WINSTON & STRAWN

FREDERICK H. WINSTON (1853-1886)
SILAS H. STRAWN (1891-1946)

1400 L STREET, N.W.
WASHINGTON, D.C. 20005-3302

(202) 371-5700

FACSIMILE (202) 371-5950

CHICAGO OFFICE
35 WEST WACKER DRIVE
CHICAGO, ILLINOIS 60601
(312) 558-5600

NEW YORK OFFICE
175 WATER STREET
NEW YORK, NY 10038-4981
(212) 269-2500

WRITER'S DIRECT DIAL NUMBER

(202) 371-5703

April 23, 1991

Document Control Room
United States Nuclear Regulatory
Commission
Washington, D.C. 20555

Re: Chemetron Corporation
(License No. SUB-1357)
Docket No. 40-8724
Submittal of Form 10-K

Gentlemen:

On October 1, 1990, I transmitted to you Chemetron Corporation's Request for License Renewal in the captioned matter. As part of the Decommissioning Funding Plan, Attachment 1 to the Request for License Renewal, Chemetron indicated that it would provide actual financial statements in December 1990. Chemetron requested an extension to provide the financial statements in a letter to Mr. Donald J. Srenawski at NRC Region III on January 30, 1991. This letter explained that Chemetron was awaiting the completion by Arthur Anderson & Co. of a financial audit. The audit has now been completed and the Form 10-K containing the promised information prepared.

On behalf of Chemetron Corporation, I am hereby submitting three copies of Form 10-K for the fiscal year ending September 30, 1990 for Allegheny International, Inc., predecessor company to Sunbeam-Oster Company, Inc.

Sincerely,

Mark J. Wetterhahn

Mark J. Wetterhahn
Counsel for Chemetron Corporation

Enclosures
cc: Donald J. Srenawski
NRC Region III

Ltr. Encl.

add:
L Bykoski 1 1

NF11

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C., 20549

APR 10 1991

FORM 10-K

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

For the fiscal year ended September 30, 1990 Commission file number 1-52

ALLEGHENY INTERNATIONAL, INC.
(predecessor company to Sunbeam-Oster Company, Inc.)

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	25-1638266 (I.R.S. Employer Identification No.)
Centre City Tower, 650 Smithfield Street Pittsburgh, Pennsylvania (Address of principal executive offices)	15222 (Zip Code)

Registrant's telephone number, including area code: (412) 562-4000

Securities registered pursuant to Section 12(b) of the Act:
NONE
Securities registered pursuant to Section 12(g) of the Act:

Common Stock ($0.01 par value)
(Title of Class)

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 bean subject to such filing requirements for the past 90 days.

Yes ______ No __X__

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ______ No __X__

The aggregate market value of all classes of the registrant's voting stock held by nonaffiliates as of February 5, 1991 was $1,336,630.*

On February 5, 1991, there were 63,855,390 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
NONE

* For purposes of this calculation, the fair value per share of common stock was assumed to be the book value per share of $4.51.

PART I

ITEM 1. BUSINESS.

Sunbeam-Oster Company, Inc. ("Sunbeam-Oster" or the "Company") is a leading international consumer products company with approximately $900 million of annual revenues. The Company markets its products worldwide under the Sunbeam® and Oster® brandnames. The red Sunbeam and blue Oster logos are among the strongest trademarks in North America and are widely recognized throughout Latin America, Europe and the Far East.

Within its single line of business -- consumer products -- Sunbeam-Oster has five major business groups: I. The Outdoor Products Group, consisting primarily of gas barbecue grills, casual outdoor furniture and a line of outdoor time and temperature instruments; II. The Home Comfort and Personal Care Products Group, consisting of a broad line of warming blankets and throws, health care and comfort products such as vaporizers, humidifiers and portable heaters, hair care products, and blood pressure and temperature monitoring equipment; III. The Professional Products Group, providing barber and beauty shops, food service and pet and agricultural markets with selected Company products which have been adapted to commercial applications; IV. The Household Products Group, having responsibility for a full line of small electrical kitchen appliances including mixers, Osterizers, Oskar food processors, toasters, irons, can openers, food scales and thermometers, timers and coffee makers, as well as a diverse line of indoor household time and weather instruments; and V. The International Group which manufactures and markets a broad range of the above-mentioned products in world markets.

The Company has 5.9 million square feet of manufacturing. sales and administrative activities in 36 locations throughout the United States, Canada, Latin America and Europe. An extensive in-house sales organization is supplemented by distributors and manufacturers representatives at selected locations.

Sunbeam-Oster was formed in 1989. Its principal executive offices are located at Centre City Tower, 650 Smithfield Street, Pittsburgh, Pennsylvania. References to the "Company" mean Sunbeam-Oster Company, Inc. and its subsidiaries and predecessors, unless the context otherwise requires. Sunbeam-Oster acquired (the "Acquisition") the assets and assumed certain liabilities, through a reorganization, of Allegheny International, Inc. ("Allegheny International"), and its subsidiaries, and succeeded to the registration by Allegheny International of its equity securities under the Securities Exchange Act of 1934, as amended. Any reference to Sunbeam-Oster or the Company herein with respect to a period prior to September 28, 1990 refers to Allegheny International.

On September 28, 1990, Allegheny International reorganized and emerged from Chapter 11 as Sunbeam-Oster Company, Inc. Allegheny International and certain of its subsidiaries had filed for Chapter 11 protection in 1988 (see Attachment A).

Line of Business Information

The following is a description of Sunbeam-Oster's single line of business -- consumer products. See Note 18 to the Consolidated Financial Statements of Allegheny International for segment financial data.

I. Outdoor Products Group

Sunbeam-Oster is the dominant supplier of outdoor gas barbecue grills and casual furniture to the home leisure market. Barbecue grills consist of propane, natural gas, electric and charcoal models sold predominantly under the Sunbeam brand name. Sunbeam-Oster is known for the quality and value of its barbecue grills and, in fiscal 1990, manufactured approximately 40% of the units sold in the United States.

Sunbeam-Oster's casual furniture product line consists of aluminum lawn and patio furniture and accessories including tables, chairs, umbrellas and replacement cushions. Sunbeam-Oster is the leading supplier within this product segment and in fiscal 1990 manufactured approximately 55% of the units sold through its channels in the United States.

Other products sold by the Company include a broad line of outdoor time and temperature instruments sold under the Sunbeam and Springfield® trademarks respectively.

II. Home Comfort and Personal Care Products Group

Sunbeam-Oster's Home Comfort and Personal Care operations manufacture and market a broad line of products including warming blankets, throws and heating pads, which are sold predominantly under the Sunbeam and Sunbeam-Northern® trademarks. Management believes Sunbeam-Oster manufactures the most cost-effective and technologically advanced line of warming blankets and, in fiscal 1990, manufactured approximately 50% of the units sold in the United States.

Other Sunbeam-Oster Home Comfort and Personal Care products include a broad line of health care and comfort products such as vaporizers, humidifiers and portable heaters. A complete line of mechanical and electronic scales including bath, household and diet models are sold under the Sunbeam and Hanson® trademarks. Other Home Comfort and Personal Care products include hair dryers and clippers, massagers, dental care products, and a line of blood pressure and temperature monitoring devices all of which are sold under the Sunbeam, Oster, Springfield and Hanson trademarks.

III. Professional Products Group

The Professional Products Group provides barber and beauty shops, food service and pet and agricultural markets with selected Company products that have been adapted to commercial applications. Sales to barber and beauty shops include shears, clippers and hand held hair dryers marketed under the Oster trademark. A line of professional blenders, or Osterizers, marketed under the Oster trademark, hanging scales sold under the Hanson trademark, and food thermometers

sold under the Springfield trademark, are all sold to the food preparation industry. The Company is a leading supplier of animal clipping, sheep shearing and hair drying equipment sold under the Oster and Oster-Stewart® trademarks to pet and agricultural markets. Other Professional Products include a line of clinical, diet and postal scales sold to commercial users.

IV. Household Products Group

Sunbeam-Oster is one of the world's leading suppliers of small electric kitchen appliances. Broad lines of stand and hand mixers, blenders, food processors, multifunctional modular food preparation systems, irons, toasters, can openers and coffee makers are sold under the Sunbeam and Oster trademarks. Several of the Company's registered trademarks are so well established that consumers readily associate them with product lines, e.g., Osterizer® for blenders, Mixmaster® for stand mixers, Oskars® for small food processors and Kitchen Centers® to describe multifunctional food preparation systems.

The Household Products group also manufactures and markets an extensive line of clocks for all living areas of the home, kitchen timers, culinary thermometers, barometers and indoor thermometers.

V. International Group

Sunbeam-Oster's International Group manufactures and markets a broad line of the Company's products in markets outside of the United States. The Company has had an international presence for over eighty years.

Sunbeam-Oster, through its foreign subsidiaries, has manufacturing facilities in Mexico, Venezuela and Peru. In Latin America, the Company is a market leader in kitchen and some personal care products. The Company also has offices in Canada, Germany and the United Kingdom where it markets and services a broad line of consumer products. Total sales by the Company's foreign subsidiaries amounted to $140.0 million, $140.4 million and $129.1 million in fiscal 1988, 1989 and 1990, respectively. Additionally, export sales by the Company amounted to $21.2 million, $25.6 million and $31.0 million in fiscal 1988, 1989 and 1990, respectively.

Realignment of Consumer Products Operations

Between February 1988 and September 1990, while Allegheny International was attempting to reorganize, significant investments were made to improve manufacturing efficiencies and the effectiveness of the selling and administrative function. During this period, $188 million of capital expenditures and expense was incurred to substantially improve the Company's operating performance upon its emergence from Chapter 11. This rationalization and restructuring program focused on obtaining improvements in five major classes of cost reduction: (1) the closure of redundant facilities; (2) the rationalization of facilities with excess capacity or inefficient production processes; (3) the discontinuance of unprofitable product lines; (4) the reduction of low volume and low gross profit products; and (5) the integration of duplicative marketing and administrative staffs.

Management believes this program is substantially complete and future investments will be made for product development and further manufacturing efficiency improvements.

Raw Materials

The raw materials used by the Company are presently available in sufficient quantities to enable it to meet its normal requirements.

Employees

As of September 30, 1990, the Company employed approximately 10,400 people worldwide. The Company had no work stoppages and, in the opinion of management, employee relations are good.

Competition

Sunbeam-Oster is a world leader in manufacturing and marketing consumer products. Worldwide, the Company's markets are highly competitive on the basis of price, quality and after-sale service. A number of strong and well-established domestic and foreign companies compete with Sunbeam-Oster on a global basis.

Customers

Sunbeam-Oster benefits from its strong position with some of the nation's most rapidly growing and financially sound retailers. Wal-Mart Stores, together with its affiliate, Sam's Wholesale Club, accounted for approximately 11% of the Company's consolidated sales in fiscal 1990. Sunbeam-Oster's next four largest customers comprised an additional 21% of sales.

Patents and Trademarks

Management believes that an integral part of the Company's strength is its renewed ability to capitalize on the Sunbeam and Oster trademarks. Widely recognized throughout North America, Latin America, Europe and the Far East, these registered trademarks, along with Osterizer®, Mixmaster®, Oskar® and Kitchen Center®, are valuable to the worldwide success of the Company's products. Other important trademarks within Sunbeam-Oster include Sunbeam-Northern®, Slumber-Rest®, Cuddle-up®, Grillmaster®, Patiomaster®, Sunbeam-Casual®, Springfield®, Hanson Scale® and Stewart®.

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

Seasonality

Although some products tend to have varying degrees of seasonality, taken as a whole, Sunbeam-Oster's consumer products sales do not vary substantially during the first three fiscal quarters with the fourth fiscal quarter generally being a lower sales period.

Discontinued Operations

In 1987 the Company decided to concentrate on a single line of business -- consumer products. As a result, the Company has over the last several years divested and discontinued several operations. At this time, the Company has a substantial amount of non-core assets which it is in the process of divesting, including real estate, long and short term receivables, a rail anchor manufacturing company in Canada, and various other investments. A subsidiary of Sunbeam-Oster, Montey Corporation ("Montey"), was formed for the purpose of holding certain of these non-core assets, including operations which have been classified as discontinued, and certain liabilities. (For additional information, see Note 4 to the Consolidated Financial Statements of both Sunbeam-Oster and Allegheny International).

Environmental Matters

The Company is subject to certain federal, state and local environmental laws and regulations. The Company is complying with those laws and regulations through remediation of sites and other activities, all of which relate principally to certain divested operations. Certain of these sites are subject to CERCLA, and numerous other entities have been named in connection therewith. Although compliance involves some continuing costs, such costs are not expected to have a material adverse effect upon the capital expenditures, earnings, or the competitive position of the Company.

ITEM 2. PROPERTIES.

Sunbeam-Oster and its subsidiaries have numerous manufacturing and warehousing locations in 11 states and 6 foreign countries totalling approximately 5.9 million square feet of floor space.

Major manufacturing, warehouse and sales locations are as follows:

		Location	Floor Space in Square Feet	Title
I.	Outdoor Products Group	Neosho, MO	481,500	Owned
		Neosho, MO	53,000	Owned/Leased
		Portland, TN	450,000	Owned
		Portland, TN	86,000	Leased
		Baraboo, WI	331,000	Leased
		Louisburg, NC	204,000	Leased
		Nacogdoches, TX	365,000	Leased

II.	Home Comfort & Personal Care Products Group	Waynesboro, MS	462,000	Leased
		Hattiesburg, MS	388,000	Leased
		Bay Springs, MS	63,000	Owned
		Bay Springs, MS	80,000	Leased
		Mount Olive, MS	52,000	Leased
		Matamoros, Mexico	92,000	Owned
		Chihuahua, Mexico	26,500	Owned
		Biddeford, ME	352,000	Owned
		Biddeford, ME	91,000	Owned
		Shubuta, MS	186,000	Owned/Leased
		Laurel, MS	26,500	Leased
		Chicago, IL	40,500	Leased
III.	Professional Products Group	McMinnville, TN	142,000	Leased
IV.	Household Products Group	Wood-Ridge, NJ	160,000	Leased
		Cookeville, TN	100,000	Leased
		Coushatta, LA	145,000	Owned
		Holly Springs, MS	212,000	Owned
		Memphis, TN	400,000	Leased
		Del Rio, TX	10,000	Leased
		Acuna, Mexico	100,000	Owned/Leased
		Brown Deer, WI	25,000	Leased
		Lydell, WI	277,000	Owned
V.	International Group	Miami, FL	52,500	Leased
		Toronto, Canada	169,000	Leased
		Mexico City, Mexico	224,500	Owned
		Caracas, Venezuela	41,000	Owned
		Lima, Peru	35,000	Owned
		London, England	5,500	Leased
		Offenbach, Germany	3,000	Leased

ITEM 3. LEGAL PROCEEDINGS.

The Company is involved in various lawsuits from time to time arising in the ordinary course of business and otherwise. In management's opinion after consulting with legal counsel, the outcome of these matters is not expected to have a material adverse effect on the Company's financial condition. Virtually all of the lawsuits brought against the Company relate to matters preceding Allegheny International's emergence from Chapter 11. The bulk of the litigation claims relate to four lawsuits involving, respectively, a contractor's claim for payment it alleges it is entitled to, a stockholder litigation against former officers, directors and advisors of Allegheny International and the Company's putative indemnity obligation relating thereto, an alleged indemnity obligation relating to a divested operation which the Court (as defined in Attachment A hereto) has refused to allow as a claim against the Company, and a class action brought by a group of former employees of one of the Company's subsidiaries.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

During the fourth quarter of the Company's 1990 fiscal year, no matter was submitted to a vote of the Company's security holders.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

There are approximately 300,000 shares (post-split) of common stock held by non-affiliates of Sunbeam-Oster (less than one-half of one percent of the total outstanding shares). To management's knowledge, there is no active public market for the common stock, par value $.01 per share, of Sunbeam-Oster (the "Common Stock") and redeemable warrants to purchase Common Stock (the "Redeemable Warrants") nor has there been such a market since the completion of the distribution of such securities pursuant to the Election (as defined in Attachment A hereto).

On December 10, 1990, the Board of Directors of the Company declared a three-for-one stock split to be effected as a stock dividend (the "Stock Split"). The stock dividend was paid on January 31, 1991 to stockholders of record on January 15, 1991. See Note 9 to Consolidated Financial Statements of Sunbeam-Oster.

See Attachment B hereto for certain information relating to the securities of Allegheny International which were surrendered in exchange for either cash or the Common Stock and Redeemable Warrants at the election of the holders thereof.

ITEM 6. SELECTED FINANCIAL DATA.

The information required for this item is set forth in the section headed "Five-Year Consolidated Financial Summary" on page E-1 herein.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion of Allegheny International's results of operations relates primarily to periods prior to Allegheny International's emergence from Chapter 11.

Over the past several years, Allegheny International conducted a massive restructuring of its operations to focus on its continuing consumer products line of business. By the fourth fiscal quarter of 1990, Allegheny International had substantially divested or liquidated all of its non-consumer products businesses with the exception of several miscellaneous assets described in Note 4 to the Consolidated Financial Statements of both Sunbeam-Oster and Allegheny International.

Within its single line of business -- consumer products -- Sunbeam-Oster has five major business groups: I. The Outdoor Products Group, consisting primarily of gas barbecue grills, casual outdoor furniture and a line of outdoor time and temperature instruments; II. The Home Comfort and Personal Care

Products Group, consisting of a broad line of warming blankets and throws, health care and comfort products such as vaporizers, humidifiers and portable heaters, hair care products, and blood pressure and temperature monitoring equipment; III. The Professional Products Group, providing barber and beauty shops, food service and pet and agricultural markets with selected Company products which have been adapted to commercial applications; IV. The Household Products Group, having responsibility for a full line of small electrical kitchen appliances including mixers, Osterizers, Oskar food processors, toasters, irons, can openers, food scales and thermometers, timers and coffee makers, as well as a diverse line of indoor household time and weather instruments; and V. The International Group which manufactures and markets a broad range of the above-mentioned products in world markets.

Results of Operations: Review of 1990 versus 1989

Net sales of Allegheny International's consumer products operations were $880.2 million in fiscal 1990, 6.1 percent below fiscal 1989 sales of $937.6 million (see table below). The majority of this sales decline was planned and anticipated by management. A decision to delay the production of certain Home Comfort and Personal Care products until later in the season reduced working capital requirements and moved sales that would have historically occurred in the last quarter of fiscal 1990 into the first quarter of fiscal 1991. In the Household Products Group, the discontinuation and rationalization of certain product lines to improve overall Household Products Group gross margins resulted in reduced fiscal 1990 sales versus those realized in fiscal 1989. Sales for the remainder of the Company were above fiscal 1989 levels primarily due to a rebound in the Outdoor Products business where favorable customer reactions to new product features resulted in greater revenues.

Selected operating data for Allegheny International's continuing operations are as follows:

	Years ended on or about September 30, ($ in thousands)		
	1988	1989	1990
Net Sales	$967.8	$937.6	$880.2
Cost of Goods Sold	726.8	726.3	682.5
Selling, General and Administrative Expense	150.8	144.7	137.0
Operating Cash Flow*	90.2	66.6	60.7
Depreciation and Amortization	21.0	20.1	21.6
Corporate Administrative Expense	24.4	22.8	14.3
Operating Earnings Before Rationalization and Restructuring Charges	44.8	23.7	24.8
Rationalization and Restructuring Charges	12.3	26.4	102.0
Operating Earnings (Loss)	$32.5	$(2.7)	$(77.2)

*Earnings before depreciation, amortization, interest, taxes (EBITD) and corporate overhead.

Allegheny International had operating cash flow of $60.7 million in fiscal 1990, $5.9 million below fiscal 1989. Gross profit before depreciation and amortization in fiscal 1990 was $197.7 million versus $211.3 million in fiscal 1989. Contributing to the reduced gross profits were the reduction in year-over-year sales, charges for under-absorbed overhead associated with the plan to reduce inventory levels, and a reduction in selling prices to close out selected discontinued small kitchen appliance and outdoor furniture products. Partially offsetting the year-over-year decline in gross profits was a $7.7 million reduction in selling, general and administrative expense. Factors contributing to the lower selling, general and administrative expense levels were staffing reductions and lower sales.

Allegheny International had operating earnings of $24.8 million in fiscal 1990 (before the effect of plant and product line rationalization and plant and corporate restructuring charges) versus $23.7 million for fiscal 1989. This increase of $1.1 million is due to an $8.5 million reduction of corporate administrative expense in fiscal 1990 versus fiscal 1989, partially offset by the aforementioned $5.9 million reduction in operating cash flow. The reduced corporate administrative expense is due to general cost containment actions, staff reductions and a favorable $2.2 million life insurance expense adjustment.

After restructuring and rationalization charges, Allegheny International had an operating loss for fiscal 1990 of $77.2 million versus a $2.7 million loss for fiscal 1989. Included in the operating loss were charges of $102.0 million for plant and product line rationalizations and plant and corporate restructuring, versus $26.4 million in fiscal 1989.

In Part I under "Realignment of Consumer Products Operations", five major categories of cost reduction were described. Within the scope of this program, the following actions were taken during fiscal 1990 to substantially improve future financial results: (1) the costs associated with the discontinuance of several major home air treatment products, a pest control device and several small kitchen appliance products were provided for, (2) provided for the integration of the Sunbeam and Oster small appliance operations, thereby eliminating redundant manufacturing, selling and administrative expense, (3) several manufacturing activities within the casual furniture operations were consolidated, (4) the design and development function for the U.S.-based bedding products operations was downsized and relocated, (5) the business and assets of the bedding products manufacturing operation in the United Kingdom were liquidated, (6) the costs of significantly downsizing two European-based appliance marketing operations were provided for, (7) the manufacturing activities in Canada were phased out and duplicative Canadian sales, marketing, administrative and warehousing activities were consolidated, (8) several redundant U.S. manufacturing facilities were eliminated and, in connection with these actions, the outsourcing of selected finished product lines and component parts was begun, (9) provided for the downsizing and relocation of the corporate office, and (10) provided for the closure of the Hong Kong administrative office.

Due to the Chapter 11 process, Allegheny International suspended the payment of all interest to its prepetition creditors, which in fiscal 1990 would have amounted to $63.6 million. During fiscal 1990, the Company accrued for $34.4

million of interest expense, of which $30.3 million related to its secured debt and was not paid. Further, the Company did not accrue approximately $33.3 million of additional interest on its unsecured debt. During fiscal 1989, $36.5 million of interest expense was accrued, of which $31.6 million related to secured debt and was not paid. Further, a provision for $33.2 million of additional interest on unsecured borrowings was not made.

During fiscal 1990, the Company recognized $73.6 million of reorganization income, a further discussion of which is contained in Note 3 to the Consolidated Financial Statements of Allegheny International. Included in reorganization income are bankruptcy administration costs, losses on the settlement of claims, interest income and income resulting from a revaluation of the Company's assets and the establishment of opening equity in accordance with the AICPA's Statement of Position on "Financial Reporting by Entities in Reorganization under the Bankruptcy Code."

Allegheny International reported pretax losses from continuing operations before extraordinary gain of $39.1 million in fiscal 1990 versus $49.0 million in fiscal 1989. The Company made provisions for income taxes of $3.7 million for fiscal 1990 versus $5.9 million in fiscal 1989. In both periods, the income tax provisions reflect foreign income taxes and the nonrecognition of Federal tax benefits on domestic losses.

Allegheny International's discontinued operations resulted in income of $4.6 million during fiscal 1990.

In 1990, extraordinary income of $154.4 million was realized due to gains on the extinguishment of prepetition debt upon the Company's emergence from Chapter 11.

Financial Condition, Liquidity and Capital Resources

On September 28, 1990, the Company had $46.2 million of cash on hand. The Company has bank revolving credit lines totaling $145.0 million to finance fluctuations in working capital. At September 28, 1990 and December 31, 1990, the unused bank line was $110.0 million and $125.8 million, respectively. See Note 5 to the Consolidated Financial Statements of Sunbeam-Oster for a fuller description of the credit facilities.

The Company has obtained a material improvement in terms from vendors and customers since its emergence from Chapter 11. This process of returning to normal terms has resulted in a working capital improvement which management believes will be between $40.0 million and $50.0 million during fiscal 1991.

Approximately $83.0 million of the funding for the Election (as discussed in Attachment A) was provided by certain affiliates of Sunbeam-Oster in consideration for Sunbeam-Oster's issuance of an aggregate of 839,974 shares of 9.5% Convertible Exchangeable Preferred Stock of Sunbeam-Oster.

In fiscal 1991, Sunbeam-Oster anticipates making capital expenditures to continue productivity improvements, product development and cost reduction programs in an amount that will not exceed the capital expenditures of the Company during recent past fiscal periods.

(Refer to pages E-5 through E-6 for the review of fiscal 1989 versus fiscal 1988.)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The response to this item appears in Item 14(a)(1) in Part IV hereof.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

In connection with the Acquisition, the board of directors of the Company approved the appointment of Arthur Andersen & Co. as the independent certified public accountants of Sunbeam-Oster and its consolidated subsidiaries. Accordingly, the services of Allegheny International's prior independent certified public accountants, KPMG Peat Marwick ("KPMG"), were terminated effective October 1, 1990. Prior to such date, Allegheny International had not consulted with Arthur Andersen & Co. regarding any of the matters enumerated in Item 304(a)(2) of Regulation S-K.

In connection with the change of accountants, KPMG delivered a letter to the Securities and Exchange Commission confirming that during the Company's two most recent fiscal years, there were no disagreements with KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure. Because of a question regarding the appropriateness of KPMG's fees, KPMG would not again review the financial statements for the fiscal years ended October 2, 1988 and October 1, 1989 included in this report. Accordingly, the reissuance of the KPMG report with respect to such years has not been included in this report.

During the Company's two most recent fiscal years, there were no "reportable events" as described in Item 304(a)(1)(v) of Regulation S-K.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this item is set forth in Attachment C hereto.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is set forth in Attachment C hereto.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this item is set forth in Attachment C hereto.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this item is set forth in Attachment C hereto.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) (1) The consolidated financial statements, notes and independent auditors' report required by Item 8 are listed on page F-1 herein.

(2) A listing of financial statement schedules appears on page F-1 herein.

(3) Exhibits

3a. Articles of Incorporation of Sunbeam-Oster as amended.

3b. By-Laws of Sunbeam-Oster.

4a. Debtors' Joint Stock Plan of Reorganization incorporated by reference to Allegheny International's Current Report on Form 8-K dated July 27, 1990.

4b. Second Amended and Restated Stipulation of Settlement, dated September 7, 1990, including proposed modifications to Debtors' Joint Stock Plan, incorporated by reference to Sunbeam-Oster's Current Report on Form 8-K dated October 8, 1990.

4c. Warrant Agreement, dated as of September 28, 1990 by and between Sunbeam-Oster and American Stock Transfer and Trust Company.

4d. Warrant to Purchase 974,396 Shares of Common Stock of Sunbeam-Oster dated as of December 31, 1990 issued to Chase Manhattan Investment Holdings, Inc.

4e. Warrant to Purchase 129,919 Shares of Common Stock of Sunbeam-Oster dated as of December 31, 1990 issued to Midland Bank, PLC.

4f. Certificate of Designation for the Convertible Exchangeable Preferred Stock of Sunbeam-Oster.

10a. Employment Agreement, dated as of September 28, 1990, by and between Sunbeam-Oster and P.B. Kazarian.

10b. Consulting Agreement, dated as of September 28, 1990, by and between Sunbeam-Oster and S.H. Iapalucci.

10c. Consulting Agreement, dated as of September 28, 1990, by and between Sunbeam-Oster and J. Milligan.

10d. Credit Agreement, dated as of September 28, 1990 by and among Sunbeam Americas Holdings Limited ("SAHL"), Sunbeam, the Lenders

listed therein, The Chase Manhattan Bank, N.A., Security Pacific National Bank, Midland Bank, PLC and the CIT Group/Business Credit, Inc. (the "SAHL Credit Agreement").

10e. Credit Agreement, dated as of September 28, 1990, by and among Sunbeam-Oster Housewares, Inc. ("SOHI") (formerly O/S J.V., Inc.), the Lenders listed therein and the CIT Group/Business Credit, Inc. (the "SOHI Credit Agreement", and together with the SAHL Credit Agreement, the "Credit Agreements").

10f. Guaranties each dated as of September 28, 1990 entered into by Sunbeam-Oster in connection with the Credit Agreements, incorporated by reference herein to Exhibit X-A of the SAHL Credit Agreement and to Exhibit VI-A of the SOHI Credit Agreement, which are included herein as Exhibits 10d. and 10e., respectively.

10g. Security Agreement dated as of September 28, 1990 by and between Sunbeam-Oster and The Chase Manhattan Bank, N.A., as Administrative Agent (as defined in the Credit Agreements), incorporated by reference herein to Exhibit XVI of the SAHL Credit Agreement which is included herein as Exhibit 10d.

10h. Purchase Agreement, dated as of September 28, 1990, by and between Sunbeam-Oster and Allegheny International.

10i. Purchase and Assumption Agreement dated as of September 28, 1990, by and between Sunbeam-Oster, SOHI and certain other subsidiaries of Sunbeam-Oster.

10j. Purchase and Assumption Agreement dated as of September 28, 1990, by and between Sunbeam-Oster, SAHL and certain other subsidiaries of Sunbeam-Oster listed therein.

10k. Purchase and Assumption Agreement, dated as of September 28, 1990, by and between Sunbeam-Oster, Montey Corporation (formerly NMGM, Inc.) ("Montey") and certain other subsidiaries of Sunbeam-Oster listed therein.

10l. Joint and Several Liability Agreement dated as of September 28, 1990 by and among Sunbeam-Oster listed therein, SAHL and SOHI.

10m. Indemnity Agreement dated as of September 28, 1990 by and among Sunbeam-Oster, Sunbeam, SOHI, SAHL and Montey.

10n. License Agreement dated as of September 28, 1990 by and among Sunbeam, Sunbeam Holdings, Inc. and SOHI.

10o. Tax Sharing Agreement dated as of October 31, 1990 by and among Sunbeam-Oster, SAHL, SOHI, Montey and the subsidiaries of Sunbeam-Oster listed therein.

10p. Assignments dated as of September 28, 1990 by Sunbeam Holdings, Inc. to SOHI.

10q. Assignment dated as of September 28, 1990 by Sunbeam Electric (Holdings), Ltd. to SOHI.

10r. Purchase Agreement, dated as of February 17, 1988, among Titanium Metals Corporation of America, NL Industries, Inc. and Allegheny International incorporated by reference to Exhibit 10mm. to Allegheny International's Annual Report on Form 10-K for the fiscal year ended October 2, 1988.

10s. Employment Agreement dated as of February 15, 1990, by and between Sunbeam and J. Milligan.

10t. Bally Consent Decree.

11a. Calculations of Primary Earnings (Loss) Per Share of Common Stock

11b. Calculations of Fully Diluted Earnings (Loss) Per Share of Common Stock

16. Letter dated October 11, 1990 from the Company's former independent accountant regarding change in Company's principal accountant.

22. Subsidiaries of the Registrant.

25. Powers of attorney of Directors, incorporated by reference to page 15 herein.

(b) Reports on Form 8-K.

A Current Report on Form 8-K dated July 27, 1990 was filed with respect to Items 3 and 7.
A Current Report on Form 8-K dated October 8, 1990 was filed with respect to Items 1, 4, and 7.
An Amendment to the Current Report on Form 8 dated October 15, 1990 was filed with respect to Item 4.
A Current Report on Form 8-K dated December 3, 1990 was filed with respect to Item 5.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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-OSTER COMPANY, INC.

Dated: March 28, 1991

By: /s/ Paul B. Kazarian
Paul B. Kazarian
Chairman of the Board

Dated: March 28, 1991

By: /s/ Michael G. Lederman
Michael G. Lederman
Vice President, General Counsel and Secretary

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Paul B. Kazarian and Michael G. Lederman and each of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution for him and on his behalf and in his name, place and stead, in any and all capacities to execute and sign any and all amendments to this Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the Company hereby confers like authority on its behalf.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Paul B. Kazarian Paul B. Kazarian	Chairman of the Board (principal executive and financial officer)	March 28, 1991

Signature	Title	Date
/s/ Charles Davidson Charles Davidson	Director	March 28, 1991
/s/ Peter A. Langerman Peter A. Langerman	Director	March 28, 1991
/s/ Michael G. Lederman Michael G. Lederman	Director	March 28, 1991
/s/ R. Guy Boyle R. Guy Boyle	Director	March 28, 1991
/s/ Roderick M. Hills Roderick M. Hills	Director	March 28, 1991
/s/ Charles J. Thayer Charles J. Thayer	Director	March 28, 1991

ATTACHMENT A

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

The Debtors' Plan of Reorganization (the "Stock Plan") was filed with the Court on December 29, 1989. On January 24, 1990, Japonica Partners, a Rhode Island limited partnership ("Japonica Partners") and the general partner of Sunbeam-Oster Equities, L.P., a Delaware limited partnership formed by Japonica Partners ("SOE"), filed its Plan of Reorganization with the Court. The general partners of Japonica Partners are Paul B. Kazarian, ltd., a corporation wholly-owned by Paul B. Kazarian, and M. G. Lederman, Ltd., a corporation wholly-owned by Michael G. Lederman.

On September 13, 1990, the Court approved a modified Stock Plan of Reorganization (the "Modified Plan"). In accordance with the Modified Plan and pursuant to an Asset Purchase Agreement, dated as of September 28, 1990, Sunbeam-Ōster acquired all of the assets of Allegheny International (through a reorganization) including the capital stock of the direct subsidiaries of Allegheny International in consideration of the assumption by Sunbeam-Ōster of certain liabilities of the Debtors and the satisfaction of the interests of the equity holders of Allegheny International (the "Equity Holders") and the allowed claims of certain creditors of the Debtors (the "Creditors"). Pursuant to the Modified Plan, upon the consummation of the Acquisition, the assets and undischarged liabilities of the Debtors were allocated among three of Sunbeam-Ōster's subsidiaries: (i) SAHL, (ii) Sunbeam-Ōster Housewares, Inc., and (iii) Montey Corporation.

In connection with the initial capitalization of Sunbeam-Ōster, SOE purchased 300 shares of Common Stock at $2.33 per share. In addition, pursuant to the Modified Plan, on September 28, 1990, 30,678,684 shares of Common Stock were issued to SOE in satisfaction of Allegheny International secured bank claims held by SOE. The share data in this Attachment A gives effect to the Stock Split.

The Modified Plan also provided for certain Creditors and Equity Holders to be granted an election (the "Election") to satisfy their claims and interests through the receipt of either (i) cash or (ii) newly issued Common Stock or Redeemable Warrants. The Election period ended on November 12, 1990. Pursuant to the Modified Plan, Japonica Partners was permitted to decide whether Creditors and Equity Holders who failed to effectively exercise their Election would receive cash or securities. On November 28, 1990, the Company issued a press release announcing that cash would be distributed to such Creditors and Equity Holders. On or about December 12, 1990, an aggregate of approximately $85.2 million in cash, 33,176,406 shares of Common Stock and 5,623,783 Redeemable Warrants were distributed, or reserved for distribution, to Creditors and Equity Holders. Of such amounts, SOE received approximately $2.3 million in cash, 32,874,462 shares of Common Stock and 4,422,178 Redeemable Warrants. Accordingly, SOE owns approximately 99.6% of the issued and outstanding Common Stock (95.1% on a fully diluted basis).

AIR of Dallas, Inc., AIR Realty of Houston, Inc., Allegheny Sherry Lane Management, Inc. and Allegheny International Credit Corporation remain in Chapter 11 proceedings.

ATTACHMENT B

Certain Information Regarding Allegheny International's Securities

The following table sets forth the high and low per share sales prices of Allegheny International's Common Stock, $2.19 Cumulative Preference and $11.25 Convertible Preferred Stocks for each quarter of Allegheny International's 1989 and 1990 fiscal years as reported in The Wall Street Journal. All three stocks were listed on the New York Stock Exchange but, in accordance with the Modified Plan, have been surrendered in exchange for either cash or Redeemable Warrants pursuant to the Election. Accordingly, there were no stockholders of record of Allegheny International's Common Stock at September 30, 1990.

No dividends were paid on any class of Allegheny International's stock in these periods.

Allegheny International's Common Stock was listed on the New York Stock Exchange under the symbol AG.

		Common Stock		$2.19 Cumulative Preference Stock		$11.25 Convertible Preferred Stock	
		High	Low	High	Low	High	Low
Fiscal 1989	Oct-Dec	3-1/8	1-1/4	5	1-1/4	14	7-1/2
	Jan-Mar	2-3/8	1-3/8	4-7/8	3	15-1/8	9-3/4
	Apr-June	2-1/2	1	3-1/8	1-3/8	10	4
	July-Sept	1-1/4	3/8	1-7/8	1/4	5-3/4	1-1/8
Fiscal 1990	Oct-Dec	1	1/8	7/16	5/32	1-3/8	7/16
	Jan-Mar	3/4	7/32	3/4	11/64	1-1/4	7/16
	Apr-June	5/8	9/32	1-1/8	15/32	1-3/4	3/4
	July-Sept	3/4	9/32	1-3/8	11/16	2-3/8	1-1/8

ATTACHMENT C

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The following table sets forth certain information with respect to the directors and executive officers of Sunbeam-Öster. All directors (except Messrs. Kazarian and Lederman) were elected on September 28, 1990. Messrs. Kazarian and Lederman were elected to their positions on August 14, 1990.

Name, Age and Position Held with the Company	Other Principal Occupation(s) and Directorships During the Past Five Years
Paul B. Kazarian, 35 Chairman of the Board	Founding general partner of Japonica Partners (investment partnership) in 1987; Vice President of Goldman Sachs & Co. (financial services) from 1980 to 1987.
Charles Davidson, 37 Director	General Partner of Steinhardt Partners (investment partnership) since 1985; Vice President of Goldman Sachs & Co. (financial services) from 1978 to 1985.
Peter A. Langerman, 35 Director	Executive Vice President and Director of Mutual Series Fund, Inc. (no-load, diversified, open-end management investment company) since 1988; Financial Analyst for Heine Securities Corporation (investment advisory service company) from 1986 to 1990; Chief Financial and Accounting Officer of the predecessor funds to Mutual Series Fund, Inc. from October 1987 to February 1988; Attorney with Weil, Gotshal & Manges (law firm) from 1983 to 1986.
Michael G. Lederman, 38 Vice President, General Counsel, Secretary and Director	General Partner of Japonica Partners (investment partnership) since 1989; Partner of Owsley Lederman & Partners, L.P. (financial advisory services) from 1988 to 1989; Vice President of Goldman Sachs & Co. (financial services) from 1986 to 1988; Attorney with Shearman & Sterling (law firm) from 1983 to 1986.

Name, Age and Position Held with the Company	Other Principal Occupation(s) and Directorships During the Past Five Years
R. Guy Boyle, 52 Director	Manufacturing consultant since 1989; President and Chief Executive Officer of BRintec Corporation (electronic products) from 1988 to 1989; Executive Vice President and Chief Financial Officer of BRintec Corporation from 1983 to 1987.
Roderick M. Hills, 59 Director	Co-Managing Partner of Donovan Leisure Newton & Irvine (law firm) since 1989, Partner of Donovan Leisure since 1986; Chairman and Managing Director of the Manchestor Group, Ltd. (financial services) since 1987; Vice Chairman of Oak Industries, Inc. (electrical/communication equipment) since 1989; Director of Oak Industries, Inc. from 1985 to 1989; Director of Federal Mogul Corporation (parts/tools) since 1977; Director of C-3 (systems integration) since 1990; Director of TCW Americas Development, Inc. (fund management) since 1990; Director of Anheiser-Busch Companies, Inc. (beverages) from 1978 to 1989; Director and member of Oversight Committee of Drexel Burnham Lambert from 1989 to 1990; Chairman of Sears World Trade, Inc. (trading) from 1982 to 1984; Partner of Latham, Watkins & Hills (law firm) 1978 to 1982; Chairman of the Securities and Exchange Commission from 1975 to 1977; Counsel to the President of the United States, 1975.
Charles J. Thayer, 46 Director	Private Investor/Financial Advisor since 1989; Executive Vice President of PNC Financial Corp. ("PNC") (multi-bank holding company) from 1987 to 1989; Executive Vice President and Chief Financial Officer of Citizens Fidelity Corp. (subsidiary of PNC) from 1977 to 1987.

All directors serve at the pleasure of the Board of Directors. The Executive Committee of Sunbeam-Öster consists of Messrs. Kazarian, Davidson and Langerman.

Pursuant to the Agreement of limited partnership of Sunbeam-Oster Equities, L.P., a Delaware limited partnership ("SOE"), dated as of September 28, 1990 (the "SOE Limited Partnership Agreement"), the partners agreed to use their best efforts to cause (i) Mr. Kazarian to continue as a director and the Chairman of the Board of Sunbeam-Ôster for the term of his employment agreement with Sunbeam-Ôster, and (ii) Messrs. Kazarian, Davidson (or another designee of SVI) and Langerman (or another designee of the Mutual Series Funds) to continue as directors of Sunbeam-Ôster for the term of the SOE Limited Partnership Agreement.

Employment Agreements

Mr. Kazarian serves as Chairman of the Board, Managing Director, and as a member of the Executive Committee of Sunbeam-Ôster pursuant to an Employment Agreement, dated September 28, 1990, by and between Mr. Kazarian and Sunbeam-Ôster. The agreement is for a three-year term (the "Term") and provides, among other things, that Mr. Kazarian shall be responsible for the management of the Company's assets and liabilities and the development, coordination and implementation of the Company's business strategies formulated by the Executive Committee and shall have general supervisory authority over the executive officers, property, business and affairs of the Company during the Term. The agreement provides for total direct and indirect payments to Mr. Kazarian of approximately $1.5 million per annum during each year of the agreement.

On September 28, 1990, the board of directors of Sunbeam-Ôster authorized the Executive Committee to negotiate an employment agreement with Mr. Lederman providing for him to serve as Vice President, Secretary and General Counsel of the Company and to be responsible for, among other things, general counsel matters, Chapter 11 matters, governmental affairs, industry association and lobbying matters, and the management of non-core asset liquidations and non-core liability expense controls and implementation and effectuation of other transactions, including major asset sales and financings.

Anthony R. Munson serves as Treasurer of the Company. Pursuant to certain agreements with the Company, Mr. Munson is to receive nine months' salary and benefits, plus moving expenses, in the event his employment is terminated by the Company without due cause.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth certain information related to cash compensation paid or credited through September 30, 1990, by Allegheny International to each of its five most highly compensated executive officers, and to all executive officers as a group, for service in all capacities during the 1990 fiscal year or for that portion of the 1990 fiscal year during which the individual served as an executive officer.

CASH COMPENSATION TABLE

Name of Individual or Identity of Group	Employment Status	Capacities in Which Individuals Served (1)	Cash Compensation (2)
Oliver S. Travers	Severed	Chairman of the Board, President and Chief Executive Officer	$ 960,000
James D. Milligan	Severed	Chief Executive Officer of Sunbeam Corporation	$1,937,500
James T. Dougherty	Severed	General Counsel, Vice President and Secretary	$ 274,156
Samuel H. Iapalucci	Severed	Chief Financial Officer, Vice President and Secretary	$ 578,450
K. Wayne Long	Severed	Vice President - Accounting and Control	$ 209,642
All executive officers as a group (5 persons)			$3,959,748

(1) Messrs. Dougherty and Long were terminated from their positions as of December 31, 1989. In connection with such terminations, Allegheny International entered into agreements with Messrs. Dougherty and Long that provided certain benefits to them as well as to Allegheny International. In connection with the Acquisition, Messrs. Travers, Milligan and Iapalucci vacated their respective offices effective September 28, 1990. Pursuant to the Modified Plan, Sunbeam-Öster entered into agreements with Messrs. Travers, Milligan and Iapalucci. These matters are discussed below in this Item under the heading "Agreements and Severance Arrangements with Officers and Directors."

(2) The amounts shown primarily consist of (i) cash compensation which was paid pursuant to employment and consulting agreements described below in this Item under the heading "Agreements and Severance Arrangements with Officers and Directors", and (ii) all amounts earned and to which those persons became entitled as described in clause (i) which they elected to defer pursuant to 401(k) of the Internal Revenue Code as permitted by the Company's Savings and Investment Plan.

Not included in the table are amounts allocable to the named individuals for other compensation and personal benefits calculated based on information reasonably available to the Corporation, including premiums paid by Allegheny International to insurance companies for medical expenses incurred by them and their families in excess of the benefits provided to them under the group medical plan available to all employees; the leasing, insurance and maintenance cost to Allegheny International of making automobiles available to them; the cost of certain club membership fees and dues; and the cost to Allegheny International of providing certain investment, tax and legal counseling services to certain of said individuals. The costs of providing officers with the use of automobiles and club memberships have been attributed 100% to personal use, even though these items would have been used, to some extent, for business purposes. The aggregate amounts of

such compensation and personal benefits allocable to Messrs. Travers, Milligan, Dougherty, Iapalucci and Long and to the individuals in the executive officers as a group were $18,147, $700, $10,386, $5,081, $5,504 and $39,818 respectively.

Allegheny International Agreements and Severance Arrangements with Officers and Directors

Pursuant to their respective employment agreements, Messrs. Dougherty, Long, Travers and Iapalucci received severance payments of $185,000, $140,000, $640,000 and $342,000, respectively. Pursuant to the Stipulation of Settlement, Japonica Partners agreed not to object to Mr. Travers' claim of $250,000 against Allegheny International (which amount gives effect to the complete offset of his loan from Allegheny International in the face amount of $500,000). Certain benefits to certain of these individuals were continued.

Pursuant to the Stipulation of Settlement, dated as of September 13, 1990 (the "Stipulation"), on September 28, 1990, Sunbeam-Öster entered into a consulting agreement with each of Messrs. Milligan and Iapalucci (the "Consulting Agreements") which provides for, among other things, each of Milligan and Iapalucci to provide consulting services to Sunbeam-Öster for a forty-five day and two-year period, respectively (the "Consulting Period"), subject to the terms and conditions of the Consulting Agreements. Pursuant to the Consulting Agreements, Mr. Milligan was paid $1.5 million on September 28, 1990 and Mr. Iapalucci is entitled to the following payments: $165,000 which was paid on September 28, 1990, $165,000 to be paid during the second year of the Consulting Period and $150,000 to be paid in three equal installments during the Consulting Period.

Pursuant to the Stipulation, the Company made severance payments for each director of Allegheny International, equal to six months remuneration, as of the date of the Stipulation. In addition, the Company agreed to maintain, for a three year period, directors and officers liability insurance for the directors and officers of Allegheny International.

Allegheny International 1990 Bonus Plan

The Executive Committee of the Board of Directors of Allegheny International (the "AI Executive Committee") adopted an incentive compensation plan (the "1990 Bonus Plan") for fiscal 1990. Participants, who included certain executive officers of Allegheny International, were to receive bonuses based upon the degree to which the Company or the operating unit in which they work achieved the operating cash flow projections as set forth in the annual operating plan. Achievement of such projections were to be measured and bonuses were to be paid on a quarterly basis. The plan also provided for additional bonus awards for participants who exceed plan projections and also an additional bonus for consistency for those participants who achieved their objectives every quarter throughout the year. Participants must have remained employed with the Company or a subsidiary for the full fiscal year in order to qualify for these additional bonuses. Payments were to be calculated against salary in effect as of the last day of the applicable quarter.

Allegheny International Savings and Investment Plan

Under the Savings and Investment Plan for Allegheny International and Member Companies (the "Savings and Investment Plan"), full-time salaried employees of Allegheny International and participating subsidiaries were eligible to join the Savings and Investment Plan on the first day of the month after they have commenced employment. Employee and employer contributions were both paid to a trustee. In fiscal 1990, employer contributions under the Savings and Investment Plan (including 401(k) salary deferrals) allocable to Messrs. Travers, Dougherty, Milligan, Iapalucci and Long referred to in the Cash Compensation Table were $13,968, $2,775, $0, $12,846 and $1,502, respectively.

Allegheny International Salary Continuance Program (No Longer in Effect)

Under the Key Man Salary Continuance Program (the "Program"), Allegheny International purchased life insurance policies on the lives of officers and certain other key salaried employees who were designated by the AI Executive Committee to participate in the Program. The proceeds of such policies were available to Allegheny International to provide the benefits (or recoup the cost of benefits paid) under the Program. The Program was designed so that Allegheny International would recover all premium payments plus a factor for the use of Allegheny International's money for the purposes of the Program. During fiscal 1990, no amounts were paid or distributed under this Program to the individuals named in the Cash Compensation Table or the individuals in the executive officers as a group category referred to in the Cash Compensation Table.

Allegheny International Stock Option and Stock Award Plan (No Longer in Effect)

The Allegheny International Stock Option and Stock Award Plan (the "Stock Plan") was approved by the shareholders of Allegheny International in April 1985. There were 2,000,000 shares of Allegheny International Common Stock authorized for use under the Stock Plan.

No stock options or stock appreciation rights were either granted or exercised under the Stock Plan during the 1990 fiscal year by any of the named individuals or any of the other individuals in the executive officers as a group category referred to in the Cash Compensation Table, and, accordingly, no cash was realized by any of said individuals under the Stock Plan from option or appreciation rights during said period.

Allegheny International Key Employee Corporate Loan Program and Key Employee Stock Purchase Plan

The Board of Directors of Allegheny International, upon recommendation of its Management and Human Resources Committee (the "MHR Committee"), established the Key Employee Corporate Loan Program (the "Loan Program") and the Key Employee Stock Purchase Plan (the "Stock Purchase Plan") which were put into effect in December 1980. Since May 24, 1984, no loans were made under the Loan Program and no stock was purchased under the Stock Purchase Plan. Loans made pursuant to the Loan Program were unsecured, bore interest at 2 percent per annum, were for terms of ten years and required repayment at the end of the loan term, or in some cases,

including after an employee quit, was terminated or in certain cases reached age 65, prior to loan maturity, in installments at prescribed intervals over the remaining term of the loan.

The largest aggregate amount of loans outstanding under the Loan Program during fiscal 1990 was $26,765,000. The aggregate amount outstanding at December 31, 1990, was $15,705,440.

As of December 31, 1990, 16 former employees had failed to pay an aggregate amount of $4,159,083 of principal and $450,298 of interest which had become due and payable on loans made to such persons under the Loan Program. The aggregate principal balance owed to Allegheny International by these persons on such loans is $10,872,544. As a result, the account balances of 12 of the loans, having an aggregate balance of $8,596,606 have been accelerated. As of December 31, 1990, the remaining 4 loans had not been accelerated pending the resolution of offsetting claims against Allegheny International.

Allegheny International Deferred Compensation Plan

The Board of Directors of Allegheny International established an unfunded, non-qualified deferred compensation plan (the "Deferred Compensation Plan") pursuant to which certain officers and key employees of Allegheny International and its subsidiaries who were mainly responsible for its continued growth and future financial success may have been selected by the AI Executive Committee as eligible participants. Directors of Allegheny International were automatically eligible to participate under this Plan. During fiscal 1990, no amounts were paid or distributed under the Deferred Compensation Plan to the individuals referred to in the Cash Compensation Table or to any of the other individuals in the executive officers as a group category referred to in the Cash Compensation Table.

This plan was frozen upon the filing of Chapter 11. All participants became unsecured creditors at that date and were treated in accordance with the terms of the Modified Plan.

Allegheny International Pension Plans

Any individual who was employed by Allegheny International or a designated subsidiary on a salaried basis was eligible to participate in the Pension Plan for Salaried Employees of Allegheny International International, Inc. (the "Pension Plan"). The Pension Plan was frozen as of December 31, 1990 and the Company is in the process of formulating a replacement plan.

Effective January 1, 1989, the formula for determining the monthly basic normal retirement income for a participant under the Pension Plan who retired on or after his normal retirement age (age 65) was amended to provide that the amount would be equal to the sum of (a) 1.0% of the average monthly earnings for the 60 consecutive calendar months out of the last 120-consecutive-calendar-month period for service before retirement during which earnings were highest (the "Final Average Earnings") up to a maximum of the covered compensation (set forth in the tables to be provided annually by the Social Security Administration) multiplied by the number of years (and any partial year) of service not in excess of 35, plus (b) 1.5% of the amount by which the Final Average Earnings exceed covered compensation multiplied by the number of years (and any partial year) of service not in excess of 35, plus (c) 0.5% of the Final Average Earnings multiplied by the number of years (and any

partial year) of service in excess of 35; provided, however, that in no event would an employee's accrued benefit under the new formula be less than the accrued benefit under the formula existing on December 31, 1988. On December 31, 1988, the monthly basic normal retirement income for a participant under the Pension Plan who retired on or after his normal retirement age of (age 65) was equal to the sum of (a) 1.6% of the Final Average Earnings multiplied by years (and any partial year) of service not in excess of 35 years, less 1.6% of the participant's age 65 social security benefit multiplied by years (and any partial year) of service not in excess of 35 years, plus (b) 0.5% of Final Average Earnings multiplied by years (and any partial year) of service in excess of 35 years.

There is set forth in the tabulation below a range of estimated annual retirement benefits payable to participants in the Pension Plan who retired at their normal retirement dates (age 65) based on the amount of remuneration and the years of continuous service with Allegheny International or a designated subsidiary indicated in the tabulation:

ESTIMATED ANNUAL PENSION BENEFITS
FOR PARTICULAR YEARS OF SERVICE (1)(2)

Remuneration	10 Years	20 Years	30 Years	40 Years
$125,000	$20,000	$ 40,000	$ 60,000	$ 73,125
150,000	24,000	48,000	72,000	87,750
200,000	32,000	64,000	96,000	117,000
250,000	40,000	80,000	120,000	146,250
300,000	48,000	96,000	144,000	175,500
350,000	56,000	112,000	168,000	204,750
400,000	64,000	128,000	192,000	234,000

(1) The benefit amounts listed in the table are prior to the offset by a portion of Social Security benefits. The amounts are also subject to an offset of the annual benefit payable from any other qualified retirement plan sponsored by Allegheny International and its subsidiaries, except for the Savings and Investment Plan, for a like period of service. Remuneration represents the average of the highest five consecutive years of salary and incentive compensation paid to participants during the ten years immediately preceding their normal retirement dates.

(2) Pursuant to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Tax Reform Act of 1986 ("TRA '86"), benefit accruals and payments from the qualified plan are limited. The maximum annual amount permitted to have been paid from the qualified plan in 1990 was the greater of $102,582, or, the participants accrued benefit as of December 31, 1986 subject to the maximum annual amount permitted to have been paid in 1986. The maximum annual renumeration permitted to be included for purposes of determining benefits to be paid from the qualified plan was $209,200 in 1990 and $200,000 for all prior years. The participants accrued benefit determined with regard to this limitation shall not be less than the accrued benefit determined as of December 31, 1988 based on continuous service to December 31, 1988 and compensation received prior to December 31, 1988 without regard to such limitations.

The Excess Benefit Plan, an unfunded supplemental plan originally approved by the Board of Directors of Allegheny International in 1975 to pay the difference, if any, between the annual benefits they would otherwise have been entitled to receive under the Pension Plan and the annual benefits they were permitted to receive pursuant to the limitations prescribed by ERISA and TRA '86, was frozen at the date of bankruptcy. All participants became unsecured creditors at that date and were treated in accordance with the terms of the Modified Plan.

Messrs. Travers, Dougherty, Iapalucci, Milligan and Long have no benefits under the Excess Benefit Plan.

Messrs. Travers, Dougherty, Iapalucci, Milligan and Long had, as of the end of the fiscal year 1990, 9.75 years, 13.83 years, 12.0 years, 0 years, and 9.75 years of service under the Pension Plan, respectively.

Remuneration of Directors

Each director of Allegheny International who was not an officer of Allegheny International was paid a fee of $20,000 per year (prorated if such director served less than the full year). Effective June 1, 1988, each director of Allegheny International who was not an officer of Allegheny International received a fee of $750 per day for meetings of the Board of Directors or any Committee lasting more than one day, excluding members of the AI Executive Committee and the Subcommittee on Reorganization, a subcommittee of the AI Executive Committee (the "Subcommittee on Reorganization"). Each director (other than O.S. Travers) who was a member of the Executive Committee received a monthly fee of $5,000 and each director (other than O.S. Travers) who was a member of the Subcommittee on Reorganization received a monthly fee of $5,000. Non-executive directors were also reimbursed for expenses related to their Board activities, were covered by travel and accident insurance provided by Allegheny International and were eligible to participate in the Deferred Compensation Plan described above in this Item 11. Remuneration of outside Directors of Sunbeam-Oster has not been established.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table and notes set forth information as of December 31, 1990, with respect to the voting securities of Sunbeam-Öster beneficially owned by all person(s) known by the Company to be the beneficial owner of more than 5 percent of the Common Stock and by all directors and officers, individually and as a group.

Names and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Common Stock
Sunbeam-Oster Equities, L.P. One Hospital Trust Plaza Suite 1990 Providence, RI 02903	76,819,980 (2)(3)	99.6%
Japonica Partners One Hospital Trust Plaza Suite 1990 Providence, RI 02903	76,819,980 (2)(3)	99.6%
Paul B. Kazarian c/o Japonica Partners One Hospital Trust Plaza Suite 1990 Providence, RI 02903	76,819,980 (2)(3)	99.6%
Michael F. Price c/o Mutual Series Fund, Inc. John F. Kennedy Parkway Short Hills, NJ 07078	4,263,827 (2)(5)	6.3%
Michael H. Steinhardt c/o Steinhardt Partners 605 Third Avenue New York, NY 10158	4,263,827 (2)(4)	6.3%
Heine Securities Corporation 51 John F. Kennedy Parkway Short Hills, NJ 07078	4,263,827 (2)(5)	6.3%
All directors and officers as a group (8 persons)	76,819,980 (2)(3)	99.6%

(1) After giving effect to the Stock Split.

(2) Japonica Partners is the sole general partner of SOE. Pursuant to the SOE Limited Partnership Agreement, the SOE Management Committee has three members, consisting of one designee each of Japonica Partners, Steinhardt Ventures, Inc. ("SVI") and the Mutual Series Funds. Such designees are Messrs. Kazarian, Davidson and Langerman, respectively. Paul B. Kazarian, ltd. ("PBK ltd.") and M.C. Lederman, Ltd. ("MCL Ltd.") are the general partners of Japonica Partners. Mr. Kazarian is

the President, sole director and controlling person of PBK ltd. Mr. Lederman is the Chairman of the Board, director and controlling person of MGL, Ltd. Pursuant to the Agreement of Limited Partnership of Japonica Partners, PBK ltd. has been delegated the authority and power to manage the partnership and MGL Ltd. has no control over such matters and disclaims beneficial ownership with respect to the shares of Common Stock owned by SOE.

(3) Includes 13,266,534 shares of Common Stock issuable upon exercise of the Redeemable Warrants.

(4) Shares of Common Stock issuable upon the conversion of 419,987 shares of Convertible Exchangeable Preferred Stock owned by the Steinhardt Entities. Mr. Steinhardt is the sole stockholder, President and sole director of SVI. Pursuant to an investment management agreement, I.P. Management Company, Inc. ("IPMC") has investment responsibility with respect to securities held by Institutional Partners, L.P. ("IP"). As a principal of IPMC, Mr. Steinhardt has the power to vote (or to direct the vote of) and to dispose of (or to direct the disposition of) the securities held by IP. Pursuant to a separate investment management agreement, Steinhardt Management Company, Inc. ("SMCI") has investment responsibility with respect to all securities held by SP International S.A. ("SPI") and a portion of the investment portfolio of GamCan Limited ("GL"). As a principal of SMCI, Mr. Steinhardt has the power to vote (or to direct the vote of) and to dispose of (or to direct the disposition of) the securities held by SPI and GL. Mr. Steinhardt is a general partner of Steinhardt Partners, L.P. ("SP"). The arrangement pursuant to which the Steinhardt Entities acquired 419,987 shares of Convertible Exchangeable Preferred Stock is described below in Item 13. The shares of Common Stock beneficially owned by SOE are not shown in the table above as being beneficially owned by the Steinhardt Entities. See Note 2 to the table above.

(5) Shares of Common Stock issuable upon the conversion of 419,987 shares of Convertible Exchangeable Preferred Stock owned by the Mutual Series Funds. Heine Securities Corporation ("HSC") is an investment advisor registered under the Investment Advisers Act of 1940 and is investment adviser to Mutual Series Fund Inc. Pursuant to investment advisory agreements with Mutual Series Fund Inc., HSC has sole investment discretion and voting authority with respect to the shares owned by Mutual Series Fund Inc. Mr. Price is the President and a director of each of HSC and Mutual Series Fund Inc. In his capacity as President of HSC, Mr. Price exercises voting control and dispositive power over the shares owned of record by Mutual Series Fund Inc. Mr. Price disclaims beneficial ownership of all shares owned of record by Mutual Series Fund Inc. The arrangement pursuant to which the Mutual Series Funds acquired 419,987 shares of Convertible Exchangeable Preferred Stock is described below in Item 13. The shares of Common Stock beneficially owned by SOE are not shown in the table above as being beneficially owned by the Mutual Series Funds. See Note 2 to the table above.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Transaction fees and expenses paid by the Company which were incurred by the Company and Japonica Partners in connection with the consummation of the Modified Plan aggregated approximately $25.3 million. Of this amount, fees paid to the Steinhardt Entities, Mutual Series Entities and Japonica Partners amounted to approximately $1,795,000, as more fully set forth below.

In consideration of the provision to the Company of a combination of letters of credit and escrow funding in the aggregate amount of approximately $88 million by the Steinhardt Entities and the Mutual Series Funds, which letters of credit and escrow funds evidenced the existence of financing for the Election, the Company paid a commitment fee of approximately $872,000 on September 28, 1990, which fee was divided equally between the Steinhardt Entities and the Mutual Series Funds.

In consideration of the services provided by Japonica Partners in connection with the Modified Plan and the transactions contemplated thereby, Japonica Partners received $923,000 on or about September 28, 1990.

The Company issued an aggregate of 839,974 shares of Convertible Exchangeable Preferred Stock divided equally between the Steinhardt Entities and the Mutual Series Funds in consideration of the provision of approximately $83 million by such entities (approximately $41.5 million by each the Steinhardt Entities and the Mutual Series Funds) in satisfaction of the Election.

ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

(Fiscal 1986-1990)

	Dec. 28, 1986 (12-month period)	Sept. 27, 1987 (9-month period)	October 2, 1988 (12-month period)	October 1, 1989 (12-month period)	September 30, 1990 (12-month period)
	(Dollars in millions, except Share Data-Common Stock)				
Summary of Operations:					
Net sales	$ 999.6	$650.8	$967.8	$937.6	$880.2
Cost of goods sold	710.9	505.7	726.8	726.3	682.5
Selling, general and administrative expense	189.5	117.9	150.8	144.7	137.0
	99.2	27.2	90.2	66.6	60.7
Depreciation and amortization	25.6	17.5	21.0	20.1	21.6
Corporate administrative expense	44.2	29.4	24.4	22.8	14.3
	29.4	(19.7)	44.8	23.7	24.8
Rationalization and restructuring charges	24.4	24.3	12.3	26.4	102.0
Operating earnings (loss)	5.0	(44.0)	32.5	(2.7)	(77.2)
Loss from continuing operations before extraordinary gain	(151.1)	(117.6)	(25.1)	(54.9)	(42.8)
Net earnings (loss)	(164.0)	(285.4)	(25.1)	(54.9)	116.2
Share Data-Common Stock:					
Primary earnings (loss) per share:					
Continuing operations	$ (16.78)	$(12.93)	$(5.10)	$(7.80)	$(6.55)
Net earnings (loss)	(17.97)	(28.39)	(5.10)	(7.80)	7.87
Dividends per share	-	-	-	-	-
Financial Position at Year-End:*					
Total assets	$1,282.6	$850.5	$836.8	$858.9	$781.4
Long-term debt**	335.4	311.7	10.6	9.5	101.1
Other long-term liabilities	108.1	137.7	32.4	41.6	44.7
Prepetition liabilities**	-	-	721.0	731.8	-
Redeemable preferred stocks	231.0	232.9	233.9	233.9	-
Other Information:					
Interest accrued	102.2	56.6	44.5	36.5	34.4
Interest not accrued	-	-	20.6	33.2	33.3
Total	102.2	56.6	65.1	69.7	67.7

* Financial data at September 30, 1990, represents the opening balance sheet of Sunbeam-Oster Company, Inc.

** Refer to Notes 5 and 7 to the consolidated financial statements of Sunbeam-Oster Company, Inc. and Allegheny International, Inc., respectively.

Refer to Note 4 to the consolidated financial statements of Allegheny International, Inc. for information on divestitures in 1988, 1989 and 1990.

FINANCIAL REVIEW

Over the past several years, Allegheny International restructured its operations to focus on its consumer products businesses. This restructuring resulted in the divestiture of numerous businesses which were not consistent with the Company's long-term strategy. For financial reporting purposes, Allegheny International's former industrial specialties and technology businesses, along with its finance and real estate development operations, and a former unconsolidated affiliate, Titanium Metals Corporation of America, have been designated as discontinued operations. Substantially all of the businesses, investments and assets which were classified as discontinued operations have been sold or liquidated, and the Company intends to dispose of or liquidate its remaining discontinued operations. A further discussion of discontinued operations is contained in Note 4 to the Allegheny International consolidated financial statements.

As a result of the restructuring, Allegheny International's continuing operations comprise one line of business--consumer products.

Selected Operating Data

	1988	1989	1990
	(In millions)		
Net sales	$967.8	$937.6	$880.2
Cost of goods sold	726.8	726.3	682.5
Selling, general and administrative expense	150.8	144.7	137.0
Operating cash flow*	90.2	66.6	60.7
Depreciation and amortization	21.0	20.1	21.6
Corporate administrative expense	24.4	22.8	14.3
Operating earnings before rationalization and restructuring charges	44.8	23.7	24.8
Rationalization and restructuring charges	12.3	26.4	102.0
Operating earnings (loss)	$ 32.5	$ (2.7)	$(77.2)

	October 2, 1988	October 1, 1989	September 30, 1990**
		(In millions)	
Identifiable assets:			
Consumer products	$604.6	$618.2	$713.0
Corporate assets	150.1	186.0	68.4
Net assets of discontinued operations	82.1	54.7	-
	$836.8	$858.9	$781.4

* Earnings before depreciation, amortization, interest, taxes (EBITD) and corporate overhead.

** Represents the opening balance sheet of Sunbeam-Oster Company, Inc.

Results of Operations: Review of 1990 versus 1989

Net sales of Allegheny International's consumer products operations were $880.2 million in fiscal 1990, 6.1% below fiscal 1989 sales of $937.6 million. The majority of this sales decline was planned and anticipated by management. A decision to delay the production of certain Home Comfort and Personal Care products until later in the season reduced working capital requirements and moved sales that would have historically occurred in the last quarter of fiscal 1990 into the first quarter of fiscal 1991. In the Household Products Group, the discontinuation and rationalization of certain product lines to improve overall Household Products Group gross margins resulted in reduced fiscal 1990 sales versus those realized in fiscal 1989. Sales for the remainder of the Company were above fiscal 1989 levels primarily due to a rebound in the Outdoor Products business where favorable customer reactions to new product features resulted in greater revenues.

Allegheny International had operating cash flow of $60.7 million in fiscal 1990, $5.9 million below fiscal 1989. Gross profit before depreciation and amortization in fiscal 1990 was $197.7 million versus $211.3 million in fiscal 1989. Contributing to the reduced gross profits were the reduction in year-over-year sales, charges for underabsorbed overhead associated with the plan to reduce inventory levels, and a reduction in selling prices to close out selected discontinued small kitchen appliance and outdoor furniture products. Partially offsetting the year-over-year decline in gross profits was a $7.7 million reduction in selling, general and administrative expense. Factors contributing to the lower selling, general and administrative expense levels were staffing reductions and lower sales.

Allegheny International had operating earnings of $24.8 million in fiscal 1990 (before the effect of plant and product line rationalization and plant and corporate restructuring charges) versus $23.7 million for fiscal 1989. This increase of $1.1 million is due to an $8.5 million reduction of corporate administrative expense in fiscal 1990 versus fiscal 1989, partially offset by the $5.9 million reduction in operating cash flow. The reduced corporate administrative expense is due to general cost containment actions, staff reductions and a favorable $2.2 million life insurance expense adjustment.

After restructuring and rationalization charges, Allegheny International had an operating loss for fiscal 1990 of $77.2 million versus a $2.7 million loss for fiscal 1989. Included in the operating loss were charges of $102.0 million for plant and product line rationalizations and plant and corporate restructuring versus $26.4 million in fiscal 1989.

In Part I under "Realignment of Consumer Products Operations," five major categories of cost reduction were described. Within the scope of this program, the following actions were taken during fiscal 1990 to substantially improve future financial results: (1) the costs associated with the discontinuance of several major home air treatment products, a pest control device and several small kitchen appliance products were provided for, (2) provide for the integration of the Sunbeam and Oster small appliance operations, thereby eliminating redundant manufacturing, selling and administrative expense, (3) several manufacturing activities within the casual

furniture operations were consolidated, (4) the design and development function for the U.S.-based bedding products operations was downsized and relocated, (5) the business and assets of the bedding products manufacturing operation in the United Kingdom were liquidated, (6) the costs of significantly downsizing two European-based appliance marketing operations were provided for, (7) the manufacturing activities in Canada were phased out and duplicative Canadian sales, marketing, administrative and warehousing activities were consolidated, (8) several redundant U.S. manufacturing facilities were eliminated and, in connection with these actions, the outsourcing of selected finished product lines and component parts was begun, (9) provide for the downsizing and relocation of the corporate office and (10) provide for the closure of the Hong Kong administrative office.

Due to the Chapter 11 process, Allegheny International suspended the payment of all interest to its prepetition creditors, which in fiscal 1990 would have amounted to $63.6 million. During fiscal 1990, the Company accrued for $34.4 million of interest expense, of which $30.3 million related to its secured debt and was not paid. Further, the Company did not accrue approximately $33.3 million of additional interest on its unsecured debt. During fiscal 1989, $36.5 million of interest expense was accrued, of which $31.6 million related to secured debt and was not paid. Further, a provision for $33.2 million of additional interest on unsecured borrowings was not made.

During fiscal 1990, the Company recognized $73.6 million of reorganization income, a further discussion of which is contained in Note 3 to the consolidated financial statements of Allegheny International. Included in reorganization income are bankruptcy administration costs, losses on the settlement of claims, interest income, and income resulting from a revaluation of the Company's assets and the establishment of opening equity in accordance with the AICPA's Statement of Position on "Financial Reporting by Entities in Reorganization under the Bankruptcy Code."

Allegheny International reported pretax losses from continuing operations before extraordinary gain of $39.1 million in fiscal 1990 versus $49.0 million in fiscal 1989. The Company made provisions for income taxes of $3.7 million for fiscal 1990 versus $5.9 million in fiscal 1989. In both periods, the income tax provisions reflect foreign income taxes and the nonrecognition of federal tax benefits on domestic losses.

Allegheny International's discontinued operations resulted in income of $4.6 million during fiscal 1990.

In 1990, extraordinary income of $154.4 million was realized due to gains on the extinguishment of prepetition debt upon the Company's emergence from Chapter 11.

Financial Condition, Liquidity and Capital Resources

On September 30, 1990, the Company had $46.2 million of cash on hand. The Company has bank revolving credit lines totaling $145.0 million to finance fluctuations in working capital. At September 30, 1990, and December 31, 1990, the unused bank line was $110.0 million and $125.8 million, respectively. See Note 5 to the consolidated financial statements of Sunbeam-Oster for a fuller description of the Company's credit facilities.

The Company has obtained material improvement in terms from vendors and customers since its emergence from Chapter 11. This process of returning to normal terms has resulted in a working capital improvement which management believes will be between $40.0 million and $50.0 million during fiscal 1991.

Approximately $83.0 million of the funding for the Election (as discussed in Attachment A to Part I hereof) was provided by certain affiliates of Sunbeam-Oster in consideration for Sunbeam-Oster's issuance of 839,974 shares of its 9.5% Convertible Exchangeable Preferred Stock.

In fiscal 1991, Sunbeam-Oster anticipates making capital expenditures to continue productivity improvements, product development and cost reduction programs in an amount that will not exceed the capital expenditures of the Company during recent past fiscal periods.

Results of Operations: Review of 1989 versus 1988

Net sales of Allegheny International's consumer product operations were $937.6 million in fiscal 1989 versus $967.8 million in fiscal 1988, representing a 3.1% sales decline in fiscal 1989. In the United States, sales of small appliances were adversely affected by highly competitive market conditions which resulted in lower sales volume. Allegheny International's barbecue grill and outdoor casual furniture businesses also reported declines in sales volume in fiscal 1989 due, in large part, to a lower level of product reorders in the early summer months, believed to be a result of the unusually rainy weather in much of the country.

Allegheny International had an operating loss of $2.7 million in fiscal 1989 versus operating earnings of $32.5 million for fiscal 1988. Of the $35.2 million decline in total operating earnings between the two periods, $22.7 million related to lower earnings at the operating company level and $14.1 million arose from higher plant rationalization, business restructuring and product write-off costs, while corporate overhead in fiscal 1989 was reduced by $1.6 million. Allegheny International's gross profit before depreciation and amortization in fiscal 1989 was $211.3 million (22.5% of sales) versus $241.0 million (24.9% of sales) in fiscal 1988. Most of the $29.7 million gross profit reduction is associated with the lower sales volume of small appliances and the shift in sales mix to products with lower margins. The gross profit and profit margins of Allegheny International's barbecue grill and outdoor casual furniture businesses also declined in fiscal 1989 as a result of lower sales volume and higher material costs which were not fully recovered through increased selling prices. Similarly, gross profit and profit margins in Latin America were well below fiscal 1988 levels due to the economic uncertainties. Partially offsetting the decline in gross profit were lower selling and administrative expenses at the operating company level, most of which was attributable to lower advertising and sales promotional expenses for the U.S. small appliance businesses and the absence of developmental expenses associated with an abandoned countertop oven project. In fiscal 1989, Allegheny International recorded $26.4 million of plant rationalization, business restructuring and product write-off costs associated with its domestic warming blanket and small appliance businesses and its European-based small appliance operations. In fiscal 1988, charges of $12.3 million were recorded for plant rationalization and product write-off costs associated primarily with the consolidation of administrative functions of the domestic appliance operations and the decision to abandon a countertop oven project.

Allegheny International had other expense of $3.3 million in fiscal 1989 versus other income of $0.5 million in the comparable 1988 period. The major factor contributing to the year-to-year change was an increase of $2.8 million in foreign exchange losses relating to Allegheny International's Latin American operations.

Due to the bankruptcy process, Allegheny International suspended the payment of all interest on its prepetition liabilities. During fiscal 1989, the Company accrued $36.5 million of interest expense, of which $31.6 million related to its secured debt and was not paid. Further, the Company did not accrue approximately $33.2 million of additional interest on its unsecured debt in fiscal 1989. During fiscal 1988, $44.5 million of interest expense was accrued, of which $17.6 million related to interest on secured debt subsequent to the Chapter 11 filing and was not paid. Further, a provision of approximately $20.6 million of additional interest on unsecured borrowings was not made.

Bankruptcy administration costs (primarily professional fees) of $17.8 million and $8.0 million were incurred in fiscal 1989 and 1988, respectively. In addition, Allegheny International earned $7.9 million of interest income on its short-term investments in fiscal 1989 versus $1.9 million in fiscal 1988. This increase is due to higher levels of interest-bearing, short-term investments in fiscal 1989. The foregoing, along with a $3.4 million favorable adjustment relating to the settlement of bankruptcy claims, have been segregated on the statements of operations and classified as reorganization items, a further discussion of which is contained in Note 3 to the Allegheny International consolidated financial statements.

Allegheny International reported pretax losses of $49.0 million and $17.7 million for fiscal 1989 and 1988, respectively, on which it provided income taxes of $5.9 million and $7.4 million, respectively. A reconciliation between the actual income tax expense and the expected income tax benefit computed at the federal statutory tax rates is contained in Note 13 to the Allegheny International consolidated financial statements.

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

	Page
o SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES -	
Financial Statements:	
Report of Independent Public Accountants.	F-2
Consolidated Balance Sheet.	F-3
Notes to Consolidated Balance Sheet	F-4 to F-19
Financial Statement Schedules:*	
III - Condensed Financial Information of Registrant.	F-20 to F-21
o ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES -	
Financial Statements:	
Report of Independent Public Accountants.	F-22
Consolidated Statements of Operations	F-24
Consolidated Balance Sheet.	F-25
Consolidated Statements of Cash Flows	F-26
Consolidated Statements of Additional Paid-In Capital, Accumulated Deficit and Accumulated Foreign Currency Translation Adjustments.	F-27
Notes to Consolidated Financial Statements.	F-28 to F-57
Financial Statements Schedules:*	
II - Amounts Receivable from Related Parties and Underwriters, Promoters and Employees Other Than Related Parties	F-58
III - Condensed Financial Information of Registrant.	F-59 to F-63
VIII - Valuation and Qualifying Accounts and Reserves	F-64
IX - Short-Term Borrowings.	F-65

* Financial statement schedules not listed have been omitted because the information either is not required or is set forth in the financial statements or the notes thereto.

SUNBEAM-OSTER COMPANY, INC.

Opening Balance Sheet

September 30, 1990

ARTHUR ANDERSEN & CO.

PITTSBURGH, PENNSYLVANIA

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Sunbeam-Oster Company, Inc.:

We have audited the accompanying consolidated balance sheet of Sunbeam-Oster Company, Inc. (a Delaware corporation) and Subsidiaries as of September 30, 1990. This financial statement and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement and schedule based on our audit.

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

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of Sunbeam-Oster Company, Inc. and Subsidiaries as of September 30, 1990, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statement taken as a whole. The financial statement schedule listed in the index of financial statements for Sunbeam-Oster Company, Inc. and Subsidiaries is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen & Co.

Pittsburgh, Pennsylvania,
March 19, 1991

SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1990

(Dollars in thousands)

Assets

Current assets:	
Cash	$ 46,160
Receivables	147,492
Inventories	141,192
Prepaid expenses and other current assets	11,094
Total current assets	345,938
Property, plant and equipment	152,9'3
Trademarks and tradenames	231,800
Other assets	20,148
Goodwill	30,616
	$ 781,415

Liabilities and Shareholders' Equity

Current liabilities:	
Seasonal borrowings	$ 22,735
Current maturities of long-term debt	27,514
Accounts payable	78,040
Payrolls and employee benefits	17,216
Accrued rationalization and reorganization expense	47,202
Other accrued liabilities	71,702
Total current liabilities	264,409
Long-term debt	101,079
Nonoperating liabilities, net	4,887
Other long-term liabilities	39,802
Redeemable warrants	1,838
Commitments and contingencies*	
Shareholders' equity:	
Common stock	307
Paid-in capital	133,353
Shares issuable	227,531
Warrants issuable	8,209
Total shareholders' equity	369,400
	$ 781,415

See accompanying notes to consolidated balance sheet.

* Notes 3, 6, 14 and 15

SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1990

(Dollars, except per share amounts, in thousands)

1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES:

Within its single line of business--consumer products--Sunbeam-Oster Company, Inc. (Sunbeam-Oster or the Company) has five major business groups: (i) The Outdoor Products Group, consisting primarily of gas barbecue grills, casual outdoor furniture and a line of outdoor time and temperature instruments; (ii) The Home Comfort and Personal Care Products Group, consisting of a broad line of warming blankets and throws, health care and comfort products such as vaporizers, humidifiers and portable heaters, hair care products, and blood pressure and temperature monitoring equipment; (iii) The Professional Products Group, providing barber and beauty shops, food service, and pet and agricultural markets with selected Company products which have been adapted to commercial applications; (iv) The Household Products Group, having responsibility for a full line of small electrical kitchen appliances including mixers, Osterizers, Oskar food processors, toasters, irons, cans openers, food scales and thermometers, timers and coffee makers, as well as a diverse line of indoor household time and weather instruments; and (v) The International Group, which manufactures and markets a broad range of the above-mentioned products in world markets.

On September 28, 1990, Sunbeam-Oster acquired (the Acquisition) the assets and assumed certain liabilities, through a reorganization, of Allegheny International, Inc., an entity operating as a debtor-in-possession under Chapter 11 of the United States Bankruptcy Code. The Company has adopted "fresh start" reporting in accordance with the AICPA's Statement of Position on "Financial Reporting by Entities in Reorganization under the Bankruptcy Code." Accordingly, assets and liabilities have been restated to allocate the reorganization value in conformity with Accounting Principles Board Opinion No. 16. The excess of the reorganization value over the estimated fair value of identifiable net assets of the reorganized entity has been classified as goodwill. The Company is in the process of obtaining additional information and pursuing settlements of litigation and certain other contingencies relating to Allegheny International, Inc. for periods prior to September 28, 1990. When such items are settled and information is obtained, changes to the reorganization value and/or the allocation of the reorganization value may be required. A further discussion concerning the acquired assets and assumed liabilities and the approved plan of reorganization is contained in Note 3.

The accompanying September 30, 1990, consolidated balance sheet reflects the application of the following significant accounting policies:

SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1990

(Dollars, except per share amounts, in thousands)

Principles of Consolidation

The consolidated balance sheet includes the accounts of the Company and all majority-owned subsidiaries that it controls. All material intercompany balances have been eliminated in consolidation.

Fiscal Year

The Company's fiscal year ends on the Sunday nearest September 30.

Short-Term Investments

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

Accounts Receivable

Accounts receivable at September 30, 1990, of $147,492 consist of $159,020 of trade accounts receivable, substantially all of which were due from distributors and retailers located throughout the United States and Canada, and sundry receivables of $6,733, less valuation allowances of $18,261.

Inventories

Inventories are stated at the lower of cost or market with cost being determined principally by the first-in, first-out (FIFO) method. Inventories at September 30, 1990, of $141,192 include $68,377 of finished goods, $19,419 of work-in-process and $53,396 of raw materials and supplies.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. The Company will provide for depreciation using primarily the straight-line method in amounts that will allocate the costs of property, plant and equipment over their estimated useful lives. Property, plant and equipment at September 30, 1990, of $152,913 include $2,874 of land, $36,258 of buildings and improvements, and $113,781 of machinery and equipment.

Amortization Periods

Trademarks and tradenames and goodwill will be amortized over 30 years using the straight-line method. Deferred financing costs will be amortized over the life of the applicable debt.

Income Taxes

Deferred income taxes are not provided for on the undistributed earnings of foreign subsidiaries, since such earnings are considered to be permanently reinvested. The Company has adopted the provisions of Statement No. 96 of the Financial Accounting Standards Board under which deferred income taxes are measured by applying currently enacted tax laws.

2. REALIGNMENT OF OPERATIONS:

As contemplated in the Modified Plan (as described in Note 3), the acquired assets and assumed liabilities of Allegheny International, Inc. and its direct and indirect subsidiaries were allocated to three of the Company's subsidiaries: Sunbeam Americas Holdings, Limited (SAHL), Sunbeam-Oster Housewares, Inc. and Montey Corporation.

3. CHAPTER 11 PROCEEDINGS:

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

The Debtors' Plan of Reorganization (the Stock Plan) was filed with the Court on December 29, 1989. On January 24, 1990, Japonica Partners, a Rhode Island limited partnership (Japonica Partners) and the general partner of Sunbeam-Oster Equities, L.P., a Delaware limited partnership formed by Japonica Partners (SOE), filed its Plan of Reorganization with the Court. The general partners of Japonica Partners are Paul B. Kazarian, ltd., a corporation wholly-owned by Paul B. Kazarian, and M.G. Lederman, Ltd., a corporation wholly-owned by Michael G. Lederman.

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

SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1990

(Dollars, except per share amounts, in thousands)

Allegheny International (the Equity Holders) and the allowed claims of certain creditors of the Debtors (the Creditors). Pursuant to the Modified Plan, upon the consummation of the Acquisition, the assets and undischarged liabilities of the Debtors were allocated among three of Sunbeam-Oster's subsidiaries: (i) SAHL, (ii) Sunbeam-Oster Housewares, Inc. and (iii) Montey Corporation.

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

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

As of September 30, 1990, certain disputed claims had not been discharged by the Modified Plan. Under the Modified Plan, the Company has the right to settle such disputed claims through cash payments or, if certain conditions are met, through the issuance of common stock. Management believes that the disputed claims will be settled for amounts substantially below the face amounts of such claims. The Company has accrued approximately $12,500 for the estimated settlement value of disputed claims.

AIR of Dallas, Inc., AIR Realty of Houston, Inc., Allegheny Sherry Lane Management, Inc. and Allegheny International Credit Corporation (the Continuing Debtors) remain in Chapter 11 proceedings.

(Dollars, except per share amounts, in thousands)

4. DISCONTINUED OPERATIONS:

In 1987, Allegheny International decided to dispose of or liquidate all nonconsumer products businesses, a substantial portion of which have already been sold.

Included within nonoperating liabilities, net (see Note 10) on the September 30, 1990, balance sheet are the following assets and (liabilities) applicable to the remaining discontinued operations:

Current assets	$ 7,889
Investment in Continuing Debtors	9,544
Investment in real estate projects	17,570
Other assets	699
Current liabilities	(3,696)
Other liabilities	(1,916)
	$30,090

The Company intends to dispose of or liquidate its remaining discontinued operations as market conditions permit.

5. CREDIT FACILITIES AND LONG-TERM DEBT:

On September 28, 1990, SAHL and certain of its subsidiaries entered into a credit agreement with Chase Manhattan Bank, N.A. and certain other lenders (the SAHL Credit Agreement). The SAHL Credit Agreement established three facilities secured by substantially all of the assets of SAHL and its subsidiaries and the Company's pledge of the capital stock of SAHL and certain of its subsidiaries: a Term Note of $110,000, an $80,000 seasonal loan facility and a $45,000 letter of credit facility. The SAHL Credit Agreement expires in March 1995, and borrowings under this agreement bear interest at the LIBOR rate plus 2.75% or the prime rate plus 1.5%.

SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1990

(Dollars, except per share amounts, in thousands)

The Term Note requires semiannual repayments of principal in fiscal 1991 and quarterly repayments thereafter. The amounts of the repayments vary through the expiration of the agreement. The seasonal loan facility requires borrowings not to exceed $15,000 for a 60-day consecutive period during each calendar year. At September 30, 1990, there was $22,000 in borrowings outstanding under the seasonal loan facility and, at December 30, 1990, there was $9,100 outstanding under this facility. At September 30, 1990, there was $38,328 in letters of credit outstanding under the letter of credit facility and, at December 30, 1990, there was $31,276 outstanding under this facility.

On September 28, 1990, Sunbeam-Oster Housewares entered into a credit agreement with CIT Group/Business Credit, Inc. (the Sunbeam-Oster Housewares Credit Agreement). The Sunbeam-Oster Housewares Credit Agreement provides for a $65,000 revolving (seasonal) loan and letters of credit facility, with a $20,000 limit on the amount of letters of credit. This credit agreement is secured by substantially all of the assets of Sunbeam-Oster Housewares and its subsidiaries and the Company's pledge of the capital stock of Sunbeam-Oster Housewares, and requires that for a 60-day consecutive period during each calendar year no loans be outstanding and letter of credit usage not exceed $10,000. The Sunbeam-Oster Housewares Credit Agreement expires in September 1992. Borrowings under this agreement bear interest at the prime rate plus 1.75%.

At September 30, 1990, and at December 30, 1990, there were no borrowings under this facility. At September 30, 1990, there was $13,003 in letters of credit outstanding under the letter of credit facility and, at December 30, 1990, there was $10,091 outstanding under this facility.

Borrowings under the SAHL Credit Agreement and the Sunbeam-Oster Housewares Credit Agreement (collectively, the Credit Facilities) are subject to certain limitations based on the level of eligible accounts receivable and inventories. The Credit Facilities also require, among other things, that the companies maintain certain levels of net worth, achieve specified levels of profitability, meet certain financial ratios, and place restrictions upon the levels of capital expenditures, lease commitments and certain other cash disbursements that may be made. The Credit Facilities also restrict the amount of cash dividends that the Company may distribute to its shareholders and the amounts which the Company's subsidiaries may distribute to the Company. At September 30, 1990, there were no amounts available for payment of cash dividends to shareholders and approximately $366,000 of net assets attributable to subsidiaries were restricted from distribution to the Company.

The aggregate annual principal payments of long-term debt due in each of the fiscal years 1991-1995 are $27,514, $44,032, $20,248, $21,186 and $15,184, respectively.

(Dollars, except per share amounts, in thousands)

Long-term debt at September 30, 1990, consists of the following:

Term Note, at LIBOR plus 2.75% or prime plus 1.5%, due in periodic installments through March 1995, less original issue discount of $1,443 (12.1%*) (see Note 9)	$108,557
5.5% Sinking Fund Debentures, due through August 1992, less discount of $1,643 imputed at 13.5%	12,357
6.625% to 9.75% industrial development revenue bonds and mortgages, due through 2003, less discount of $45 imputed at 7%	1,484
5.3% to 13% capitalized lease obligations, due through 2008, less discounts of $949 imputed at 10%	6,106
Other indebtedness	89
	128,593
Current maturities of long-term debt	(27,514)
	$101,079

* Effective interest rate at September 30, 1990.

Certain industrial development revenue bonds, mortgages and capitalized lease obligations are collateralized by property, plant and equipment having a net book value of approximately $14,500 at September 30, 1990.

6. LONG-TERM OBLIGATIONS ASSUMED BY THIRD PARTIES:

Responsibility for servicing certain debt obligations of Allegheny International were assumed by third parties in connection with the acquisition of former Allegheny International businesses, although Allegheny International remained the primary obligor in accordance with the respective loan documents. Such obligations, which amounted to approximately $29,600 at September 30, 1990, and the corresponding receivables from the third parties,

(Dollars, except per share amounts, in thousands)

are not included in the consolidated balance sheet since these transactions occurred prior to the issuance of Statement No. 76 of the Financial Accounting Standards Board, "Extinguishment of Debt," and management of the Company believes that the third parties will continue to meet their obligations pursuant to the assumption agreements.

7. EMPLOYEE BENEFIT PLANS:

Defined Benefit Plans

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

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

The funded status of the Company's U.S. defined benefit pension plans as of September 30, 1990, is as follows:

Actuarial present value of benefit obligations-	
Vested	$130,787
Nonvested	3,740
Accumulated benefit obligations	134,527
Effect of assumed increase in compensation levels	1,715
Projected benefit obligations	136,242
Plan assets at fair value	112,101
Projected benefit obligations in excess of plan assets	$ 24,141
Assumptions:	
Discount rate	10.0%
Compensation inflation rate	7.0
Long-term rate of return on assets	10.0

The plan assets at September 30, 1990, include cash and cash equivalents, corporate and U.S. government bonds, publicly traded common stocks, mutual funds, real estate and venture capital limited partnership interests.

As of December 31, 1990, benefit accruals under plans covering all U.S. salaried employees were frozen. These plans are not terminated as the Company continues to sponsor these plans in accordance with ERISA.

The excess of projected benefit obligations over plan assets for U.S. defined benefit pension plans at September 30, 1990, has been recognized as a liability on the accompanying balance sheet in accordance with the provisions of Statement No. 87 of the Financial Accounting Standards Board. The assets and liabilities of the Company's non-U.S. defined benefit retirement plans are not material.

Defined Contribution Plans

Certain of the Company's U.S. operating units sponsor defined contribution profit-sharing plans covering all eligible employees, as defined. Substantially all contributions to such plans, if any, are made at the discretion of the Company's Board of Directors.

Other Postretirement Benefits

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

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

On September 28, 1990, the Company recorded an accrual of $21,878 for other postretirement benefits relating to divested business units. The Company continues to recognize the expense of providing health care and life insurance benefits to retired employees of ongoing operations when such payments are made.

Management has not determined when the Company will adopt the new standard with respect to its ongoing operations, or whether it will adopt the new accounting method prospectively or by recording a cumulative catch-up adjustment in the year of adoption. As of September 30, 1990, management had not determined the effect of the change in accounting on the Company's reported financial position or results of operations. However, management expects that the annual postretirement benefit expense computed in accordance with the new standard may be greater than the annual cash payments.

8. LEASES:

The Company rents certain facilities and equipment under operating leases. The minimum future rentals due under noncancelable operating leases as of September 30, 1990, aggregated $30,885. The amounts payable in each of the fiscal years 1991-1995 are $7,963, $6,427, $4,283, $3,384 and $2,696, respectively.

9. CAPITALIZATION:

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

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

Each redeemable warrant issued pursuant to the Modified Plan entitles the holder to purchase three shares of common stock at an exercise price of $2.90 per share (subject to adjustment) through 1995. If, prior to September 28, 1992, a "going private transaction" (as defined) occurs, the warrants are redeemable at the option of either the Company or the holder of the warrants, at a price of $1.53 per warrant through September 1991 and $1.75 per warrant through September 1992. The redeemable warrants not held by SOE have been excluded from shareholders' equity at September 30, 1990.

(Dollars, except per share amounts, in thousands)

In addition to the common stock and redeemable warrants, $82,991 was distributed to the creditors and shareholders of Allegheny International, other than SOE, electing to receive cash in lieu of securities. The Company issued 839,974 shares of 9.5% Convertible Exchangeable Preferred Stock (the Preferred Stock) to the Limited Partners as consideration for the funding of the cash settlements. The Preferred Stock has a cumulative annual dividend rate of 9.5% (subject to adjustment) payable quarterly commencing March 15, 1991. The Company has the ability to pay these dividends with additional shares of Preferred Stock. The dividend rate for these payments-in-kind will range from 14%-18% as determined by the provisions of the Preferred Stock. The Preferred Stock is convertible to common stock at any time at a conversion price of $9.85, which is the equivalent of 10.15 shares of common stock for each share of Preferred Stock, subject to adjustment upon the occurrence of certain events. At the option of the Company, the Preferred Stock is exchangeable into subordinated debt, as defined, or callable at a $100.00 per share liquidation price, plus accrued and unpaid dividends.

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

At September 30, 1990, there were 26,503,319 shares of common stock reserved for issuance upon the exercise of warrants and conversion of Preferred Stock.

Valuation of Enterprise Equity Value

The Company has accounted for the reorganization using "fresh start" reporting. Accordingly, the value of equity has been determined based on the Court-approved free enterprise value adjusted for debt service and other cash charges of noncore operations. An analysis of the determination of the enterprise equity value is as follows:

Assumed enterprise value	$ 570,000
Less- Debt at consummation	(140,650)
Present value of liabilities not related to the Company's continuing core businesses, net of assets	(59,950)
Enterprise equity value	$ 369,400

SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1990

(Dollars, except per share amounts, in thousands)

The determination of assumed enterprise value was based on certain valuation methods including the discounted cash flows of expected future operating results.

Allocation of Enterprise Equity Value to Shareholders' Equity

Based on the results of the Election and the resulting issuance of equity securities in accordance with the provisions of the Modified Plan and the financing arrangements, the components of shareholders' equity at September 30, 1990, would have been:

Common stock, par value $.01 per share- Authorized, 100,000,000 shares Issued and outstanding, 63,855,390 shares	$ 639
Redeemable warrants	6,766
Other warrants	1,443
Paid-in capital	277,561
Preferred stock, par value $.01 per share- Authorized, 2,000,000 shares Issued and outstanding as a series of preferred stock, 839,974 shares of 9.5% Convertible Exchangeable Preferred Stock (liquidation preference $100.00 per share)	82,991
Total shareholders' equity	$369,400

SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1990

(Dollars, except per share amounts, in thousands)

10. SUPPLEMENTARY BALANCE SHEET DATA:

	September 30, 1990
Other assets-	
Deferred financing costs	$19,374
Other	774
	$20,148
Other accrued liabilities-	
Advertising and sales promotion	$14,548
Product warranty	14,738
Other	42,416
	$71,702

Nonoperating liabilities, net consist of miscellaneous items associated with the prebankruptcy operations of Allegheny International which do not relate to the ongoing operations of Sunbeam-Oster.

Nonoperating liabilities (assets), net-	
Environmental remediation	$15,325
Accrued pension	24,141
Accrued postretirement health care	21,878
Notes receivable	(13,548)
Cash surrender value of life insurance policies on former key employees	(13,599)
Net assets of discontinued operations	(30,090)
Other	780
	$ 4,887

SUNBEAM-OSTER COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1990

(Dollars, except per share amounts, in thousands)

11. INCOME TAXES:

At September 30, 1990, the Company had tax loss carryforwards of approximately $188,500 available to offset future taxable income. The full utilization of these carryforwards, which expire during the period 2001 through 2005, depends predominantly upon the recognition of taxable ordinary income during the carryforward period and is subject to certain limitations under the Internal Revenue Code.

The loss carryforward at September 30, 1990, for financial reporting purposes is approximately $350,000. The difference between the loss carryforwards for financial reporting and income tax purposes results principally from accruals for plant rationalization and corporate restructuring and estimated losses on disposal of businesses, which have not been deducted for tax purposes. Statement No. 96 of the Financial Accounting Standards Board does not permit financial statement recognition of net deferred tax assets in excess of the amount which can be recovered from income tax refunds through the use of existing loss carrybacks. Consequently, at September 30, 1990, the Company had unrecognized deferred tax assets of approximately $64,000.

Cumulative undistributed earnings of foreign subsidiaries that are considered to be permanently reinvested and on which U.S. federal income taxes have not been provided by the Company amounted to approximately $6,900 at September 30, 1990.

12. RELATED PARTY TRANSACTIONS:

Transaction fees and expenses paid by the Company which were incurred by Japonica Partners and the Company in connection with the consummation of the Modified Plan aggregated approximately $25,300. Of this amount, fees paid to the Limited Partners and Japonica Partners amounted to approximately $1,795, as more fully set forth in the following paragraphs.

In consideration of the Limited Partners providing the Company with a combination of letters of credit and escrow funding in the aggregate amount of approximately $88,000, which letters of credit and escrow funds evidenced the existence of financing for the Election, the Company paid a commitment fee of approximately $872 on September 28, 1990, which fee was divided equally between the Limited Partners.

In consideration of the services provided by Japonica Partners in connection with the Modified Plan and the transactions contemplated thereby, Japonica Partners received $923 on or about September 28, 1990.

(Dollars, except per share amounts, in thousands)

13. SEGMENT DATA:

The Company operates in one line of business--consumer products. Financial information at September 30, 1990, by geographic area is as follows:

Identifiable assets-	
United States	$629,271
Canada and Latin America	76,342
Other	7,392
Total identifiable assets	713,005
Corporate assets	68,410
Total assets	$781,415

14. LEGAL PROCEEDINGS:

The Company is involved in various lawsuits from time to time arising in the ordinary course of business and otherwise. In management's opinion after consulting with legal counsel, the outcome of these matters is not expected to have a material adverse effect on the Company's financial condition. Virtually all of the lawsuits brought against the Company relate to matters preceding Allegheny International's emergence from Chapter 11. The bulk of the litigation claims relate to four lawsuits involving, respectively, a contractor's claim for payment it alleges it is entitled to, a stockholder litigation against former officers, directors and advisers of Allegheny International and the Company's putative indemnity obligation relating thereto, an alleged indemnity obligation relating to a divested operation which the Court has refused to allow as a claim against the Company, and a class action brought by a group of former employees of one of the Company's subsidiaries.

15. ENVIRONMENTAL MATTERS:

The Company is subject to certain federal, state and local environmental laws and regulations. The Company is complying with those laws and regulations through remediation of sites and other activities, all of which relate principally to certain divested operations. Certain of these sites are subject to CERCLA, and numerous other entities have been named in connection therewith. Although compliance involves some continuing costs, such costs are not expected to have a material adverse effect upon the capital expenditures, earnings or the competitive position of the Company.

(Dollars, except per share amounts, in thousands)

16. SUMMARIZED FINANCIAL INFORMATION OF SUNBEAM CORPORATION:

Following is a summarized balance sheet at September 30, 1990, of Sunbeam Corporation, a wholly-owned subsidiary of the Company, which has publicly held debentures outstanding. The repayment of such debentures was guaranteed by the Company. This condensed balance sheet reflects the realignment of operations as discussed in Note 2.

Assets	
Current assets	$169,135
Property, plant and equipment	107,423
Other assets	266,638
	$543,196
Liabilities and Shareholder's Equity	
Current liabilities	$158,304
Long-term debt	99,508
Other long-term liabilities	64,765
	322,577
Shareholder's equity	220,619
	$543,196

Pursuant to the Modified Plan, certain former subsidiaries and divisions of Sunbeam Corporation were allocated to Sunbeam-Oster Housewares, Inc. or became direct subsidiaries of SAHL. In fiscal 1991, entities within Sunbeam Corporation will purchase products from, and sell products to, entities within Sunbeam-Oster Housewares, Inc. and SAHL.

SCHEDULE III

SUNBEAM-OSTER COMPANY, INC. (PARENT COMPANY)

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

BALANCE SHEET

SEPTEMBER 30, 1990

(In thousands)

Assets

Current assets:	
Cash	$ 6,017
Sundry notes and accounts receivable	4,068
Prepaid expenses and other current assets	3,120
Total current assets	13,205
Investments in subsidiaries	349,027
Advances to subsidiaries	61,235
Noncore assets, net	12,330
	$435,797

Liabilities and Shareholders' Equity

Current liabilities:	
Accounts payable	$ 3,048
Accrued liabilities	13,604
Total current liabilities	16,652
Advances from subsidiaries	37,088
Other long-term liabilities	10,819
Redeemable warrants	1,838
Shareholders' equity:	
Common stock	307
Paid-in capital	133,353
Shares issuable	227,531
Warrants issuable	8,209
Total shareholders' equity	369,400
	$435,797

See accompanying note to balance sheet.

SUNBEAM-OSTER COMPANY, INC. (PARENT COMPANY)

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

NOTE TO BALANCE SHEET

SEPTEMBER 30, 1990

(A) REFERENCE TO CONSOLIDATED BALANCE SHEET:

Notes 1, 2, 3, 5, 9, 14 and 15 to the Company's consolidated balance sheet at September 30, 1990, have relevance to the parent company balance sheet and should be read in conjunction therewith.

ALLEGHENY INTERNATIONAL, INC.

Financial Statements for the Periods Ended on or about September 30, 1988, 1989 and 1990

ARTHUR ANDERSEN & CO.

PITTSBURGH, PENNSYLVANIA

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Sunbeam-Oster Company, Inc.:

We have audited the accompanying consolidated statements of operations, additional paid-in capital, accumulated deficit, accumulated foreign currency translation adjustments and cash flows of the predecessor Allegheny International, Inc. and Subsidiaries (a Pennsylvania corporation) for the year ended September 30, 1990. These financial statements and schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audit. The consolidated balance sheet as of October 1, 1989, and the consolidated statements of operations, additional paid-in capital, accumulated deficit, accumulated foreign currency translation adjustments and cash flows for the two years ended October 1, 1989, and related financial statement schedules of Allegheny International, Inc. were audited by other auditors whose report dated December 21, 1989, included an explanatory paragraph in which they noted that there was substantial doubt about the Company's ability to recover the recorded value of its assets and to continue as a going concern as discussed in Notes 1 and 2 to the financial statements.

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

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

Our audit was made for the purpose of forming an opinion on the basic financial statements referred to above taken as a whole. The financial statement schedules as of or for the period ended September 30, 1990, listed in the index of financial statements for Allegheny International, Inc. and Subsidiaries are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material raspects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen & Co.

Pittsburgh, Pennsylvania,
March 19, 1991

ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	1988*	1989*	1990
	(In thousands, except per share amounts)		
Net sales	$967,786	$937,589	$880,233
Cost of goods sold	726,816	726,311	682,520
Selling, general and administrative expense	150,832	144,658	136,997
	90,138	66,620	60,716
Depreciation and amortization	20,979	20,055	21,574
Corporate administrative expense	24,386	22,850	14,294
	44,773	23,715	24,848
Rationalization and restructuring charges	12,314	26,446	102,018
Operating earnings (loss)	32,459	(2,731)	(77,170)
Other (income) expense, net	(517)	1,263	1,094
Interest expense	44,515	36,524	34,404
Reorganization items:			
Bankruptcy administration costs	7,978	17,837	19,955
Interest income on short-term investments	(1,865)	(7,964)	(17,023)
Adjustment to estimated allowed claims	-	(3,439)	25,225
Revaluation of assets and liabilities pursuant to adoption of "fresh start" reporting	-	-	(101,721)
Total reorganization items	6,113	6,434	(73,564)
Loss from continuing operations before income taxes and extraordinary gain	(17,652)	(48,952)	(39,104)
Income taxes	7,401	5,923	3,745
Loss from continuing operations before extraordinary gain	(25,053)	(54,875)	(42,849)
Earnings from discontinued operations, net of applicable income taxes	-	-	4,629
Loss before extraordinary gain	(25,053)	(54,875)	(38,220)
Extraordinary gain - extinguishment of debt upon emergence from bankruptcy	-	-	154,438
Net earnings (loss)	$(25,053)	$(54,875)	$116,218
Primary earnings (loss) per share of common stock:**			
Continuing operations	$ (5.10)	$ (7.80)	$ (6.55)
Discontinued operations	-	-	.42
Extraordinary gain	-	-	14.00
Net earnings (loss)	$ (5.10)	$ (7.80)	$ 7.87

* Reclassified for comparative purposes.

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

See accompanying notes to consolidated financial statements.

ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

OCTOBER 1, 1989

(In thousands)

Assets	
Current assets:	
Cash	$ 11,508
Short-term investments	123,474
Receivables	232,244
Inventories	201,160
Prepaid expenses and other current assets	15,604
Net current assets of discontinued operations	5,182
Total current assets	589,172
Other receivables and investments	33,817
Property, plant and equipment, net	94,313
Goodwill, less accumulated amortization of $20,572	82,642
Other assets	9,453
Net noncurrent assets of discontinued operations	49,544
	$858,941
Liabilities and Shareholders' Equity	
Current liabilities:	
Seasonal borrowings	$ 5,578
Current maturities of long-term debt	498
Accounts payable	61,973
Payrolls and employee benefits	23,348
Other accrued liabilities	83,442
Income taxes	3,353
Total current liabilities	178,192
Long-term debt	9,455
Other long-term liabilities	41,582
Prepetition liabilities	731,785
Redeemable preferred stocks:	
$2.19 Cumulative Preference Stock (involuntary liquidation and redemption values $90,382)	66,227
$11.25 Convertible Preferred Stock (involuntary liquidation and redemption values $261,616)	167,686
Commitments and contingencies (Notes 2, 5, 6, 19 and 20)	
Common stock	8,869
Other shareholders' equity:	
Additional paid-in capital	214,115
Accumulated deficit	(446,902)
Accumulated foreign currency translation adjustments	(22,761)
Common stock in treasury, at cost	(89,307)
	$858,941

See accompanying notes to consolidated financial statements.

ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	1988*	1989*	1990
	(In thousands)		
Operating activities:			
Net earnings (loss)	$(25,053)	$(54,875)	$116,218
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization of properties and goodwill	20,979	20,055	21,574
Amortization of other intangible assets	3,127	1,519	699
Reorganization items not requiring or (providing) cash	4,968	6,855	(76,346)
Loss (gain) on sale of investments and properties	(3,212)	17	(21,067)
Interest accrued on secured prepetition debt obligations	17,606	31,636	30,272
Provision for rationalization costs and disposal of investments and properties	15,729	29,656	115,854
Extraordinary gain	-	-	(154,438)
Changes in working capital, net of investing and financing activities:			
Decrease (increase) in:			
Receivables	144	(13,382)	63,879
Inventories	(2,998)	(13,763)	43,992
Other current assets	(10,174)	4,795	131
Increase (decrease) in:			
Accounts payable	37,072	18,908	18,841
Accrued liabilities	(34,240)	(15,148)	(42,392)
Other, net	(5,115)	(523)	(2,159)
Net cash provided by operating activities	18,833	15,750	114,058
Investing activities:			
Proceeds from sale of businesses, investments and properties	29,112	29,732	52,322
Proceeds from liquidation of credit company loan portfolio and sale of assets of real estate ventures	15,302	2,280	5,430
Capital expenditures	(19,193)	(19,615)	(10,157)
Net cash provided by investing activities	25,221	12,397	47,595
Financing activities:			
Increase (decrease) in seasonal borrowings	-	3,430	(4,888)
Payments of debt obligations	(34,884)	(948)	(565)
Proceeds from issuance of long-term debt and seasonal borrowings	-	-	121,601
Payments to extinguish prepetition liabilities	-	-	(366,786)
Net cash provided by (used in) financing activities	(34,884)	2,482	(250,638)
Increase in cash due to changes in foreign currency exchange rates	3,711	270	163
Net increase (decrease) in cash and cash equivalents	12,881	30,899	(88,822)
Cash and cash equivalents at beginning of period	91,202	104,083	134,982
Cash and cash equivalents at end of period	$104,083	$134,982	$ 46,160
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 28,945	$ 4,257	$ 5,945
Income taxes	$ 3,627	$ 4,896	$ 2,382

* Reclassified for comparative purposes.

See accompanying notes to consolidated financial statements.

ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

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

	1988	1989	1990
		(In thousands)	
Additional Paid-In Capital			
Amount at beginning of period	$ 214,103	$ 214,103	$ 214,115
Conversion of $11.25 Convertible Preferred Stock	-	12	10,518
Elimination of balance in connection with emergence from bankruptcy	-	-	(224,633)
Amount at end of period	$ 214,103	$ 214,115	$ -
Accumulated Deficit			
Amount at beginning of period	$(365,960)	$(392,027)	$(446,902)
Net earnings (loss)	(25,053)	(54,875)	116,218
	(391,013)	(446,902)	(330,684)
Accretion of $2.19 Cumulative Preference Stock prior to Chapter 11 bankruptcy filing	(171)	-	-
Accretion of $11.25 Convertible Preferred Stock prior to Chapter 11 bankruptcy filing	(843)	-	-
	(1,014)	-	-
Elimination of accumulated deficit in connection with emergence from bankruptcy	-	-	330,684
Amount at end of period	$(392,027)	$(446,902)	$ -
Accumulated Foreign Currency Translation Adjustments			
Amount at beginning of period	$ (28,600)	$ (23,471)	$ (22,761)
Adjustment arising from translation of foreign currency assets and liabilities	5,129	1,042	1,380
Charge (credit) to operations for sale of businesses	-	(332)	-
Elimination of balance in connection with emergence from bankruptcy	-	-	21,381
Amount at end of period	$ (23,471)	$ (22,761)	$ -

See accompanying notes to consolidated financial statements.

ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS 1988, 1989 AND 1990

(Dollars, except per share amounts, in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Bases of Consolidation and Presentation

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

On September 28, 1990, Sunbeam-Oster Company, Inc. (Sunbeam-Oster) acquired (the Acquisition) the assets and assumed certain liabilities, through a reorganization, of Allegheny International. Further information concerning this transaction and the approved plan of reorganization is contained in Note 2. Sunbeam-Oster accounted for the reorganization using "fresh start" reporting in accordance with the AICPA's Statement of Position on "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" (the SOP), and the assets and liabilities on the September 30, 1990, balance sheet (appearing elsewhere in this Form 10-K) have been restated to allocate the reorganization value in conformity with Accounting Principles Board Opinion No. 16. In accordance with the SOP, the effect of the changes in balance sheet accounts to reflect "fresh start" reporting have been included as a component of reorganization items on the 1990 consolidated statement of operations.

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

In fiscal 1990, Allegheny International adopted a new format for its statements of operations and cash flows to separately reflect certain bankruptcy and reorganization items. Interest income on short-term investments and bankruptcy administration costs (previously classified as other income and selling, general and administrative expenses, respectively, in the fiscal 1989 and 1988 consolidated financial statements) have been reclassified in the statements of operations as a component of reorganization items.

Fiscal Year

The Company's fiscal year ends on the Sunday nearest September 30.

Discontinued Operations

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents are highly liquid short-term investments that have a maturity of three months or less at the date of purchase.

Short-Term Investments

Short-term investments are stated at cost, which approximates market.

Accounts Receivable

Accounts receivable at October 1, 1989, of $232,244 include $224,116 of trade accounts receivable, substantially all of which were due from distributors and retailers located throughout the United States and Canada, and sundry receivables of $16,288, less valuation allowances of $8,160.

Inventories

Inventories are stated at the lower of cost or market with cost being determined principally by the first-in, first-out (FIFO) method. Inventories at October 1, 1989, of $201,160 include $106,135 of finished goods, $38,407 of work-in-process and $56,618 of raw materials and supplies.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. The Company provides for depreciation using primarily the straight-line method in amounts that allocate the costs of property, plant and equipment over their estimated useful lives. Property, plant and equipment at October 1, 1989, of $94,313 include $2,416 of land, $45,633 of buildings and improvements, and $143,016 of machinery and equipment, less accumulated depreciation and amortization of $96,752.

Goodwill

The excess of the cost over the fair value of net assets of purchased businesses is recorded as goodwill and, through fiscal 1990, was amortized on a straight-line basis over 40 years. In connection with "fresh start" reporting, the remaining unamortized goodwill at September 30, 1990, was written off.

Retirement Benefits

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

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

Income Taxes

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

Earnings (Loss) Per Share of Common Stock

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

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

2. BANKRUPTCY AND REORGANIZATION:

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

The Debtors' Plan of Reorganization (the Stock Plan) was filed with the Court on December 29, 1989. On January 24, 1990, Japonica Partners, a Rhode Island limited partnership (Japonica Partners) and the general partner of Sunbeam-Oster Equities, L.P., a Delaware limited partnership formed by Japonica Partners (SOE), filed its Plan of Reorganization with the Court. The general partners of Japonica Partners are Paul B. Kazarian, ltd., a corporation wholly owned by Paul B. Kazarian, and M.G. Lederman, Ltd., a corporation wholly owned by Michael G. Lederman.

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

Allegheny International (the Equity Holders) and the allowed claims of certain creditors of the Debtors (the Creditors). Pursuant to the Modified Plan, upon the consummation of the Acquisition, the assets and undischarged liabilities of the Debtors were allocated among three of Sunbeam-Oster's subsidiaries: (i) Sunbeam Americas Holdings, Ltd. (SAHL), (ii) Sunbeam-Oster Housewares, Inc. and (iii) Montey Corporation.

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

The Modified Plan also provided for certain Creditors and Equity Holders to be granted an election (the Election) to satisfy their claims and interests through the receipt of either (i) cash or (ii) newly issued common stock or redeemable warrants. The Election period ended on November 12, 1990. Pursuant to the Modified Plan, Japonica Partners was permitted to decide whether Creditors and Equity Holders who failed to effectively exercise their Election would receive cash or securities. On November 28, 1990, the Company 40sued a press release announcing that cash would be distributed to such Creditors and Equity Holders. On or about December 12, 1990, an aggregate of approximately $85,200 in cash, 33,176,406 shares of common stock and 5,623,783 redeemable warrants were distributed, or reserved for distribution, to Creditors and Equity Holders. In consideration of the $85,200 used to fund this cash distribution, the Company issued 839,974 shares of 9.5% Convertible Exchangeable Preferred Stock to the limited partners of SOE (the Limited Partners). SOE received approximately $2,300 in cash, 32,874,462 shares of common stock and 4,422,178 redeemable warrants. Accordingly, SOE owns approximately 99.6% of the issued and outstanding common stock (95.1% on a fully diluted basis) of Sunbeam-Oster.

AIR of Dallas, Inc., AIR Realty of Houston, Inc., Allegheny Sherry Lane Management, Inc. and Allegheny International Credit Corporation (the Continuing Debtors) remain in Chapter 11 proceedings.

(Dollars, except per share amounts, in thousands)

3. REORGANIZATION ITEMS:

As part of the bankruptcy claims negotiation process, Allegheny International reached agreements with respect to the allowed amounts of certain claims, and reflected the adjustments to estimated allowed claims in the statements of operations as a component of reorganization items. The statements of operations include the following amounts of expense (income) representing settlements of estimated allowed claims:

	1989	1990
Insurance claims	$ -	$ 22,975
Debt obligations	-	10,237
Interest expense on unsecured debt obligations	-	38,282
Rejected executory contracts	(3,439)	-
Income tax obligations	-	(46,269)
	$ (3,439)	$ 25,225

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

Revaluation of property, plant and equipment	$ (80,116)
Adjustment to intangible assets pursuant to Modified Plan	(41,896)
Pension and postretirement benefit obligations	27,857
Adjustments to other assets and liabilities	(7,566)
	$(101,721)

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

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

4. DISCONTINUED OPERATIONS:

In 1987, Allegheny International decided to dispose of or liquidate all nonconsumer products businesses. As a result of this decision, Allegheny International classified all such businesses as discontinued operations in 1987 and recorded provisions for their estimated operating losses and losses on disposition.

During fiscal 1988, Allegheny International sold its pyrotechnic devices and carbide cutting tools businesses and its 50% ownership interest in Tel-Thermco Engineering Co., Ltd. Total proceeds from the sale of these businesses were $17,318 cash.

During fiscal 1989, Allegheny International sold substantially all of the assets of Thermco Systems, Inc. and certain related subsidiaries, which manufacture thermal processing equipment, and substantially all of the assets of Alply, Inc., which manufactures insulated wall panels. Total proceeds from the sale of these businesses, after considering certain post-closing adjustments, were $24,509, principally cash.

During fiscal 1990, Allegheny International sold its investment in Titanium Metals Corporation of America (TMCA) (including a $3,250 note receivable from TMCA) to the other owner of TMCA for a cash consideration of $50,000 and recorded a gain of $25,257 on the transaction. Also, during fiscal 1990, Allegheny International increased by $3,029 its estimates of the future losses to be incurred on the liquidation of its finance and real estate development assets and the collection of notes receivable relating to a former business.

In November 1989, Allegheny International retained independent environmental consultants to assess the Company's potential exposure with regard to environmental cleanup matters. Based upon several reports and other available information, the Company recorded provisions of $11,675 during fiscal 1990 to increase its accruals for environmental matters relating to discontinued operations.

In addition, the carrying values of (i) the assets of Sunbeam-Oster's finance and real estate development operations, (ii) the rail anchor business and (iii) retained assets and liabilities of previously divested businesses were reevaluated in fiscal 1990 and a net charge of $5,924 was recorded to recognize management's estimate of the lower value of the assets and a higher level of retained liabilities.

(Dollars, except per share amounts, in thousands)

The fiscal 1988, 1989 and 1990 operating earnings or losses of Allegheny International's discontinued operations, as well as any gain or loss on sale in fiscal 1988 and 1989, have been credited or charged (as appropriate) to previously established accruals.

Included in Allegheny International's October 1, 1989, balance sheet are the following assets and liabilities applicable to discontinued operations:

Receivables	$15,775
Other current assets	541
Accounts payable	(537)
Accrued liabilities	(10,597)
Net current assets of discontinued operations	$ 5,182
Investments in real estate projects	$22,718
Investment in unconsolidated affiliate	23,975
Other noncurrent assets	6,265
Prepetition liabilities	(3,345)
Other long-term liabilities	(69)
Net noncurrent assets of discontinued operations	$49,544

5. SHORT-TERM BORROWINGS AND BANK CREDIT ARRANGEMENTS:

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

Agreement bore interest at the prime rate plus 0.85% prior to the Chapter 11 filing and at the prime rate plus 3.35% thereafter. At October 1, 1989, outstanding indebtedness under the Revolving Credit Agreement included borrowings of $172,341 and unreimbursed letter of credit claims of $23,811, all of which were classified as prepetition liabilities (see Note 6).

On February 23, 1988, Allegheny International, Sunbeam Corporation (Sunbeam), Almet/Lawnlite, Inc. (Sunbeam-Casual) and Sunbeam Holdings, Inc. (Holdings) entered into a credit agreement with Chemical Bank and Marine Midland Bank, N.A. (the Credit Agreement) under which Sunbeam and Sunbeam-Casual (collectively, the Borrowers) could initially borrow, repay and reborrow and request the issuance of letters of credit in amounts up to $175,000. The Credit Agreement was amended and its expiration date was extended several times and, at October 1, 1989, it provided for seasonal borrowings and letter of credit facilities of up to $60,000. There were no borrowings outstanding under the Credit Agreement during either of fiscal 1989 or 1990, but it was used for the issuance of letters of credit during those periods.

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

Borrowings under the Credit Agreement bore interest at the prime rate plus 1-1/2% and could be used only for working capital or operating purposes, or as otherwise permitted by the Credit Agreement and authorized by an order of the Bankruptcy Court.

At October 1, 1989, the Credit Agreement provided that the facilities would mature at the earliest of (i) December 31, 1989, (ii) the date of substantial consummation of a confirmed plan of reorganization in the Chapter 11 cases of Allegheny International, Holdings and the Borrowers, or (iii) certain other events. The maturity date was extended further during fiscal 1990, and the Credit Agreement terminated on September 28, 1990. At that date, there were no borrowings outstanding under the Credit Agreement, but there were $47,029 in letters of credit outstanding.

(Dollars, except per share amounts, in thousands)

Following is a summary of seasonal borrowings at October 1, 1989:

Notes payable to banks	$175,091
Unreimbursed letter of credit claims	23,811
Bank borrowings under overdraft arrangements	2,418
Other (principally borrowings of foreign subsidiaries)	3,160
	204,480
Debt classified as a prepetition liability (see Note 6)	(198,902)
	$ 5,578

6. PREPETITION LIABILITIES:

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

As part of the Chapter 11 reorganization process, the Debtors notified all known or potential claimants for the purpose of identifying all prebankruptcy claims against them. Claimants had until May 31 or September 9, 1988 (as appropriate), to file claims or be barred from future action, except in instances of claims relating to any future rejection of executory contracts as part of the bankruptcy proceedings.

The October 1, 1989, balance sheet does not reflect as liabilities the total amount of the claims as filed against the Debtors in the bankruptcy proceedings since a reasonable estimate of additional bankruptcy claims and prepetition liabilities and the settlement value of certain contingent and/or disputed bankruptcy claims could not be made at October 1, 1989.

ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS 1988, 1989 AND 1990

(Dollars, except per share amounts, in thousands)

Prepetition liabilities included in the October 1, 1989, balance sheet are summarized as follows:

Notes payable to banks	$175,091
Unreimbursed letter of credit claims	23,811
Long-term debt, including current installments	346,792
Unamortized debt discount	(20,924)
Total debt	524,770
Accounts payable	58,667
Other liabilities	148,348
	$731,785

Under the terms of the various debt instruments, substantially all of the debt shown in the preceding table became immediately due and payable upon the Chapter 11 filings. Such debt, however, could not be paid or restructured until the conclusion of the Chapter 11 proceedings.

(Dollars, except per share amounts, in thousands)

7. LONG-TERM DEBT:

Following is a summary of long-term debt at October 1, 1989:

10.98% notes, due 1990	$ 50,000
8.25%, 11.62% and 11.85% notes (9.1%*), due through 1997, less discount of $5,199 imputed at 15%	51,001
9.75% notes, due through 1996	24,400
10.5% notes, due through 1990, including premium of $148 imputed at 8.875%	15,148
4.625% to 6.75% notes (5.4%*), due through 1990	5,950
9% Sinking Fund Debentures, due through 1994	16,594
5.5% Sinking Fund Debentures, due through 1992, less discount of $2,037 imputed at 13.3%	15,757
9% Sinking Fund Debentures, due through 1995	12,899
7.75% foreign currency loan, due in 1988	21,483
6.625% to 12.5% industrial development revenue bonds and mortgages (8.5%*), due through 2008	9,388
3.5% to 13% capitalized lease obligations (7.0%*), due through 2008	9,953
	232,573
Subordinated debt:	
9% Sinking Fund Debentures, due through 1989, less discount of $121 imputed at 10%	11,812
10.75% Sinking Fund Debentures, due 1990-1999, less discount of $2,798 imputed at 11.9%	63,689
10.4% Sinking Fund Debentures, due 1993-2002, less original issue discount of $10,917 imputed at 16.5%	27,747
	103,248
	335,821
Current maturities of long-term debt	(498)
Debt classified as a prepetition liability (see Note 6)	(325,868)
	$ 9,455

* Weighted average interest rate at October 1, 1989.

Certain industrial development revenue bonds, mortgages and capitalized lease obligations were collateralized by property, plant and equipment having a net book value of $5,540 at October 1, 1989.

8. REDEEMABLE PREFERRED STOCKS:

The $2.19 Cumulative Preference Stock ($2.19 Preference Stock), of which 9,271,629 shares without par value were authorized, by its terms was redeemable by Allegheny International in whole or in part at a price of $25.99 per share to June 30, 1990, and thereafter the per share amount would be reduced by $.10 each subsequent July 1 to a minimum of $25.00 per share on July 1, 1999, plus in all cases dividends which had accrued but were not paid.

The $11.25 Convertible Preferred Stock ($11.25 Preferred Stock), of which 2,821,318 shares without par value were authorized, was issued as a series of Allegheny International's cumulative preferred stock having 10,000,000 authorized shares.

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

Allegheny International neither declared nor paid dividends on either the $2.19 Preference Stock or the $11.25 Preferred Stock subsequent to the 1986 second quarter dividends, which were paid on July 1, 1986. At October 1, 1989, the total dividend arrearages were $20,029 ($7.1175 per share) on the $2.19 Preference Stock, and $70,044 ($36.5625 per share) on the $11.25 Preferred Stock. Under the terms of the Modified Plan, the interests of the holders of the $2.19 Preference Stock and the $11.25 Preferred Stock were satisfied in their entirety by the issuance of cash or redeemable warrants to such holders. Accordingly, both issues of redeemable preferred stock ceased to exist after September 28, 1990.

The initial assigned values of the $2.19 Preference Stock and $11.25 Preferred Stock ($22.03 and $81.00 per share, respectively) were, prior to February 20, 1988, being increased to the redemption prices of $25.00 and $100.00 per share, respectively, during the period in which such stocks were outstanding. Periodic accretions, based on the "interest method," were charged to accumulated deficit. Allegheny International ceased accreting the values of the stocks upon filing for bankruptcy protection on February 20, 1988.

(Dollars, except per share amounts, in thousands)

Holders of the $2.19 Preference Stock and $11.25 Preferred Stock were entitled to one-quarter vote and one vote per share, respectively. However, when four quarterly dividends on the $2.19 Preference Stock became in arrears, the holders of such stock were entitled to elect two additional directors to Allegheny International's Board of Directors, which right continued until such time as the dividends in arrears were paid or declared and a sum sufficient for the payment thereof set apart. When six quarterly dividends on the $11.25 Preferred Stock became in arrears, the holders of such stock were entitled to elect two additional directors to Allegheny International's Board of Directors, which right continued until such time as the dividends in arrears were paid or declared and a sum sufficient for the payment thereof set apart. At Allegheny International's 1988 Annual Meeting of Shareholders, the holders of $2.19 Preference Stock and $11.25 Preferred Stock, voting as separate classes, each elected two directors to Allegheny International's Board of Directors. Subsequently, one of the directors elected by the holders of the $2.19 Preference Stock resigned, and a replacement was not elected.

Changes in redeemable preferred stocks outstanding were as follows:

	$2.19 Cumulative Preference Stock		$11.25 Convertible Preferred Stock	
	Shares	Amount	Shares	Amount
Balance at September 27, 1987	2,814,107	$ 66,056	1,915,850	$166,856
Accretion through date of bankruptcy filing	-	171	-	843
Balance at October 2, 1988	2,814,107	66,227	1,915,850	167,699
Conversion into common stock	-	-	(124)	(13)
Balance at October 1, 1989	2,814,107	66,227	1,915,726	167,686
Conversion into common stock	-	-	(121,781)	(10,658)
Extinguishment of stock in connection with emergence from bankruptcy	(2,814,107)	(66,227)	(1,793,945)	(157,028)
Balance at September 30, 1990	-	$ -	-	$ -

(Dollars, except per share amounts, in thousands)

9. COMMON STOCK:

Allegheny International's common stock consisted of 300,000,000 authorized shares, par value $.66-2/3 per share.

No dividends were declared or paid on the common stock in 1988, 1989 or 1990, and payment of dividends on the common stock was prohibited under the terms of certain debt agreements and the provisions relating to dividend arrearages on Allegheny International's $2.19 Preference Stock and $11.25 Preferred Stock. Further, the Federal Bankruptcy Code prohibited the payment of dividends during the pendency of bankruptcy proceedings.

Pursuant to the Modified Plan, the interests of the holders of Allegheny International common stock and the related preferred stock purchase rights (see Note 10) were satisfied in their entirety by the issuance of cash or redeemable warrants to such holders. Accordingly, the Allegheny International common stock ceased to exist after September 28, 1990.

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

	Common Stock Issued		Common Stock in Treasury	
	Shares	Amount	Shares	Amount
Balance at September 27, 1987, and October 2, 1988	13,303,156	$8,869	(2,444,238)	$(89,307)
Conversion of $11.25 Preferred Stock	211	-	-	-
Balance at October 1, 1989	13,303,367	8,869	(2,444,238)	(89,307)
Conversion of $11.25 Preferred Stock	209,943	140	-	-
Extinguishment of stock in connection with emergence from bankruptcy	(13,513,310)	(9,009)	2,444,238	89,307
Balance at September 30, 1990	-	$ -	-	$ -

ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS 1988, 1989 AND 1990

(Dollars, except per share amounts, in thousands)

10. PREFERRED STOCK PURCHASE RIGHTS:

On March 6, 1986, Allegheny International's Board of Directors adopted a Preferred Stock Purchase Rights Plan in which one preferred stock purchase right was issued for each share of common stock outstanding as of March 17, 1986. Each right allowed the holder to purchase, upon the occurrence of certain events, one one-hundredth of a share of a new Series B Preferred Stock of Allegheny International at an exercise price of $60.00. The rights automatically attached to all shares of common stock outstanding on March 17, 1986, or issued thereafter. Rights were exercisable if an entity either acquired 20% or more of the voting power of all Allegheny International shares or announced a tender or exchange offer after which such entity would own shares with 30% or more of the voting power of all Allegheny International shares.

If any person or entity became the owner of shares representing 30% or more of the voting power, or if Allegheny International was the surviving corporation in a merger with an entity owning shares representing 20% or more of the voting power and Allegheny International's shares were not changed or converted, the rights owned by such person or entity could not be exercised and each other right would entitle its holder to purchase, at the exercise price, common shares of Allegheny International having a value of twice the exercise price. As described in Note 9, the rights ceased to exist after September 28, 1990.

11. STOCK OPTIONS:

Following is a summary of stock option transactions.

	1975 Stock Option Plan		1985 Plan	
	Number of Shares	Per Share Price Range	Number of Shares	Per Share Price Range
Shares under option at September 27, 1987	15,500	$22.63	684,000	$17.00-$18.75
Surrendered or terminated	(8,000)	22.63	(389,000)	17.00- 18.75
Shares under option at October 2, 1988	7,500	22.63	295,000	17.00- 18.75
Surrendered or terminated	(7,500)	22.63	(145,000)	17.00- 18.75
Shares under option at October 1, 1989	-		150,000	17.00- 18.75
Surrendered or terminated	-		(150,000)	17.00- 18.75
Shares under option at September 30, 1990	-		-	

The ability to grant further options under the 1975 Stock Option Plan expired in 1985. Under the AI Stock Option and Stock Award Plan (the 1985 Plan), common stock awards or grants of stock options for up to 2,000,000 shares of common stock could be given to officers and key employees during a ten-year period ending March 4, 1995. All stock options under the 1985 Plan terminated on September 28, 1990.

In addition to the stock options listed in the preceding table, Allegheny International made restricted stock awards covering 150,500 shares of common stock. However, no shares of common stock were issued with respect to such stock awards.

With respect to appreciation rights and stock awards, $17 and $121 were charged to expense during fiscal 1988 and 1989, respectively, and no charge to expense was recorded in fiscal 1990.

12. RETIREMENT BENEFITS:

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

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

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

(Dollars, except per share amounts, in thousands)

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

	1988	1989	1990
Service cost - benefits earned during the period	$ 1,202	$ 1,035	$ 903
Interest cost on projected benefit obligation	15,388	15,025	12,725
Actual return on plan assets	(974)	(18,102)	(12,307)
Net amortization and deferral	(10,517)	7,519	310
Net periodic pension cost	$ 5,099	$ 5,477	$ 1,631
Assumptions:			
Discount rate	10.0%	9.0%	10.0%
Compensation inflation rate	8.0	7.0	7.0
Long-term rate of return on assets	10.0	10.0	10.0

The funded status of Allegheny International's company-sponsored, U.S. defined benefit plans at October 1, 1989, was as follows:

	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:		
Vested benefits	$15,997	$146,161
Nonvested benefits	259	1,857
Accumulated benefit obligation	16,256	148,018
Effect of assumed increase in compensation levels	731	2,797
Projected benefit obligation for services rendered to date	16,987	150,815
Plan assets at fair value	21,515	110,346
Projected benefit obligation less than (in excess of) plan assets	4,528	(40,469)
Unrecognized net gain	(2,169)	(1,813)
Unrecognized prior service cost	5	862
Unrecognized net transition (asset) obligation	(3,325)	16,352
Pension liability recognized in the consolidated balance sheet	$ (961)	$(25,068)

(Dollars, except per share amounts, in thousands)

In addition, certain of Allegheny International's U.S. operating units provide defined contribution profit sharing plans which cover all eligible employees (as defined) of such operating units. Substantially all contributions to such plans, which amounted to $3,766 in 1988, $4,212 in 1989 and $3,552 in 1990, are based on the earnings of the operating units.

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

Total pension cost of the non-U.S. plans, including contributions to governmental agencies for non-U.S. statutory plans, was $236 in 1988, $368 in 1989 and $385 in 1990.

The total cost of providing health care and life insurance benefits to currently retired employees amounted to approximately $3,025 in 1988, $3,825 in 1989 and $3,425 in 1990.

13. INCOME TAXES:

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

	1988	1989	1990
Domestic	$(28,292)	$(47,320)	$(12,850)
Foreign	10,640	(1,632)	(26,254)
	$(17,652)	$(48,952)	$(39,104)

(Dollars, except per share amounts, in thousands)

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

	1988	1989	1990
Current:			
Federal	$ 1,041	$ -	$ -
Foreign	6,892	7,170	3,147
State	302	227	-
	8,235	7,397	3,147
Deferred:			
Federal	(543)	498	498
Foreign	(266)	(1,972)	-
State	(25)	-	-
	(834)	(1,474)	498
	$ 7,401	$ 5,923	$ 3,645

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

	1988	1989	1990
Continuing operations	$ 7,401	$ 5,923	$ 3,745
Discontinued operations	-	-	(100)
	$ 7,401	$ 5,923	$ 3,645

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

	1988	1989	1990
Depreciation	$ (673)	$ -	$ -
Unrealized foreign exchange gains or losses	(1,869)	-	-
Plant rationalization costs	2,086	(2,126)	-
Other	(378)	652	498
	$ (834)	$ (1,474)	$ 498

ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS 1988, 1989 AND 1990

(Dollars, except per share amounts, in thousands)

At September 30, 1990, the Company had tax loss carryforwards of approximately $188,500 available to offset future taxable income. These carryforwards will expire during the period 2001 through 2005. The full realization of the tax benefits associated with the carryforwards depends predominantly upon the recognition of taxable ordinary income during the carryforward period.

Operating loss carryforwards of Allegheny International's foreign subsidiaries totaled $5,200 at September 30, 1990, and expire as follows: $2,300 in 1991, $1,000 in 1992 and $1,900 in subsequent years. The tax benefits that might arise from these operating loss carryforwards have not been reflected in the financial statements.

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

	1988	1989	1990
Income tax benefit computed at the federal statutory tax rate of 34%	$ (6,002)	$(16,644)	$(13,295)
Nondeductible amortization	3,254	2,049	1,372
Nontaxable income resulting from "fresh start" reporting	-	-	(34,585)
Foreign earnings taxed at rates other than the federal statutory tax rate	2,051	4,267	9,404
Foreign losses with no tax benefit	83	1,486	2,419
Federal tax benefit of operating losses not recognized	8,048	14,503	37,958
Other	(33)	262	472
	$ 7,401	$ 5,923	$ 3,745

(Dollars, except per share amounts, in thousands)

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

14. LEASES:

Rental expense for operating leases amounted to $10,731 in 1988, $10,097 in 1989 and $11,186 in 1990.

Rental income under noncancelable subleases amounted to $1,381 in 1988, $1,632 in 1989 and $1,042 in 1990.

15. SUPPLEMENTARY BALANCE SHEET DATA:

	October 1, 1989
Other accrued liabilities:	
Plant rationalization and consolidation	$ 22,443
Advertising and sales promotion	11,788
Other	49,211
	$ 83,442

Notes receivable from current and former key employees aggregated $26,766 at October 1, 1989.

(Dollars, except per share amounts, in thousands)

16. SUPPLEMENTARY STATEMENT OF OPERATIONS DATA:

	1988	1989	1990
Interest expense	$ 44,515	$ 36,524	$ 34,404

Due to the Chapter 11 filings, Allegheny International suspended the accrual of interest on its unsecured prepetition debt instruments. As a result, approximately $20,600, $33,200 and $33,300 of interest expense was not accrued in fiscal 1988, 1989 and 1990, respectively.

	1988	1989	1990
Other (income) expense, net:			
Interest income	$ (3,431)	$ (4,122)	$ (2,615)
Foreign exchange (gain) loss	1,291	4,088	(1,301)
(Gain) loss on disposition of properties and investments	(249)	717	4,450
Other	1,872	2,580	560
	$ (517)	$ 3,263	$ 1,094
Research and development expense	$ 10,921	$ 9,041	$ 6,329
Maintenance and repairs	$ 19,413	$ 21,387	$ 18,362
Advertising expense	$ 51,765	$ 48,557	$ 49,308
Export sales to unaffiliated customers	$ 21,229	$ 25,616	$ 31,003

(Dollars, except per share amounts, in thousands)

17. SUMMARIZED FINANCIAL INFORMATION OF SUNBEAM CORPORATION:

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

Summarized Balance Sheet at October 1, 1989

Assets	
Current assets	$544,253
Property, plant and equipment	91,429
Noncurrent intercompany receivables	60,581
Other assets	88,842
	$785,105
Liabilities and Shareholders' Equity	
Current liabilities	$140,820
Prepetition liabilities	231,030
Long-term intercompany liabilities	50,808
Other long-term liabilities	21,604
	444,262
Shareholders' equity	340,843
	$785,105

Summarized Results of Operations

	1988	1989	1990
Net sales	$954,553	$927,471	$ 871,087
Cost of goods sold	716,064	715,955	675,290
Depreciation and amortization	19,761	19,166	20,936
Selling, general and administrative expense	156,703	149,035	138,893
	62,025	43,315	35,968
Rationalization and restructuring charges	11,304	22,527	95,251
Operating earnings (loss)	50,721	20,788	(59,283)
Loss from continuing operations before extraordinary item	(12,426)	(38,719)	(40,499)
Net loss	(12,426)	(32,803)	(34,182)

18. INFORMATION ABOUT ALLEGHENY INTERNATIONAL'S BUSINESS:

Within its single line of business--consumer products--the Company has five major business groups: (i) The Outdoor Products Group, consisting primarily of gas barbecue grills, casual outdoor furniture and a line of outdoor time and temperature instruments; (ii) The Home Comfort and Personal Care Products Group, consisting of a broad line of warming blankets and throws, health care and comfort products such as vaporizers, humidifiers and portable heaters, hair care products, and blood pressure and temperature monitoring equipment; (iii) The Professional Products Group, providing barber and beauty shops, food service, and pet and agricultural markets with selected Company products which have been adapted to commercial applications; (iv) The Household Products Group, having responsibility for a full line of small electrical kitchen appliances including mixers, Osterizers, Oskar food processors, toasters, irons, can openers, food scales and thermometers, timers and coffee makers, as well as a diverse line of indoor household time and weather instruments; and (v) The International Group which manufactures and markets a broad range of the above-mentioned products in world markets.

The only products which contributed more than 10% to consolidated sales were small household appliances and outdoor patio products. Sales of small household appliances amounted to $441,849 in 1988, $413,180 in 1989 and $385,695 in 1990, and sales of outdoor patio products were $312,902 in 1988, $305,107 in 1989 and $315,114 in 1990. Wal-Mart Stores, together with its affiliate, Sam's Wholesale Club, accounted for approximately 11% of consolidated sales in 1990. The Company's four next largest customers comprised an additional 21% of sales.

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

(Dollars, except per share amounts, in thousands)

Financial information by geographic area follows.

	1988	1989	1990
Net sales:			
United States	$827,767	$797,191	$ 751,173
Canada and Latin America	121,594	124,749	113,898
All other geographic areas	18,425	15,649	15,162
	$967,786	$937,589	$ 880,233
Operating profit (loss):			
United States	$ 53,040	$ 36,796	$ 32,551
Canada and Latin America	15,989	13,313	7,784
All other geographic areas	130	(3,544)	(1,193)
	69,159	46,565	39,142
Corporate administrative expense	(24,386)	(22,850)	(14,294)
Rationalization and restructuring charges:			
United States	(10,636)	(24,446)	(88,152)
Canada and Latin America	(1,678)	-	(9,080)
All other geographic areas	-	(2,000)	(4,776)
Operating earnings (loss)	32,459	(2,731)	(77,170)
Other (income) expense, net	(517)	3,263	1,094
Interest expense	44,515	36,524	34,404
Reorganization items	6,113	6,434	(73,564)
Loss from continuing operations before income taxes and extraordinary gain	$(17,652)	$(48,952)	$ (39,104)
Identifiable assets:			
United States	$492,034	$511,434	
Canada and Latin America	90,996	86,664	
All other geographic areas	21,563	20,140	
Total identifiable assets	604,593	618,238	
Corporate assets	150,103	185,977	
Net assets of discontinued operations	82,142	54,726	
Total assets	$836,838	$858,941	

ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS 1988, 1989 AND 1990

(Dollars, except per share amounts, in thousands)

19. LEGAL PROCEEDINGS:

The Company is involved in various lawsuits from time to time arising in the ordinary course of business and otherwise. In management's opinion after consulting with legal counsel, the outcome of these matters is not expected to have a material adverse effect on the Company's financial condition. Virtually all of the lawsuits brought against the Company relate to matters preceding Allegheny International's emergence from Chapter 11. The bulk of the litigation claims relate to four lawsuits involving, respectively, a contractor's claim for payment it alleges it is entitled to, a stockholder litigation against former officers, directors and advisers of Allegheny International and the Company's putative indemnity obligation relating thereto, an alleged indemnity obligation relating to a divested operation which the Court has refused to allow as a claim against the Company, and a class action brought by a group of former employees of one of the Company's subsidiaries.

20. ENVIRONMENTAL MATTERS:

The Company is subject to certain federal, state and local environmental laws and regulations. The Company is complying with those laws and regulations through remediation of sites and other activities, all of which relate principally to certain divested operations. Certain of these sites are subject to CERCLA, and numerous other entities have been named in connection therewith. Although compliance involves some continuing costs, such costs are not expected to have a material adverse effect upon the capital expenditures, earnings or the competitive position of the Company.

ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS 1988, 1989 AND 1990

(Dollars, except per share amounts, in thousands)

21. QUARTERLY FINANCIAL DATA (UNAUDITED):

	October-December	January-March	April-June	July-September
	(In millions, except per share data)			
Fiscal 1990:				
Net sales	$ 213.8	$253.7	$237.3	$175.4
Cost of goods sold	155.8	205.0	190.7	131.0
Selling, general and administrative expense	36.2	33.3	35.2	32.3
	21.8	15.4	11.4	12.1
Depreciation and amortization	5.3	5.6	5.4	5.3
Corporate administrative expense	4.5	4.3	4.7	0.8
	12.0	5.5	1.3	6.0
Rationalization and restructuring charges	5.9	15.4	15.0	65.7
Operating earnings (loss)	6.1	(9.9)	(13.7)	(59.7)
Earnings (loss) from continuing operations before extraordinary gain	(3.1)	(20.6)	(22.1)	3.0
Net earnings (loss)	(3.1)	(7.4)	(32.1)	158.8
Primary earnings (loss) per share of common stock: (a)(b)				
Continuing operations	$(.98)	$(2.59)	$(2.61)	$ (.38)
Net earnings (loss)	(.98)	(1.38)	(3.51)	13.62

(Dollars, except per share amounts, in thousands)

	October-December	January-March	April-June	July-September
	(In millions, except per share data)			
Fiscal 1989:				
Net sales	$ 227.0	$268.3	$234.9	$207.4
Cost of goods sold	162.8	212.2	187.4	163.9
Selling, general and administrative expense	37.4	34.4	36.6	36.3
	26.8	21.7	10.9	7.2
Depreciation and amortization	5.4	5.3	5.1	4.3
Corporate administrative expense	5.6	6.1	5.9	5.2
	15.8	10.3	(0.1)	(2.3)
Rationalization and restructuring charges	-	-	2.4	24.0
Operating earnings (loss)	15.8	10.3	(2.5)	(26.3)
Net earnings (loss)	1.8	(4.6)	(15.4)	(36.7)
Primary earnings (loss) per share of common stock (a)(b)	$ (.53)	$(1.12)	$(2.10)	$(4.06)

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

(b) As a result of changes in the number of shares outstanding, the sum of the quarterly earnings per share amounts, which are based on average shares outstanding during each quarter, does not equal the annual earnings per share amounts, which are based on average shares outstanding during the respective years.

Included in the earnings (loss) from continuing operations for the fiscal 1990 first, second, third and fourth quarters are charges of $5.9 million, $15.4 million, $15.0 million and $65.7 million, respectively, for plant and product line rationalizations and plant and corporate restructuring costs. Such charges include provisions for (1) the costs associated with the discontinuance of several major home air treatment products, a pest control device and several small kitchen appliance products, (2) the integration of the Sunbeam and Oster small appliance operations, thereby eliminating redundant manufacturing, selling and administrative expense, (3) the consolidation of several manufacturing activities within the casual furniture operations, (4) the downsizing and relocation of the design and development function for the U.S.-based bedding products operations, (5) the liquidation of the business and assets of the bedding products manufacturing operation in the United Kingdom, (6) the costs of significantly downsizing two European-based appliance marketing operations, (7) the phase-out of manufacturing activities in Canada and the consolidation of duplicative Canadian sales, marketing, administrative and warehousing activities, (8) the elimination of several redundant U.S. manufacturing facilities and, in connection with these actions, the outsourcing of selected finished product lines and component parts was begun, (9) downsizing and relocation of the corporate office and (10) the closure of the Hong Kong administrative office.

Included in the net loss for the fiscal 1989 third and fourth quarters are charges of $2.4 million and $24.0 million, respectively, for plant rationalization, business restructuring and product write-off costs associated with the domestic warming blanket and small appliance businesses and the European-based small appliance operations, and corporate restructuring charges.

ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS,

PROMOTORS AND EMPLOYEES OTHER THAN RELATED PARTIES

FOR 1988, 1989 AND 1990

	Balance at Beginning of Period (a)	Additions	Deductions: Amounts Collected	Deductions: Amounts Written Off	Balance at End of Period (a): Current	Balance at End of Period (a): Not Current
			(In thousands)			
Year ended September 30, 1990:						
J. T. Dougherty	$ 724	$ -	$ -	$ -	$ 724	$ -
O. S. Travers	500	-	391(d)	109(c)	-	-
All others (53 persons)	25,542	-	3,890	1,080(c)	3,016	9,808
			7,743(d)	5(b)	-	-
	$26,766	$ -	$12,024	$1,194	$3,740*	$ 9,808*
Year ended October 1, 1989:						
J. T. Dougherty	$ 724	$ -	$ -	$ -	$ -	$ 724
O. S. Travers	500	-	-	-	-	500
All others (59 persons)	28,388	-	1,168(d)	16(b)	5,235	20,307
			1,430	232(c)		
	$29,612	$ -	$ 2,598	$248	$5,235	$21,531
Year ended October 2, 1988:						
J. T. Dougherty	$ 724	$ -	$ -	$ -	$ -	$ 724
H. C. Graves	676	-	-	-	-	676
O. S. Travers	500	-	-	-	-	500
All others (58 persons)	29,358	10(b)	1,656	-	4,712	23,000
	$31,258	$10	$1,656	$ -	$4,712	$24,900

Notes:

(a) Balances represent 2% promissory notes from current and former key employees which mature at various dates through October 1994.

(b) Translation adjustment on foreign currency denominated borrowing.

(c) Represents discount to effectuate early repayment of loans.

(d) Represents formal offset of notes receivable against obligations of Allegheny International which were payable to former key employees.

* Represents balances included in the September 30, 1990, consolidated balance sheet of Sunbeam-Oster Company, Inc.

ALLEGHENY INTERNATIONAL, INC. (PARENT COMPANY)

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENTS OF OPERATIONS

	1988*	1989*	1990
		(In thousands)	
Net asset charge to subsidiary companies	$ 51,000	$ 44,000	$ 44,000
Other income (expense), net	4,581	(971)	3,340
	55,581	43,029	47,340
Costs and expenses:			
Depreciation	747	376	202
Selling, general and administrative	16,343	14,996	9,458
Rationalization and restructuring charges	1,010	2,969	5,469
Interest	37,883	29,432	27,508
Reorganization items:			
Bankruptcy administration costs	6,228	15,087	17,342
Adjustment to estimated allowed claims	-	(3,439)	(13,697)
Interest income on short-term investments	(48)	(1,578)	(1,767)
Revaluation of assets and liabilities pursuant to adoption of "fresh start" reporting	-	-	(3,988)
Total reorganization items	6,180	10,070	(2,110)
Total costs and expenses	62,163	57,843	40,527
Earnings (loss) before income taxes, equity loss and extraordinary gain	(6,582)	(14,814)	6,813
Income taxes	472	-	-
Earnings (loss) before equity loss and extraordinary gain	(7,054)	(14,814)	6,813
Equity in net loss of subsidiaries	(17,999)	(40,061)	(45,033)
Extraordinary gain - extinguishment of debt upon emergence from bankruptcy	-	-	154,438
Net earnings (loss)	$(25,053)	$(54,875)	$116,218

* Reclassified for comparative purposes.

See accompanying notes to financial statements.

ALLEGHENY INTERNATIONAL, INC. (PARENT COMPANY)

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

BALANCE SHEET AT OCTOBER 1, 1989

(In thousands)

Assets	
Current assets:	
Cash	$ 238
Short-term investments	18,301
Sundry notes and accounts receivable	5,787
Advances to subsidiaries and affiliates	1,430
Prepaid expenses and other current assets	2,632
Total current assets	28,388
Investments in subsidiaries and affiliates	749,290
Advances to subsidiaries and affiliates	414,763
Other receivables and investments	25,164
Property, plant and equipment at cost:	
Land, buildings, machinery and equipment	9,780
Accumulated depreciation and amortization	(8,353)
	1,427
Other assets	4,424
	$1,223,456
Liabilities and Shareholders' Equity	
Current liabilities:	
Accounts payable	$ 7,329
Accrued liabilities	20,191
Total current liabilities	27,520
Other long-term liabilities	16,901
Prepetition liabilities:	
Payable to third parties	449,577
Payable to subsidiaries	831,531
Redeemable preferred stocks:	
$2.19 Cumulative Preference Stock (involuntary liquidation and redemption values ($90,382)	66,227
$11.25 Convertible Preferred Stock (involuntary liquidation and redemption values ($261,616)	167,686
Common stock	8,869
Other shareholders' equity:	
Additional paid-in capital	214,115
Accumulated deficit	(446,902)
Accumulated foreign currency translation adjustments	(22,761)
Common stock in treasury, at cost	(89,307)
	$1,223,456

See accompanying notes to financial statements.

ALLEGHENY INTERNATIONAL, INC. (PARENT COMPANY)

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENTS OF CASH FLOWS

	1988*	1989*	1990
	(In thousands)		
Operating Activities:			
Net earnings (loss)	$(25,053)	$(54,875)	$116,218
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization of properties and goodwill	747	376	202
Amortization of other intangible assets	1,490	102	50
Equity loss	17,999	40,061	45,033
Interest accrued on secured prepetition debt obligations	16,843	30,149	28,877
Income from net asset charge to subsidiary companies, net of payments received	(43,636)	(32,572)	(34,840)
Extraordinary gain	-	-	(154,438)
Reorganization items not requiring or (providing) cash	3,831	5,161	(16,968)
Changes in working capital, net of investing and financing activities:			
Decrease (increase) in:			
Receivables	6,128	486	(1,593)
Prepaid expenses and other current assets	4.371	(194)	(1,122)
Increase (decrease) in:			
Accounts payable	(6,658)	(4,284)	(3,966)
Accrued liabilities	(6,986)	1,765	(7,433)
Other, net	148	5,716	1,154
Net cash used in operating activities	(30,776)	(8,109)	(28,826)
Investing Activities:			
Proceeds from sale of investments and properties	1,373	2,964	50,096
Increase in advances from subsidiaries	64,918	17,167	191,050
Net cash provided by investing activities	66,291	20,131	241,146
Financing Activities:			
Payments of debt obligations	(30,006)	-	-
Payments to extinguish prepetition liabilities	-	-	(224,842)
Net cash used in financing activities	(30,006)	-	(224,842)
Net increase (decrease) in cash and cash equivalents	5,509	12,022	(12,522)
Cash and cash equivalents at beginning of period	1,008	6,517	18,539
Cash and cash equivalents at end of period**	$ 6,517	$ 18,539	$ 6,017
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the period for:			
Interest	$ 15,998	$ -	$ 1,591
Income taxes	$ 327	$ 2	$ -

* Reclassified for comparative purposes.
** Represents Sunbeam-Oster Company, Inc. (parent company) at September 30, 1990.

See accompanying notes to financial statements.

ALLEGHENY INTERNATIONAL, INC. (PARENT COMPANY)

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

NOTES TO FINANCIAL STATEMENTS

FOR 1988, 1989 AND 1990

(Dollars in thousands)

The consolidated statements of additional paid-in capital, accumulated deficit and accumulated foreign currency translation adjustments, and Notes 1, 2, 3, 4, 5, 8, 9, 10, 11, 13, 19 and 20 to Allegheny International's consolidated financial statements for 1988, 1989 and 1990, have relevance to the parent company financial statements and should be read in conjunction therewith.

(A) LONG-TERM DEBT:

Long-term debt at October 1, 1989, is summarized as follows:

9.75% notes, due through 1996	$ 24,400
4.625% to 6.75% notes (5.4%*), due through 1990	5,950
9% Sinking Fund Debentures, due through 1995	12,899
7.14% to 9.75% industrial development revenue bonds and mortgages (8.0%*), due through 2008	1,354
	44,603
Subordinated debt:	
9% Sinking Fund Debentures, due through 1989, less discount of $121 imputed at 10%	11,812
10.75% Sinking Fund Debentures, due 1990-1999, less discount of $2,798 imputed at 11.9%	63,689
10.4% Sinking Fund Debentures, due 1993-2002, less original issue discount of $10,917 imputed at 16.5%	27,747
	103,248
	147,851
Debt classified as a prepetition liability (see Note B)	(147,851)
	$ -

* Weighted average interest rate at October 1, 1989.

Various debt instruments of Allegheny International contained provisions restricting the payment of dividends on Allegheny International's capital stock (other than dividends payable in common stock). Further, the Federal Bankruptcy Code prohibited the payment of dividends during the pendency of bankruptcy proceedings.

ALLEGHENY INTERNATIONAL, INC. (PARENT COMPANY)

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

NOTES TO FINANCIAL STATEMENTS

FOR 1988, 1989 AND 1990

(Dollars in thousands)

(B) PREPETITION LIABILITIES:

Prepetition liabilities payable to third parties included in the accompanying October 1, 1989, balance sheet are summarized as follows:

Notes payable to banks	$175,091
Unreimbursed letter of credit claims	13,347
Long-term debt, including current installments	161,687
Unamortized debt discount	(13,836)
Total debt	336,289
Accounts payable	2,885
Other liabilities	110,403
	$449,577

Under the terms of the various debt instruments, substantially all of the debt shown in the preceding table became immediately due and payable upon the Chapter 11 filing. Such debt, however, could not be paid or restructured until the conclusion of the Chapter 11 proceedings.

(C) OPERATING LEASES:

Rental expense for operating leases amounted to $1,181 in 1988, $798 in 1989 and $914 in 1990. The Company's obligations under noncancelable operating leases as of September 30, 1990, were not material.

ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

FOR 1988, 1989 AND 1990

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
		(In thousands)			
Allowance for discounts and doubtful accounts:					
Year ended September 30, 1990	$8,160	$15,088	$45 (2)	$5,032 (1)	$18,261*
Year ended October 1, 1989	$7,074	$ 4,453	$ -	$3,239 (1) 128 (2)	$ 8,160
Year ended October 2, 1988	$8,042	$ 1,382	$43 (2)	$2,393 (1)	$ 7,074

Notes:

(1) Accounts written off as uncollectible.

(2) Foreign currency translation adjustment.

* Represents balance included in the September 30, 1990, consolidated balance sheet of Sunbeam-Oster Company, Inc.

ALLEGHENY INTERNATIONAL, INC. AND SUBSIDIARIES

SHORT-TERM BORROWINGS

FOR 1988, 1989 AND 1990

Category of Aggregate Short-Term Borrowings	Balance at End of Period	Weighted Average Interest Rate at End of Period	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period	Weighted Average Interest Rate During the Period (1)
			(Dollars in thousands)		
Year ended September 30, 1990:					
Bank borrowings*	$ 22,000**	11.5%	$177,383	$175,209	13.4%
Unreimbursed letter of credit claims*	-	-	23,811	23,811	13.4
Other (2)	735**	41.3	4,099	2,616	44.5
	$ 22,735**				
Year ended October 1, 1989:					
Bank borrowings*	$177,509	13.8%	$177,509	$175,837	14.1%
Unreimbursed letter of credit claims*	23,811	13.9	23,811	23,811	14.2
Other (2)	3,160	39.5	3,174	1,776	53.5
	$204,480				
Year ended October 2, 1988:					
Bank borrowings*	$177,169	13.3%	$192,665	$175,492	11.3%
Unreimbursed letter of credit claims*	23,811	13.4	23,811	13,890	12.5
Other (2)	-	-	4,600	2,302	106.7
	$200,980				

Notes:

* Information for periods subsequent to the Chapter 11 bankruptcy filing is based upon default rate of interest (if applicable), regardless of whether such amounts were actually accrued.

** Represents balances included in the September 30, 1990, consolidated balance sheet of Sunbeam-Oster Company, Inc.

(1) Determined by dividing actual interest expense by average amounts outstanding.

(2) Other short-term borrowings are primarily borrowings of foreign subsidiaries at various interest rates.