer in default. This adjustment represents the reclassification of such debt to non-current.

Credit Facility Allowed Claim

| | Principal | Interest through 2/5/01 | Total |
|---|---|---|---|
| Term A | $ 630,801,250.00 | $ 17,763,247.99 | $ 648,564,497.99 |
| Term B | 583,250,000.00 | 16,424,213.47 | 599,674,213.47 |
| ABR* | 327,948,025.48 | 9,351,685.83 | 337,299,711.31 |
| | $ 1,541,999,275.48 | $ 43,539,147.29 | $ 1,585,538,422.77 |
| Amendment fee | | | 16,975,000.00 |
| LOC fees and interest | | | 172,116.64 |
| | Total Secured Bank Allowed Claim | | $ 1,602,685,539.41 |
| Supplemental | 50,000,000.00 | 293,452.05 | 50,293,452.05 |
| | Total outstanding as of 2/5/01, excluding LCs | | $ 1,652,978,991.46 |
| Outstanding LCs | | | $ 72,051,974.52 |

## Summary of Significant Assumptions

The financial projections included in this Disclosure Statement are dependent upon the successful implementation of the business plans of Sunbeam Corporation and its subsidiaries and the validity of the other assumptions contained therein. These projections reflect numerous assumptions, including confirmation and consummation of the plans of reorganization for Sunbeam Corporation and the Subsidiary Debtors as filed with the Bankruptcy Court on, April 26, 2001, in accordance with their terms, continued access to the DIP Credit Facility and post-petition receivables financing program provided by General Electric Capital Corporation ("A/R Securitization Facility"), the anticipated future performance of the reorganized debtors, 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 Sunbeam Corporation and its subsidiaries. In addition, certain risk factors and unanticipated events and circumstances occurring subsequent to the preparation of the projections may affect the actual consolidated financial results of Sunbeam Corporation and its subsidiaries. Although the projections were prepared in good faith, variations between actual financial results and these projections may occur and be material. Through the first quarter ended March 31, 2001, the Sunbeam Group has experienced softness in its sales, both domestically and internationally, resulting in part from overall economic conditions. It is expected that these conditions will have a negative impact on projected sales for 2001; however, although there can be no assurance, the Sunbeam Group believes its expense management plans in 2001 will largely mitigate the effect of lower sales in 2001. Because such reduced expenses pertain to advertising, research and development and other activities undertaken to benefit future periods, such expense reductions may influence the level of results achieved in 2002 and 2003.

The Sunbeam Group's projections include the following assumptions:

Divestitures:

- The Professional Clippers business is assumed to be sold in the second quarter of 2001, resulting in net proceeds of approximately $80 million, which is used to reduce the DIP Facility. The 2001 projections do not include revenue or earnings before interest, taxes, depreciation and amortization ("EBITDA") from the Professional Clippers business.

- The Sunbeam branded portion of the Outdoor Cooking business (which is owned by Sunbeam Products, Inc., a Debtor) is assumed to be partially divested by the end of 2001 for net proceeds of $20 million in cash plus other securities. This level of projected proceeds assumes that Sunbeam Products, Inc. will retain, among other things, an equity interest in this business of slightly below 50%. Results subsequent to 2001 reflect licensing and other income from the joint venture. The projections assume that Coleman will retain the business for the Coleman brand of Outdoor Cooking products.

A/R Securitization Facility:

- These projections assume that Sunbeam Corporation and the Subsidiary Debtors emerge from Chapter 11 in 2001. Hence, by its terms, the receivable facility would terminate. However, the Sunbeam Group will require a working capital revolver and/or a receivable facility going forward given the seasonality of its businesses. The income statement reflects estimated annual interest expense of $7 million subsequent to 2001 for such facilities while the related balance sheets do not reflect amounts outstanding as such amounts (net of cash) would be nominal at year-end.

Fresh Start Accounting:

The financial projections assume that Sunbeam Corporation and the Subsidiary Debtors will emerge from Chapter 11 in 2001 and adopt the provisions of Fresh Start Accounting. These principles are contained in the American Institute of Certified Public Accountants Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code", ("SOP 90-7"). Adoption of Fresh Start Accounting requires that assets and liabilities be restated to reflect their reorganization value, which approximates fair value at the date of emergence from Chapter 11. The assumed reorganization value of Sunbeam Corporation and its consolidated subsidiaries is approximately $1.1 billion. The projected reorganization value of Sunbeam Corporation and its consolidated subsidiaries will result in a reduction of PP&E, trademarks and other intangibles of approximately $160 million. During the fourth quarter of 2000, Sunbeam Corporation and the Subsidiary Debtors' determined that goodwill recorded in connection with the acquisition of Coleman, as well as Sunbeam's 1998 acquisition of Signature Brands, was impaired. As of December 31, 2000, substantially all of the goodwill for these acquisitions was written off. Adoption of Fresh Start Accounting does not result in additional adjustments to goodwill or the creation of additional excess reorganization value. The restructuring of Sunbeam Corporation's and the Subsidiary Debtors' capital structure and resulting discharge of pre-petition debt will result in an extraordinary gain of $1.6 billion. See summary below of Sunbeam Corporation's and the Subsidiary Debtors' capital structure. The Fresh Start Accounting adjustments included in the following projections are preliminary estimates.

Reorganization Value:

See Section IX. "Valuation", of this Disclosure Statement.

Net Sales:

Net Sales are projected to decrease 1.8% in 2002 and increase 8.2% in 2003. The decrease in net sales in 2002 results primarily from the sale of the Sunbeam branded® Outdoor Cooking business, as discussed above. Excluding revenue from the Sunbeam branded Outdoor Cooking business for all periods, net sales are projected to increase approximately 8% in 2002 as compared to 2001. The increases in Net Sales for 2001

through 2003 are driven primarily by new product development in the Outdoor Leisure and Household groups, as well as the normalization of sales of products driven by year 2000 concerns ("Year 2000 Products"), resulting in a significant increase in 2001 for the Coleman and Powermate businesses (in the U.S., Canada, and Latin America). Year 2000 Products include Powermate generators and Coleman heating and lighting products.

Gross Margin:

Gross margin as a percentage of net sales is projected to improve from 24.8% in 2001 to 28.1% in 2003. This improvement in the gross margin percentage is primarily driven by the partial sale of the Sunbeam branded® outdoor cooking business at the end of 2001, the cost savings as a result of the Sunbeam Group's European restructuring initiative and from a favorable product mix resulting from new product introductions.

SG&A:

Selling, general and administrative ("SG&A") expenses as a percentage of net sales are projected to improve from 23.7% in 2001 to 22.5% in 2003. This improvement is primarily attributable to the inclusion in 2001 of $15 million of expenses associated with the reorganization plan, to the reduction in the amortization of intangibles resulting from the impact of Fresh Start accounting, as well as fixed cost leverage arising from increasing net sales.

Income Taxes:

The projections assume that Sunbeam Corporation no longer requires a valuation allowance for deferred tax assets, since it is expected that these assets will be recognizable at a future date. In addition, these projections assume that Sunbeam Corporation's benefit in the post-emergence period from net operating losses and credits attributable to prior periods will be limited under Sec. 382 of the Internal Revenue Code. Sunbeam Corporation believes that the Sec. 382 limitation will approximate $5 million. The weighted average worldwide effective tax rate is estimated at 39%.

EBITDA:

EBITDA represents earnings from continuing operations before interest and financing charges, income taxes, depreciation and amortization. EBITDA as measured by the Sunbeam Corporation may not be comparable to similarly titled measures reported by other companies. EBITDA for 2001 has been adjusted to exclude the estimated gain resulting from the sale of Professional Clippers of $58 million and $15 million of expenses associated with the reorganization plan.

Capital Expenditures:

Capital expenditures relate primarily to new product development, productivity enhancements, replacement costs and safety related modifications.

Working Capital:

Components of working capital are projected on the basis of historic patterns applied to projected levels of operations.

**EXHIBIT F**

# EXHIBIT F

## Sunbeam Corporation and Sunbeam Subsidiaries
### Hypothetical Orderly Liquidation Analysis

The Debtors developed their estimates of liquidation recoveries under the following two hypothetical scenarios: a) a lower recovery scenario, assuming a discontinuation of business operations and conversion of operating assets to cash over a six-month period; and b) a higher recovery scenario, assuming an orderly liquidation/sale of business operations over a six-month period.

The principal assumptions used in developing the accompanying liquidation analyses are set forth as follows:

1. Commencing on or about February 6, 2001 (the "Filing Date"), a chapter 7 Trustee would be appointed to pursue sale of the Debtors' operating business units as going concerns and liquidation of the Debtors' remaining assets.

2. The Professional Clippers business is assumed to be sold as a going concern by 4/30/01, generating sale proceeds ranging from $100 million ("low" recovery) to $112 million ("high" recovery), which amounts exceed recent offers received by the Debtors for such business in the context of proposed going-concern sales.

3. Under the "high" recovery scenario, all of the Debtors' other domestic and international operating business units (including non-debtor foreign subsidiaries), consisting of Coleman, Powermate, Sunbeam Products and First Alert, are assumed to be sold as going concerns by 7/31/01, generating estimated sale proceeds aggregating $703 million ($815 million including the estimated proceeds from the sale of the Professional Clippers business).

4. Under both the "low" and "high" recovery scenarios, the Debtors assume no significant recoveries from sale/liquidation of Thalia Products and fuel cell technology licensed by Powermate.

# EXHIBIT F

## Sunbeam Corporation and Sunbeam Subsidiaries
### Hypothetical Orderly Liquidation Analysis

5. Under the "low" recovery scenario, asset balances as of the Filing Date are assumed to be consistent with the Debtors' financial projections as of January 31, 2001. All of the Debtors' operating assets are assumed to be liquidated, generating the following estimated recoveries by asset type:

| Asset Categories | % of net book value | Est. liquidation value (in $000) |
|---|---|---|
| Cash | 100% | $ 11,600 |
| Accounts receivable | 70% | 68,500 |
| Inventories: | | |
| Finished goods | 45% | 110,400 |
| Work-in-process | 10% | 2,700 |
| Raw material | 20% | 15,600 |
| Fixed assets, net | 10% | 38,700 |
| Trademarks | Note 1 | 158,000 |
| Other assets, (primarily goodwill) | 0% | 0 |
| **Total from asset liquidations** | | **405,500** |
| Proceeds from Professional Clippers business | | 100,000 |
| **Total proceeds "low" scenario** | | **$ 505,500** |

Note 1: The estimated recoverable value of the Debtors' trademarks is derived assuming future royalty rates ranging from 2% to 4% of annual revenues, discounted to present value.

6. Under the "low" recovery scenario, net proceeds generated from liquidating assets owned by non-debtor foreign subsidiaries, after satisfaction of wind-down costs and obligations associated with such entities, are assumed to be insignificant.

7. Sunbeam Corporation's assets, consisting primarily of Corporate office furniture and fixtures, and computer hardware and software, are assumed to be liquidated, generating 10% and 20% of net book value, in the "low" and "high" recovery scenarios, respectively, or recoveries of $2.7 million and $5.3 million, respectively.

8. The chapter 7 administration process, including: a) claims resolution; (b) preparation of financial reports and tax returns; and c) distributions to claimants, is assumed to be completed by December 31, 2001.

# EXHIBIT F

## Sunbeam Corporation and Sunbeam Subsidiaries
### Hypothetical Orderly Liquidation Analysis

There can be no assurance that the liquidation would be completed within the time frames specified. It is possible that the disposition of the Debtors' operating business units and remaining financial assets could reasonably exceed 6 months, causing an adverse impact on recoveries depicted herein. In addition, these liquidation analyses do not consider the time value of money. The present value of expected proceeds would necessarily be less than the fair value of liquidation proceeds that would be distributed in the future.

The liquidation analyses represent the Debtors' best estimate of liquidation values and recovery percentages based upon a hypothetical chapter 7 liquidation. There can be no assurance that the actual liquidation values or recoveries would fall within the ranges represented as such estimates may not prove to be accurate. Variances from the estimates may be caused by the following factors:

1. Nature and timing of liquidation process - Under Section 704 of the Bankruptcy Code, an appointed chapter 7 trustee must, among other duties, collect and convert the property of the estate, as expeditiously as is compatible, with the best interests of the parties-in-interest. The Sunbeam operating businesses share brand names and, to a limited extent, facilities. The sale of individual businesses would necessarily involve negotiations regarding the future use of these brand names and facilities. It has been assumed that there would be pressure to complete the sales process within six months. The need to convert property to cash and to conclude brand name and facility use negotiations rapidly may have an adverse impact on the proceeds realized from the sale of the Sunbeam operating businesses.

2. Impact on Debtors' operations of a chapter 7 liquidation - It is probable that a chapter 7 proceeding and the sudden pendency of the sales would have adverse effects on employee morale, customer willingness to order goods and vendor willingness to ship supplies and extend trade credit.

3. Estimated claims and their priority - Claim amounts included in this analysis primarily represent estimated obligations as of the Filing Date. In addition, the Debtors' have various potential liabilities under environmental laws, which they believe can be addressed in the ordinary course of business after consummation. By contrast, in a chapter 7 liquidation, significant uncertainty would surround responsibility for these exposures. The Debtors have made no studies of chapter 7 environmental exposures. In addition, at the time of the sale of these businesses, there would be a high degree of uncertainty about the potential exposure of the purchasers to future transferee liability for future product liability claims which may not be addressed in a chapter 7 proceeding.

# EXHIBIT F

## Sunbeam Corporation and Sunbeam Subsidiaries
### Hypothetical Orderly Liquidation Analysis

4. Estimated liquidation costs - It is possible that operating costs and other expenses during the liquidation process could result in liquidation costs being greater or less than the estimated amounts. Such costs are, in part, dependent on the duration of the liquidation process, and the extent to which the liquidation process may be contested by parties-in-interest.

5. Tax liabilities - For purposes of this liquidation analyses, management has estimated that no significant tax liabilities would be incurred by the Debtors from the disposition of businesses and assets, due to the application of available tax benefits.

Consolidated - Estimated Liquidation Recoveries (in $000):

| | Est. Allowed | % Recovery | | Est. Liquidation Value | |
|---|---|---|---|---|---|
| | Claims | From | To | From | To |
| Proceeds from going concern sale of operating businesses (Note 2) | | | | $ 100,000 | $ 815,000 |
| Proceeds from liquidation of operating assets | | | | 402,800 | 0 |
| Proceeds from liquidation of Holding Co. assets | | | | 2,700 | 5,300 |
| **Total Recoveries** | | | | **505,500** | **820,300** |
| Repayment of Chapter 7 financing obligation | | | | 34,000 | 175,200 |
| Chapter 7 administrative expense claims (Note 1) | | | | 33,200 | 28,400 |
| **Net Proceeds available for Secured Claims** | | | | **438,300** | **616,700** |
| Secured Bank claims | $1,665,000 | 26% | 36% | 428,700 | 607,100 |
| Other secured claims | 9,600 | 100% | 100% | 9,600 | 9,600 |
| **Net Proceeds available for Unsecured Claims** | | | | 0 | 0 |
| Priority claims | [to be determined] | 0% | 0% | 0 | 0 |
| General unsecured claims | [to be determined] | 0% | 0% | 0 | 0 |

# EXHIBIT F

## Sunbeam Corporation and Sunbeam Subsidiaries
### Hypothetical Orderly Liquidation Analysis

**Footnotes:**

Note 1: Assumed costs incurred during the chapter 7 process, including: a) funding of working capital requirements prior to the sale of the operating business units; b) operating expenses; c) Corporate office administrative expenses; d) Trustee fees; and e) professional fees, are estimated to be as follows:

| | Low Recovery | High Recovery |
|---|---|---|
| **Repayment of Chapter 7 "DIP" Financing obligation:** | | |
| Financing of operating business units (incl. working capital requirements under "high" recovery scenario) | $ 21,900 | $ 154,000 |
| Corporate office & International headquarters administrative expenses | 12,100 | 21,200 |
| | 34,000 | 175,200 |
| **Chapter 7 Administrative Expenses:** | | |
| Chapter 7 Trustee fees (3% and 2% for low and high recoveries, respectively) | 15,200 | 16,400 |
| Chapter 7 professional fees | 18,000 | 12,000 |
| | 33,200 | 28,400 |
| **Total Chapter 7 Funding Requirements** | 67,200 | 203,600 |
| **Absorbed by Sunbeam Corporation** | 2,700 | 5,300 |
| **Remainder, allocated to Sunbeam Subsidiaries** | $ 64,500 | $ 198,300 |

For purposes of the Liquidation Analyses, chapter 7 administrative expenses absorbed by Sunbeam Corporation are limited to the extent of asset liquidation recoveries from Sunbeam Corporation assets. All other chapter 7 administrative expenses are assumed to be absorbed by Sunbeam Subsidiaries.

Note 2: Assumed proceeds from sale of the Debtors' domestic and international operating business units includes the sale of the working capital and other assets associated with such businesses. The valuation ranges are based on pre-Filing Date purchase offers and comparable company valuation multiples applied to recent financial results, net of: a) transaction and closing costs, including sale commissions, professional fees, and environmental studies; and b) assumed discounts applicable to conducting the sale process in a chapter 7 environment. The need to convert the Debtors' property to cash in an expeditious manner under a chapter 7 environment may have an adverse impact on the proceeds realized from the sale of the Sunbeam operating businesses.