# FORM POS AM

Post-Effective amendments for registration statement

Filing Date: **1994-07-08**
**SEC Accession No.** 0000950152-94-000693



## FILER

**WAXMAN INDUSTRIES INC**

CIK:**105096**| IRS No.: **340899894** | State of Incorp.:**DE** | Fiscal Year End: **0630**
Type: **POS AM** | Act: **33** | File No.: **033-44511** | Film No.: **94538266**
SIC: **5070** Hardware & plumbing & heating equipment & supplies

| Mailing Address | Business Address |
| --- | --- |
| *24460 AURORA ROAD* | *24460 AURORA RD* |
| *BEDFORD HEIGHTS OH 44146* | *BEDFORD HEIGHTS OH 44146* |
| | *2164391830* |

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*                                                                      *
*  AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION JULY 8, 1994   *
*                                                                      *
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REGISTRATION NO.: 33-44511

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 3
TO FORM S-2 REGISTRATION STATEMENT UNDER

THE SECURITIES ACT OF 1933

WAXMAN INDUSTRIES, INC.
(Exact name of registrant as specified in charter)

DELAWARE
(STATE OF INCORPORATION)

5074
(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)
34-0899894
(I.R.S. Employer Identification Number)
24460 AURORA ROAD
BEDFORD HEIGHTS, OHIO 44146
(216) 439-1830
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL
EXECUTIVE OFFICES)

-----------

ARMOND WAXMAN
24460 AURORA ROAD
BEDFORD HEIGHTS, OHIO 44146
(216) 439-1830
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF AGENT FOR SERVICE)

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COPIES TO:
SCOTT M. ZIMMERMAN, ESQ.
SHEREFF, FRIEDMAN, HOFFMAN & GOODMAN
919 THIRD AVENUE
NEW YORK, NEW YORK 10022
(212) 758-9500

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box:

[x]

If the registrant elects to deliver its latest annual report to security holders, or a complete and legible facsimile thereof, pursuant to Item 11(a)(1) of this Form, check the following box:
[ ]


<TABLE>

WAXMAN INDUSTRIES, INC.

CROSS REFERENCE SHEET

PURSUANT TO ITEM 501(B) OF REGULATION S-K

| ITEM OF FORM S-2 | PROSPECTUS CAPTION OR LOCATION |
|---|---|
| 1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus | Outside Front Cover Page of Prospectus |
| 2. Inside Front and Outside Back Cover Page of Prospectus | Available Information; Inside Front Cover and Outside Back Cover Pages of Prospectus |
| 3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges | Prospectus Summary; The Company; Selected Financial Data; Risk Factors; Consolidated Financial Statements |
| 4. Use of Proceeds | Prospectus Summary; Use of Proceeds |
| 5. Determination of Offering Price | Not Applicable |
| 6. Dilution | Not Applicable |
| 7. Selling Security Holders | Selling Security Holders; Plan of Distribution |
| 8. Plan of Distribution and Underwriting | Outside Front Cover Page of Prospectus; Plan of Distribution |
| 9. Description of Securities to be Registered | Prospectus Summary; Outside Front Cover Page of Prospectus; Description of Notes; Description of Warrants; Description of Capital Stock |
| 10. Interests of Named Experts and Counsel | Legal Matters |
| 11. Information with Respect to the Registrant | Outside Front Cover Page of Prospectus; Available Information; Prospectus Summary; Risk Factors; The Company; The 1991 Refinancing; The 1994 Reorganization; Capitalization; Price Range of Common Stock; Dividends; Selected Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Management; Principal Stockholders; Consolidated Financial Statements |
| 12. Incorporation of Certain Information by Reference | Not applicable |
| 13. Disclosure on Commission Position on Indemnification of Securities Act Liabilities | Not Applicable |



INFORMATION CONTAINED HEREIN IS TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION; PRELIMINARY PROSPECTUS DATED JULY 8, 1994

PROSPECTUS

# WAXMAN INDUSTRIES, INC.

$12,500,000 PRINCIPAL AMOUNT OF 12.25% FIXED RATE
SENIOR SECURED NOTES DUE SEPTEMBER 1, 1998

$7,500,000 PRINCIPAL AMOUNT OF FLOATING RATE
SENIOR SECURED NOTES DUE SEPTEMBER 1, 1998

957,000 COMMON STOCK PURCHASE WARRANTS

957,000 SHARES OF COMMON STOCK

This Prospectus relates to the offer and sale of (i) $12,500,000 principal amount of 12.25% Fixed Rate Senior Secured Notes due September 1, 1998 (the "Fixed Rate Notes") of Waxman Industries, Inc. (the "Company"), (ii) $7,500,000 principal amount of Floating Rate Senior Secured Notes due September 1, 1998 (the "Floating Rate Notes") of the Company, (iii) 957,000 Common Stock Purchase Warrants (the "Warrants") and (iv) 957,000 shares of the Company's Common Stock, $.01 par value (the "Common Stock") issuable upon exercise of the Warrants. The Fixed Rate Notes and Floating Rate Notes offered hereby are sometimes collectively referred to as the "Notes." The Notes, the Warrants and the shares of Common Stock offered hereby are sometimes collectively referred to herein as the "Securities." The Securities will be sold by the holders thereof (the "Selling Security Holders"). See "Selling Security Holders."

The Notes and Warrants were originally issued by the Company in a private placement to certain institutional investors. The original principal amount of the Fixed Rate Notes was $42,500,000 and the original number of Warrants was 1,000,000. See "The 1991 Refinancing." The Company has subsequently repurchased $10,850,000 principal amount of the Fixed Rate Notes. In addition, $19,150,000 principal amount of Fixed Rate Notes and 43,000 Warrants have been traded publicly since the registration of the Securities in June 1992, and, therefore, such Fixed Rate Notes and Warrants, respectively, do not require registration hereunder. There is currently a limited public market for the Notes and the Warrants. The payment of the Company's Obligations under the Notes and the performance of the Company's obligations under the Indenture (as defined below) are guaranteed (the "Guarantee") by Waxman USA Inc., a wholly owned subsidiary of the Company ("Waxman USA"). The Notes and the Guarantee are secured by the Waxman USA's pledge of all of the capital stock of Barnett Inc. ("Barnett"), Waxman Consumer Products Group Inc. ("Consumer Products") and WOC Inc. ("WOC"), each a direct subsidiary of Waxman USA and an indirect subsidiary of the Company. There can be no assurance that the value of the capital stock of Barnett, Consumer Products and WOC will be sufficient to satisfy the outstanding principal and accrued interest under the Notes in the event of a default under the Notes. During each of November 1993 and April 1994, respectively, the Company commenced a consent solicitation from holders of the Notes to waive noncompliance with certain financial covenants contained in the indenture governing the Notes (the "Indenture") and to amend certain provisions of the Indenture. Effectiveness of such waivers and amendments required the consent of the holders of at least 66-2/3% of the outstanding principal amount of the Notes. On November 10, 1993 and May 3, 1994, respectively, the Company successfully completed such consent solicitations, having received consents from the requisite amount of holders. See "Business - Recent Developments," and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."



The Notes are redeemable at the option of the Company, in whole or in part, at the redemption prices set forth therein, plus accrued interest. Annual sinking fund payments on each of September 1, 1996 and September 1, 1997 are calculated to retire 68% of the issue prior to maturity. The Company may deliver previously redeemed Notes in lieu of cash in making sinking fund payments. The Notes also provide for partial special mandatory redemptions in certain situations set forth therein. In the event of a Change in Control (as defined in the Indenture), holders of the Notes will have the right to require the Company to repurchase such holders' Notes at the purchase price set forth therein, together with accrued interest, if any, to the date of purchase.

The Notes are PARI PASSU in right of payment with all Senior Indebtedness (as defined in the Indenture) and senior in right of payment to all Subordinated Indebtedness (as defined in the Indenture). The Fixed Rate Notes and Floating Rate Notes are equal inter sese in right of payment under the Indenture.

The Warrants provide for the purchase of an aggregate of 957,000 shares of Common Stock at an exercise price of $4.60 per share, subject to adjustment in certain events. The Warrants are exercisable immediately and expire on September 1, 1996. The Company may offer to the registered holder the option, in lieu of exercising the Warrants, of surrendering the Warrants, in whole or in part, for a cash payment set forth herein.

The Common Stock is traded on the New York Stock Exchange (the "NYSE") (symbol: WAX). On July 6, 1994, the closing price per share of Common Stock, as reported by the NYSE, was $2.00. The Common Stock is also traded on the Chicago Stock Exchange. There is currently a limited public market for the Notes and the Warrants.

The Securities are being offered for the accounts of the Selling Security Holders. See "Selling Security Holders." The Company has agreed to pay all of the expenses of this offering but will not receive any of the proceeds from the sale of the Securities being offered hereby. The aggregate proceeds to the Selling Security Holders from the sale of the Securities will be the purchase price of the Securities sold, less the aggregate agents' commissions and underwriters' discounts, if any, and other expenses of issuance and distribution not borne by the Company. See "Plan of Distribution."

The Selling Security Holders directly, through agents designated from time to time or through dealers or underwriters also to be designated, may sell the Securities from time to time on terms to be determined at the time of sale. To the extent required, the specific Securities to be sold, the names of the Selling Security Holders, the purchase price, the public offering price, the names of any such agents, dealers or underwriters and any applicable commissions or discount with respect to a particular offer will be set forth in an accompanying Prospectus supplement.

The Selling Security Holders and any broker-dealers, agents or underwriters that participate with the Selling Security Holders in the distribution of the Securities may be deemed to be "Underwriters" within the meaning of the Securities Act of 1933, as amended (the "Act"), and any commissions received by them and any profit on the resale of the Securities purchased by them may be deemed to be underwriting commissions or discounts under the Act. See "Plan of Distribution" for indemnification arrangements.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROSPECTUS IS           , 1994.



AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Reports, proxy and information statements, and other information filed by the Company with the Commission can be inspected and copied at the public reference facilities maintained by the Commission, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the following Regional Offices of the Commission: New York Regional Office, 75 Park Place, New York, New York 10007; and Chicago Regional Office, 230 South Dearborn Street, Room 3190, Chicago, Illinois 60604. Copies of such material can also be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates. The Company's Common Stock is listed on the NYSE. Reports, proxy and information statements may also be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

This Prospectus does not contain all the information set forth in the Registration Statement (the "Registration Statement") filed with the Commission. For further information with respect to the Company and the securities offered hereby, reference is made to the Registration Statement and the exhibits thereto, copies of which are on file at the offices of the Commission and may be obtained upon payment of the fee prescribed by the Commission, or may be examined without charge at the offices of the Commission.





PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY, REFERENCED TO, AND SHOULD BE READ IN CONJUNCTION WITH, THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS APPEARING ELSEWHERE IN THIS PROSPECTUS. REFERENCES IN THIS PROSPECTUS TO A PARTICULAR FISCAL YEAR REFER TO THE 12-MONTH PERIOD ENDED ON JUNE 30 IN THAT YEAR. UNLESS THE CONTEXT OTHERWISE INDICATES, ALL REFERENCES TO THE "COMPANY" ARE TO THE CONTINUING OPERATIONS OF WAXMAN INDUSTRIES, INC. AND ITS SUBSIDIARIES AND DIVISIONS AND TO THE BUSINESS CONDUCTED THROUGH SUCH SUBSIDIARIES AND DIVISIONS.

THE COMPANY

The Company believes it is one of the leading suppliers of plumbing products to the home repair and remodeling market in the United States. The Company conducts its business in the United States primarily through its wholly-owned subsidiaries, Barnett and Consumer Products. The Company distributes plumbing, electrical and hardware products, in both packaged and bulk form, to over 45,000 customers in the United States, including do-it-yourself ("D-I-Y") retailers, mass merchandisers, smaller independent retailers and plumbing and electrical repair and remodeling contractors. The Company's consolidated net sales (excluding sales from discontinued operations) were $204.8 million in fiscal 1993.

The Company's domestic business is conducted primarily through Barnett and Consumer Products. Through their nationwide network of warehouses and distribution centers, Barnett and Consumer Products provide their customers with a single source for an extensive line of competitively priced quality products. The Company's strategy of being a low-cost supplier is facilitated by its purchase of a significant portion of its products from low-cost foreign sources. Barnett's marketing strategy is directed predominantly to repair and remodeling contractors and independent retailers, as compared to Consumer Products' strategy of focusing on mass merchandisers and larger D-I-Y retailers.

Based on management's experience and knowledge of the industry, the Company believes that Barnett is the only national mail order and telemarketing operation distributing plumbing, electrical and hardware products in the United States. Barnett's marketing strategy is comprised of frequent catalog and promotional mailings, supported by 24-hour telemarketing operations. Barnett has averaged 15% net sales growth per annum during the period from fiscal 1991 to fiscal 1993 through (i) the expansion of its warehouse network to increase its market penetration, (ii) the introduction of new product offerings and (iii) the introduction of an additional catalog targeted at a new customer base. Barnett's net sales were $82.9 million in fiscal 1993.

Consumer Products markets and distributes its products to a wide variety of retailers, primarily national and regional warehouse home centers, home improvement centers and mass merchandisers. An integral element of Consumer Products' marketing strategy of serving as a single source supplier is offering mass merchandisers and D-I-Y retailers innovative comprehensive marketing and merchandising programs designed to improve their profitability, efficiently manage shelf space, reduce inventory levels and maximize floor stock turnover. Consumer Products' customers currently include national retailers such as Kmart, Builders Square, Home Depot and Wal-Mart, as well as large regional D-I-Y retailers. According to the most recent rankings of the largest D-I-Y retailers published by National Home Center News, an industry trade publication, Consumer Products' customers include 16 of the 25 largest D-I-Y retailers in the United States. Management believes that Consumer Products is the only supplier to the D-I-Y market that carries a complete line of plumbing, electrical and floor protective hardware products, in both package and bulk form. Consumer Products' net sales were $67.5 million in fiscal 1993 and have remained generally consistent since fiscal 1991.





The Company, through its smaller domestic operations, also distributes a full line of security hardware products and copper tubing, brass fittings and other related products. Net sales from these other operations were $48.1 million in fiscal 1993.

The Company's business strategy is designed to capitalize on the growth prospects for Barnett and Consumer Products. The Company's current strategy includes the following elements:

- EXPANSION OF BARNETT. Since its acquisition in 1984, Barnett's revenues and operating income have grown at compound annual rates of 11.3% and 11.1% respectively. The Company intends to continue to expand Barnett's national warehouse network and expects to open as many as four new warehouses during each of the next several fiscal years. Barnett also intends to continue expanding its product offerings, allowing its customers to utilize its catalogs as a means of one-stop shopping for many of their needs. In an effort to further increase profitability, Barnett is also increasing the number of higher margin product offerings bearing its proprietary trade names and trademarks.

- ENHANCE COMPETITIVE POSITION OF CONSUMER PRODUCTS. During the past 24 months, Consumer Products has restructured its sales and marketing functions in order to better serve the needs of its existing and potential customers. Consumer Products' strategy is to achieve consistent growth by expanding its business with existing customers and by developing new products and new customers. In order to increase business with existing customers, Consumer Products is focusing on developing strategic alliances with its customers. Consumer Products seeks to (i) introduce new products within existing categories, as well as new product categories, (ii) improve customer service, (iii) introduce full service marketing programs and (iv) achieve higher profitability for both the retailer and Consumer Products.

The Reorganization (described below) was an important element of this strategy because it lowered the Company's cash interest expense, permitting the Company to reinvest a greater portion of its cash flow in its domestic businesses; stabilized the Company's capital structure by, among other things, eliminating the impact of the adverse operating results of the Company's discontinued Canadian operations on the Company's domestic operations; and generally provided the Company with greater operating and financial flexibility.

DISCONTINUED OPERATIONS

Effective March 31, 1994, the Company adopted a plan to dispose of its Canadian subsidiary, Ideal Plumbing Group, Inc. ("Ideal"). Unlike the Company's United States operations which supply products to customers in the home repair and remodeling market through mass retailers, Ideal primarily served customers in the Canadian new construction market through independent contractors. Accordingly, Ideal is reported as a discontinued operation at March 31, 1994 and the consolidated financial statements and financial information contained herein as of such date have been reclassified to report separately Ideal's net assets and results of operations. Prior period consolidated financial statements and financial information have been reclassified to conform to the current period presentation.

At the time the plan of disposition was adopted, the Company expected that the disposition would be accomplished through a sale of the business to a group of investors which included members of Ideal's management. Such transaction would have required the consent of the lenders under Ideal's Canadian bank credit agreements as borrowings under such credit agreements were collateralized by all of the assets and capital stock of Ideal. The bank considered the management group's acquisition proposal; however, the proposal was subsequently rejected. On May 5, 1994, without advance notice, the bank filed an





involuntary bankruptcy petition against Ideal citing defaults under the bank credit agreements (borrowings under these agreements are non-recourse to Waxman Industries, Inc.). The Company has not contested the bank's efforts to effect the orderly disposition of Ideal. On May 30, 1994, Ideal was declared bankrupt by the Canadian courts and, as a result, the Company's ownership and control of Ideal effectively ceased on such date.

THE OFFERING

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|---|---|
| SECURITIES OFFERED | $12,500,000 principal amount of 12.25% Fixed Rate Senior Secured Notes due September 1, 1998. |
| | $7,500,000 principal amount of Floating Rate Senior Secured Notes due September 1, 1998. |
| | 957,000 Common Stock Purchase Warrants |
| | 957,000 Shares of Common Stock (issuable upon exercise of the Warrants) |
| Fixed Rate Notes: | |
| Interest Payment Dates | March 1 and September 1 |
| Interest Rate | 12.25% |
| Optional Redemption | Redeemable at the option of the Company, in whole or in part, at the redemption prices set forth herein, together with accrued interest. |
| Mandatory Redemption | Annual sinking fund payments of $14,450,000 on each of September 1, 1996 and September 1, 1997. The Company may deliver Fixed Rate Notes which have previously been redeemed in lieu of cash |

| | |
|---|---|
| | in making sinking fund payments. The Fixed Rate Notes also provide for partial special mandatory redemptions in certain situations. |
| Repurchase at Option of Noteholder | In the event of a Change in Control (as defined in the Indenture), holders of the Fixed Rate Notes will have the right to require the Company to repurchase such holders' Fixed Rate Notes at 102% of the principal amount thereof, together with accrued interest, if any, to the date of purchase. |
| Floating Rate Notes: | |
| Interest Payment Dates | March 1, June 1, September 1 and December 1 |
| Interest Rate | Floating rate based on LIBOR for any quarterly period plus 300 basis points. |

</TABLE>





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| | |
|---|---|
| Optional Redemption | Redeemable at the option of the Company, in whole or in part, at the redemption prices set forth herein, together with accrued interest. |
| Mandatory Redemption | Annual sinking fund payments of $2,550,000 on each of September 1, 1996 and September 1, 1997. The Company may deliver Floating Rate Notes which have previously been redeemed in lieu of cash in making sinking fund payments. The Floating Rate Notes also provide for partial special mandatory redemptions in certain situations. |
| Repurchase at Option of Noteholder | In the event of a Change in Control (as defined in the Indenture), holders of the Floating Rate Notes will have the right to require the Company to repurchase such holders' Floating Rate Notes at 102% of the principal amount thereof, together with accrued interest, if any, to the date of purchase. |
| Warrants: | 957,000 Common Stock Purchase Warrants, each representing the right to purchase a share of Common Stock at an exercise price of $4.60 per share. The Warrants provide for adjustments to the exercise price in certain events. The Warrants are exercisable immediately and expire on September 1, 1996. The Company may offer to the registered holder the option, in lieu of exercising the Warrants, of surrendering the Warrants, in whole or in part, for a cash payment equal to the product of (i) the Closing Price (as defined in the Warrant Agreement) for a share of Common Stock on the last business day prior to the date of surrender of the warrant certificate less the exercise price, and (ii) the number of shares of Common Stock to which the holder is entitled pursuant to the Warrants surrendered therefor. |
| RANKING | The Notes are PARI PASSU in right of payment with all Senior Indebtedness (as defined in the Indenture) and senior in right of payment to all Subordinated Indebtedness (as defined in the Indenture). The Fixed Rate Notes and Floating Rate Notes are equal INTER SESE in right of payment. |
| SECURITY | The Notes are secured by the pledge by the Company of all of the capital stock of Barnett Inc., Waxman Consumer Products Group Inc. and WOC Inc., each an indirect subsidiary of the Company. |
| GUARANTEE | The payment of the Company's obligations under the Notes and the performance of the Company's obligations under the Indenture are guaranteed by Waxman USA. |

</TABLE>





SUMMARY FINANCIAL DATA
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA AND RATIOS)

The summary historical financial data for the fiscal years 1989 through 1993 are derived from the Company's audited consolidated financial statements. The historical information as of and for the nine month periods ended March 31, 1993 and 1994 is unaudited, but in the Company's opinion reflects all adjustments (consisting only of normal recurring adjustments) which are necessary to present fairly the Company's financial position and results of operations as of such dates and for such periods. Results for the nine months ended March 31, 1994 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 1994. Effective March 31, 1994, the Company adopted a plan to dispose of its Canadian subsidiary, Ideal. Accordingly, Ideal is reported as a discontinued operation at March 31, 1994, and the prior period consolidated financial statements have been reclassified to conform to the current period presentation.





<TABLE>
<CAPTION>

| | YEAR ENDED JUNE 30, | | | | | NINE MONTHS ENDED MARCH 31, | |
|---|---|---|---|---|---|---|---|
| | 1989 | 1990 | 1991 | 1992 | 1993 | 1993 | 1994 |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| INCOME STATEMENT DATA(1): | | | | | | | |
| Net sales | $194,585 | $186,315 | $186,327 | $197,738 | $204,778 | $153,957 | $160,245 |
| Cost of sales | 128,038 | 120,976 | 121,397 | 127,115 | 137,244 | 102,035 | 104,180 |
| Gross profit | 66,547 | 65,338 | 64,930 | 70,623 | 67,534 | 51,922 | 56,065 |
| Operating expenses | 48,479 | 49,452 | 50,263 | 51,824 | 56,081 | 39,729 | 41,769 |
| Restructuring and other nonrecurring charges | -- | -- | -- | 3,900 | 6,762 | -- | -- |
| Operating income (loss) | 18,068 | 15,886 | 14,667 | 14,899 | 4,691 | 12,193 | 14,296 |
| Interest expense, net | 8,136 | 12,796 | 17,462 | 20,025 | 20,365 | 15,242 | 15,635 |
| Income (loss) from continuing operations before income taxes, extraordinary charges and cumulative effect of accounting change | 9,932 | 3,090 | (2,795) | (5,126) | (15,674) | (3,049) | (1,339) |
| Provision (benefit) for income taxes | 3,794 | 958 | (680) | (768) | 216 | (1,429) | -- |
| Income (loss) from continuing operations before extraordinary charges and cumulative effect of accounting change | 6,138 | 2,132 | (2,115) | (4,358) | (15,890) | (1,620) | (1,339) |
| Discontinued Operations - Ideal | | | | | | | |
| Income (loss) from discontinued operations, net of taxes | 1,183 | 4,656 | 4,343 | 1,146 | (11,240) | 1,300 | (3,249) |
| Loss on disposal, without tax benefit | -- | -- | -- | -- | -- | -- | (38,343) |
| Income (loss) before extraordinary charges and cumulative effect of accounting change | 7,321 | 6,788 | 2,228 | (3,212) | (27,130) | (320) | (42,931) |
| Extraordinary charges, early repayment of debt | -- | (320) | -- | (1,186) | -- | -- | (6,625) |
| Cumulative effect of accounting change | -- | -- | -- | -- | (2,110) | (2,110) | -- |
| Net income (loss) | $ 7,321 | $ 6,468 | $ 2,228 | $ (4,398) | $(29,240) | $(2,430) | $(49,556) |

</TABLE>





<TABLE>

| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
|---|---|---|---|---|---|---|---|
| Primary earnings per share: | | | | | | | |
| Income (loss) from continuing operations before extraordinary charges and cumulative effect of accounting change | $ .67 | $ .22 | $ (.22) | $ (.44) | $ (1.36) | $ (.14)$ | $ (.11) |
| Discontinued Operations: | | | | | | | |
| Income (loss) from discontinued operations | .13 | .48 | .45 | .11 | (.97) | .11 | (.28) |
| Loss on disposal | -- | -- | -- | -- | -- | -- | (3.29) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Extraordinary charge | -- | (.03) | -- | (.12) | -- | -- | (.57) |
| Cumulative effect of accounting change | -- | -- | -- | -- | (.18) | (.18) | -- |
| Net income (loss) | $ .80 | $ .67 | $ .23 | $ (.45) | $ (2.51) | $ (.21) | $ (4.25) |
| Cash dividends per share: | | | | | | | |
| Common stock | $ .10 | $ .12 | $ .12 | $ .12 | $ .08 | .06 | $ -- |
| Class B common stock | .08 | .11 | .12 | .12 | .08 | .06 | -- |
| Ratio of earnings to fixed charges(2) | 2.0x | 1.2x | -- | -- | -- | -- | -- |
| OTHER DATA(1): | | | | | | | |
| EBITDA(3) | $ 21,581 | $ 20,299 | $ 19,407 | $ 24,523 | $ 19,551 | $ 17,242 | $ 19,237 |
| Depreciation and amortization | 3,513 | 4,413 | 4,740 | 5,724 | 8,099 | 5,049 | 4,940 |
| Capital expenditures | 3,453 | 2,806 | 1,110 | 3,193 | 1,336 | 791 | 2,280 |
| Cash interest expense | 8,938 | 14,303 | 18,377 | 20,203 | 19,536 | 14,627 | 15,011 |
| Ratio of EBITDA to cash interest expense(4) | 2.41x | 1.42x | 1.06x | 1.21x | 1.00x | 1.18x | 1.28x |
| BALANCE SHEET DATA (AT END OF PERIOD)(1): | | | | | | | |
| Working capital | $117,777 | $136,989 | $133,654 | $135,886 | $119,187 | $133,862 | $ 79,457 |
| Total assets(5) | 235,485 | 249,892 | 236,437 | 237,481 | 197,051 | 222,733 | 174,677 |
| Total debt | 178,976 | 177,118 | 167,274 | 151,000 | 164,403 | 158,994 | 175,206 |
| Stockholders' equity (deficit) (5) | 26,934 | 39,242 | 38,066 | 40,827 | 7,496 | 37,258 | (37,949) |

</TABLE>





WAXMAN INDUSTRIES

NOTES TO SUMMARY FINANCIAL DATA

(1) Data relating to continuing operations reflects the acquisition of Western American Manufacturing, Inc. in November 1990, which was accounted for as a purchase. Discontinued operations data relates to Ideal which was acquired in May 1989 and accounted for as a purchase.

(2) For purposes of calculating this ratio, "earnings" consist of income (loss) from continuing operations before income taxes, extraordinary charges and cumulative effect of accounting change and fixed charges, and "fixed charges" consist of interest expense, including the interest portion of rental obligations on capitalized and operating leases (which is deemed by the Company to be one-third of all of its rental obligations with respect to operating leases). Fiscal 1991 earnings were insufficient to cover fixed charges by $2.8 million. Fiscal 1992 earnings were insufficient to cover fixed charges by $5.1 million. Fiscal 1993 earnings were insufficient to cover fixed charges by $15.7 million. Earnings for the nine months ended March 31, 1993 and 1994 were insufficient to cover fixed charges by $3.0 million and $1.3 million, respectively.

(3) EBITDA represents income (loss) from continuing operations before income taxes, extraordinary charges and cumulative effect of accounting change plus interest expense, nonrecurring charges (which were primarily non-cash), depreciation and amortization. The Company has included EBITDA data (which is not a measure of financial performance under generally accepted accounting principles) because such data is used by certain investors to measure the ability to service debt. EBITDA is not presented herein as an alternative to net income, as an indicator of the Company's operating performance, or to cash flows, as a measure of liquidity, but rather to provide additional information relating to the Company's ability to service its debt.

(4) For purposes of calculating this ratio, cash interest expense does not include amortization of deferred financing costs.

(5) Certain March 31, 1993 Balance Sheet Data has been restated for the cumulative effect of an accounting change.





RISK FACTORS

Prospective purchasers of the Securities should consider carefully all of the information set forth in this Prospectus and, in particular, should evaluate the following risks before purchasing the Securities offered hereby.

ABSENCE OF PUBLIC MARKET. At present, the Securities are owned by a small number of investors and there is currently a limited public market for the Securities. The Securities will not be listed on any exchange and no assurance can be given that an active market will develop for the Securities or, if such an active market develops, as to the liquidity of such market.

If an active trading market does not develop, purchasers of the Securities may have difficulty liquidating their investment and the Securities may not be readily accepted as collateral for loans. Accordingly, no assurances can be given as to the price at which holders of the Securities will be able to sell the Securities, if at all, and it is possible that the Notes will trade at a price below their face value.

The liquidity of and the market prices for the Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Company and other factors that generally influence the market prices of securities, including fluctuations in the market for high yield securities generally. Such fluctuations in the high yield market may significantly affect the liquidity and market price of the Notes independent of the financial performance of and prospects for the Company.

LEVERAGE. The Company has a high degree of leverage. At March 31, 1994, the outstanding consolidated indebtedness (excluding trade payables and accrued liabilities) of the Company's continuing operations was $175.2 million. On a pro forma basis, at March 31, 1994, after giving effect to the Reorganization, the outstanding amount of such indebtedness (excluding trade payables and accrued liabilities) would have been approximately $186.4 million. This high degree of leverage may have important consequences, including the following: (i) the ability of the Company to obtain additional financing in the future for working capital, capital expenditures, debt service requirements or other purposes may be impaired; (ii) a substantial portion of the Company's cash flow from operations will be required to satisfy debt service obligations; (iii) the Company may be more highly leveraged than companies with which it competes, which may place it at a competitive disadvantage; and (iv) the Company's high degree of leverage may make it more vulnerable in the event of a downturn in its business and may limit its ability to capitalize on business opportunities. Although the Company believes that its operating cash flow as well as amounts available under the Domestic Credit Facility (as defined herein) will be sufficient to fund working capital, capital expenditures and debt service requirements for the next 24 months, the Company's ability to satisfy its obligations will be dependent upon its future performance, which is subject to prevailing economic conditions and financial, business and other factors, including factors beyond the Company's control.

SECURITY FOR THE NOTES; VALUE OF THE COLLATERAL. The Notes are secured by a pledge of all of the outstanding shares of capital stock of Barnett, Consumer Products and WOC (collectively, the "Operating Companies"). Since none of such subsidiaries has publicly traded securities, the value of their capital stock will not be readily ascertainable and will depend upon the market value of the assets and business of such subsidiaries. There can be no assurance that the proceeds from the sale or sales of the capital stock pledged to secure the Notes would be sufficient to satisfy any amounts due thereunder.

The rights of the Trustee to foreclose upon and dispose of the pledged collateral is likely to be significantly impaired by applicable bankruptcy law if a bankruptcy proceeding were to be commenced





by or against the Company, prior to the Trustee's having disposed of the pledged collateral. Under Title XI of the United States Code (the "Bankruptcy Code"), a secured creditor, such as the Trustee, is prohibited from disposing of security upon foreclosure in a bankruptcy case, even though the debtor is in default under the applicable debt instruments, without bankruptcy court approval. Moreover, in general, the Bankruptcy Code prohibits the bankruptcy court from giving such permission if the secured creditor is given "adequate protection." The meaning of the term "adequate protection" may vary according to circumstances, but it is intended in general to protect the value of the secured creditor's interest in the collateral and may include cash payments or the granting of additional security, if and at such times as the court in its discretion determines, for any diminution in the value of the collateral as a result of the stay of disposition during the pendency of the bankruptcy case. In view of the lack of a precise definition of the term "adequate protection" and the broad discretionary powers of a bankruptcy court, it is impossible to predict how long payments under the Notes could be delayed following commencement of a bankruptcy case, whether or when the Trustee could dispose of the pledged collateral or whether or to what extent holders of the Notes would be compensated for any delay in payment or loss of value of the pledged collateral through the requirement of "adequate protection."

If there was an event of default under the Indenture which resulted in a foreclosure upon the collateral, such foreclosure would constitute an event of default under the Domestic Credit Facility and the Domestic Term Loan, which are secured by a pledge of substantially all of the assets of the Operating Companies and 65% of the capital stock of the Company's foreign subsidiaries other than Ideal. Upon an event of default under the Domestic Credit Facility or the Domestic Term Loan (which event of default could also result in an event of default under the Indenture), the holders of such debt would be permitted to accelerate such debt and to enforce their security interest in substantially all of the assets or the capital stock of the Operating Companies. There can be no assurance that the assets or capital stock of the Operating Companies would be sufficient to repay in full borrowings under the Domestic Credit Facility or the Domestic Term Loan, if they became due, thereby diminishing or eliminating the value of the shares of capital stock securing the Notes. In addition, any enforcement (including foreclosure) of the security interests securing the Domestic Credit Facility or the Domestic Term Loan or any other indebtedness of Waxman USA or the Operating Companies could have a material adverse effect on the market price of the capital stock of such subsidiaries and on the ability of the Trustee to realize value through sales of the collateral pledged to secure Notes.

RELIANCE ON OPERATIONS OF SUBSIDIARIES; STRUCTURAL SUBORDINATION. The Company is a holding company whose only material assets are the capital stock of its subsidiaries, including, indirectly, all of its operating subsidiaries. The Company conducts no business other than the provision of management services to its subsidiaries, and is dependent on distributions from its domestic subsidiaries in order to meet its debt service obligations including its payment obligations with respect to the Senior Subordinated Notes and the Notes. There can be no assurance that any such distributions will be adequate to fund the required payments under the Company's debt obligations. In addition, certain of the instruments evidencing the Debt Financing, the Company's other debt obligations and applicable state laws will impose significant restrictions on the payment of dividends and the making of loans by the Company's subsidiaries to the Company (other than certain permitted exceptions, including payments made pursuant to an intercorporate agreement and a tax sharing agreement). If an initial public offering of the capital stock of any of the Company's subsidiaries is consummated, the ability of such subsidiaries to pay dividends would be diminished to the extent of any such capital stock sold to the public and the ability of the Company's subsidiaries to make loans to the Company would be limited to the extent that such transactions would have to be fair to the holders of such capital stock.





The Company derives substantially all of its operating income from wholly-owned subsidiaries. As a result of this holding company structure, the creditors of the Company, including the holders of the Notes, are structurally subordinated to all creditors of such subsidiaries with respect to the assets and capital stock of such subsidiaries, including the lenders pursuant to the Debt Financing and trade creditors. Accordingly, in the event of a dissolution, bankruptcy or reorganization of the Company, the holders of the Notes will not be entitled to receive amounts from the Company's subsidiaries until after payment in full of all creditors of the subsidiaries of the Company. All of the Debt Financing is at the subsidiary level.

RESTRICTIONS IMPOSED BY TERMS OF INDEBTEDNESS. The terms and conditions of the instruments evidencing the Debt Financing, as well as other indebtedness of the Company impose restrictions that affect, among other things, the ability of the Company and/or its subsidiaries to incur debt, pay dividends, make acquisitions, create liens, sell assets and make certain investments. The breach of any of the foregoing covenants would result in a default under the applicable debt instrument permitting the holders of indebtedness outstanding thereunder, subject to applicable grace periods, to accelerate such indebtedness. Any such acceleration may cause a cross-default under the instruments evidencing other indebtedness of the Company, and there can be no assurance that the Company would have sufficient funds to repay or assets to satisfy such obligations.

CONTROL BY PRINCIPAL STOCKHOLDERS; CERTAIN ANTI-TAKEOVER EFFECTS. Approximately 16.7% of the outstanding shares of the Company's common stock, par value $.01 per share, and 80.1% of the outstanding shares of the Company's Class B common stock are held by Melvin and Armond Waxman, brothers and respectively, the Chairman of the Board and Co-Chief Executive Officer and the President and Co-Chief Executive Officer of the Company (the "Principal Stockholders"). These holdings represent 61.1% of the outstanding voting power of the Company. Consequently, the Principal Stockholders have sufficient voting power to elect the entire Board of Directors of the Company and, in general, to determine the outcome of any corporate transaction or other matter submitted to the stockholders for approval, including any merger, consolidation, sale of all or substantially all of the Company's assets or "going private" transactions, and to prevent or cause a change in control of the Company. In addition, Messrs. Melvin and Armond Waxman may have an interest in pursuing transactions, including transactions with affiliates, that in their judgment could enhance the value of the Company's capital stock, even though such transactions might involve risks to the holders of the Notes. In addition, certain provisions in the Company's Certificate of Incorporation, By-laws and debt instruments may be deemed to have the effect of discouraging a third party from pursuing a non-negotiated takeover of the Company and preventing certain changes in control.

DEFICIENCY OF EARNINGS TO FIXED CHARGES. In fiscal 1993, 1992 and 1991 and the nine months ended March 31, 1994 and 1993, the Company's earnings (as defined in footnote 2 to Selected Financial Data) were insufficient to cover its fixed charges by $15.7 million, $5.1 million, $2.8 million, $1.3 million and $3.0 million, respectively. There can be no assurance that the deficiencies experienced in the past will not reoccur.

FOREIGN SOURCING. In fiscal 1993, products manufactured outside of the United States accounted for approximately 21% of the total product purchases made by the Company's continuing operations. Foreign sourcing involves a number of risks, including the availability of letters of credit, maintenance of quality standards, work stoppages, transportation delays and interruptions, political and economic disruptions, foreign currency fluctuations, expropriation, nationalization, the imposition of tariffs and import and export controls and changes in governmental policies (including United States' policy toward the foreign country where the products are produced), which could have an adverse effect on the





Company's business. The occurrence of certain of these factors would delay or prevent the delivery of goods ordered by the Company's customers, and such delay or inability to meet delivery requirements would have an adverse effect on the Company's results of operations and could have an adverse effect on the Company's relationships with its customers. In addition, the loss of a foreign manufacturer could have a short-term adverse effect on the Company's business until alternative supply arrangements were secured.

RELIANCE ON KEY CUSTOMERS. During fiscal 1993, Kmart and its subsidiaries, Consumer Products' largest customer, accounted for approximately 12% of the Company's continuing operations' net sales. During the same period, Consumer Products' ten largest customers accounted for approximately 23% of the Company's continuing operations' net sales. The loss of or a substantial decrease in the business of Consumer Products' largest customers could have a material adverse effect on the Company's continuing operations.

## THE COMPANY

The Company believes it is one of the leading suppliers of plumbing products to the home repair and remodeling market in the United States. The Company distributes electrical and hardware products, in addition to plumbing products, in both packaged and bulk form, to approximately 45,000 customers, including independent retailers, wholesalers and plumbing and electrical repair and remodeling contractors. The Company is able to serve as a single source supplier of a wide range of competitively priced, high-quality products, which has been a significant factor in helping it to attract and retain customers. The Company also distributes a full line of security hardware products and copper tubing, brass fittings and other related products. The Company's domestic business is conducted primarily through Barnett and Consumer Products.

The Company, which was founded in 1934, was incorporated in 1962 in Ohio and reincorporated in Delaware in 1989. The Company's principal executive offices are located at 24460 Aurora Road, Bedford Heights, Ohio 44146; telephone (216) 439-1830. Unless the context otherwise indicates, the term "Company" refers to Waxman Industries, Inc. and its subsidiaries. The term "Waxman" refers only to Waxman Industries, Inc.

## USE OF PROCEEDS

The Company will receive none of the proceeds from the sale of the Securities by the Selling Security Holders.

## THE 1991 REFINANCING

The Securities were originally issued by the Company on September 17, 1991 in a private placement to certain institutional investors as part of a refinancing of the Company's senior bank indebtedness. The Company originally issued $42.5 million principal amount of Fixed Rate Notes, $7.5 million principal amount of Floating Rate Notes and 1.0 million Warrants. The proceeds of the private placement, along with $10 million of cash on hand, were used by the Company to repay its $60 million term loan with four U.S. banks.





The Company concurrently entered into a three-year secured revolving credit agreement with a U.S. bank to provide for working capital needs. The credit facility initially provided for borrowings of up to $24 million, secured by the inventories and accounts receivable of Waxman and certain of its domestic subsidiaries. The credit facility was amended and restated, effective April 1, 1993, to increase the availability to $30 million. The credit facility was repaid and terminated in connection with the "Reorganization" discussed below.

## THE 1994 REORGANIZATION

On May 20, 1994, the Company issued Series A 12-3/4% Senior Secured Deferred Coupon Notes Due 2004 having an initial accreted value of $50,000,000 (the "Deferred Coupon Notes") together with warrants (the "Exchange Warrants") to purchase 2,950,000 shares of common stock, par value $.01 per share, of the Company ("Common Stock") in exchange for $50,000,000 aggregate principal amount of the Company's outstanding Senior Subordinated Notes pursuant to a private exchange offer (the "Private Exchange Offer") which was a part of a series of interrelated transactions (the "Reorganization"). In addition to the Private Exchange Offer, the components of the Reorganization included (i) the solicitation of the consents of the holders of the Notes to certain waivers (the "Waiver") of and the adoption of certain amendments (the "Amendment") to the Indenture (the "Consent Solicitation"), (ii) the establishment of a $55 million revolving credit facility (the "Domestic Credit Facility") and a $15 million term loan (the "Domestic Term Loan"; and together with the Domestic Credit Facility, the "Debt Financing"), (iii) the solicitation of the consents of the holders of the Senior Subordinated Notes to certain waivers of and the adoption of certain amendments to the indenture governing the Senior Subordinated Notes (the "Subordinated Note Solicitation") and (iv) the repayment of the borrowings under the Company's then existing domestic revolving credit facilities (including $27.6 under the Company's then existing working capital credit facility and $1.2 million under the $5.0 million revolving credit facility of Barnett (the "Barnett Financing")).

In connection with the Reorganization, the Company restructured (the "Corporate Restructuring") its domestic operations such that after giving effect thereto the Company became a holding company whose only material assets are the capital stock of its subsidiaries. As part of the Corporate Restructuring, the Company formed (a) Waxman USA, as a holding company for the subsidiaries that comprise and support the Company's domestic operations, (b) Consumer Products, a wholly owned subsidiary of Waxman USA, to own and operate Waxman Industries' Consumer Products Group Division (the "Consumer Products Division"; all references herein to "Consumer Products" shall include the Consumer Products Division and Waxman Consumer Products Group Inc., unless the context otherwise requires), and (c) WOC, a wholly owned subsidiary of Waxman USA, to own and operate Waxman USA's domestic subsidiaries, other than Barnett and Consumer Products. On May 20, 1994, the Company effected the Corporate Restructuring by (i) contributing the capital stock of Barnett to Waxman USA, (ii) contributing the assets and liabilities of the Consumer Products Division to Consumer Products, (iii) contributing the assets and liabilities of its Madison Equipment Division to WOC, (iv) contributing the assets and liabilities of its Medal Distributing Division to WOC, (v) merging U.S. Lock Corporation ("U.S. Lock") and LeRan Copper & Brass, Inc. ("LeRan"), each a wholly owned subsidiary of the Company, into WOC, (vi) contributing the capital stock of TWI, International, Inc. ("TWI") to Waxman USA and (vii) contributing the capital stock of Western American Manufacturing, Inc. ("WAMI") to TWI.

<TABLE>

CAPITALIZATION
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

The following table sets forth the consolidated capitalization of the Company at March 31, 1994 and as adjusted to reflect the Reorganization.

<CAPTION>

| <S> | Actual <C> | As Adjusted <C> |
|---|---|---|
| Current portion of long-term debt | $3,178 | $3,178 |
| | ===== | ===== |
| Bank debt: | | |
| Domestic credit facilities | 30,794 | --- |
| Domestic Credit Facility (2) | --- | 29,468 |
| Domestic Term Loan (2) | --- | 15,000 |
| Senior Secured Notes due September 1, 1998, net of discount | 38,646 | 38,646 |
| Senior Subordinated Notes due June 1, 1999 | 98,750 | 48,750 |
| Senior Secured Deferred Coupon Notes due June 1, 2004, net of discount (5) | --- | 47,500 |
| Convertible Debentures | 2,030 | 2,030 |
| Other notes payable, net of current portion | 1,808 | 1,808 |
| | ----- | ----- |
| Total long-term debt (1) | 172,028 | 183,202 |
| | ------- | ------- |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value, 2,000 shares authorized; none issue | $ --- | $ --- |
| Common stock, $.01 par value, 22,000 shares authorized; 9,484 issued and outstanding (3) | 95 | 95 |
| Class B common stock, $.01 par value, 6,000 shares authorized; 2,230 issued and outstanding (4) | 23 | 23 |
| Paid-in capital (5) | 18,598 | 21,098 |
| Retained deficit | (55,993) | (55,993) |
| | -------- | -------- |
| Stockholders' equity before cumulative currency translation adjustments | (37,277) | (34,777) |
| Cumulative currency translation adjustments | (672) | (672) |
| | --------- | --------- |
| Total stockholders' equity | (37,949) | (35,449) |
| | -------- | -------- |
| Total capitalization | $134,079 | $147,753 |
| | ======= | ======= |

<FN>

(1) For a description of the Company's debt, see Notes 5 and 9 to the Notes to Consolidated Financial Statements as of March 31, 1994.

(2) Proceeds from the Domestic Credit Facility and Domestic Term Loan were used to repay borrowings under the Company's then existing credit facilities, accrued interest and fees and expenses associated with the Reorganization.

(3) Does not include 1,000 shares of Common Stock reserved for issuance upon exercise of the Warrants, 2,950 shares of Common Stock reserved for issuance upon exercise of the Exchange Warrants or 212 shares of Common Stock reserved for issuance upon conversion of the Convertible Debentures. Also does not include 1,226 shares of Common Stock reserved for issuance under the exercise of stock options outstanding as of March 31, 1994.

(4) The Class B Common Stock is generally not transferable but is convertible into Common Stock on a share-for-share basis at any time. See "Description of Capital Stock."

(5) A portion of the proceeds of the Exchange Units will be allocated to the Exchange Warrants. As a result, an adjustment has been made to increase paid-in capital by $2,500. The related $2,500 reduction in the recorded principal amount of the Deferred Coupon Notes will be amortized as interest expense over the life of the Deferred Coupon Notes.

</TABLE>





<TABLE>

PRICE RANGE OF COMMON STOCK

The Company's Common Stock is listed on the New York Stock Exchange ("NYSE") under the symbol "WAX". The Company's Class B Common Stock does not trade in the public market due to restricted transferability. However, the Class B Common Stock may be converted into Common Stock on a share-for-share basis at any time.

The following table sets forth the high and low closing prices of the Common Stock as reported by the NYSE for fiscal years 1994, 1993 and 1992.

<CAPTION>

| | FISCAL YEARS ENDED JUNE 30, | | | | | |
|---|---|---|---|---|---|---|
| | 1994 | | 1993 | | 1992 | |
| | HIGH | LOW | HIGH | LOW | HIGH | LOW |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| First Quarter | $3.88 | $2.25 | $4.63 | $3.38 | $5.25 | $3.75 |
| Second Quarter | 2.50 | 1.38 | 4.13 | 3.38 | 5.38 | 4.25 |
| Third Quarter | 3.25 | 2.00 | 5.25 | 3.75 | 8.38 | 4.88 |
| Fourth Quarter | 2.38 | 1.81 | 5.38 | 3.38 | 7.00 | 4.00 |

<FN>
On July 6, 1994, the closing price of the Common Stock, as reported on the NYSE, was $2.00. As of July 6, 1994, there were 1,101 holders of record of Common Stock and 145 holders of record of Class B Common Stock.
</TABLE>

DIVIDENDS

The Company paid dividends of $.08 and $.12 per share on each class of common stock in fiscal 1993 and 1992, respectively. On October 4, 1993, the Company announced that it has suspended the payment of cash dividends on each class of its common stock. Restrictions contained in the Company's debt instruments currently prohibit the declaration and payment of any cash dividends.





SELECTED FINANCIAL DATA
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA AND RATIOS)

The selected historical financial data for the fiscal years 1989 through 1993 are derived from the Company's audited consolidated financial statements. The historical information as of and for the nine month periods ended March 31, 1993 and 1994 is unaudited, but in the Company's opinion reflects all adjustments (consisting only of normal recurring adjustments) which are necessary to present fairly the Company's financial position and results of operations as of such dates and for such periods. Results for the nine months ended March 31, 1994 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 1994. Effective March 31, 1994, the Company adopted a plan to dispose of its Canadian subsidiary, Ideal. Accordingly, Ideal is reported as a discontinued operation at March 31, 1994, and the prior period consolidated financial statements have been reclassified to conform to the current period presentation.





<TABLE>
<CAPTION>

| | YEAR ENDED JUNE 30, | | | | | NINE MONTHS ENDED MARCH 31, | |
|---|---|---|---|---|---|---|---|
| | 1989 | 1990 | 1991 | 1992 | 1993 | 1993 | 1994 |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| INCOME STATEMENT DATA(1): | | | | | | | |
| Net sales | $194,585 | $186,315 | $186,327 | $197,738 | $204,778 | $153,957 | $160,245 |
| Cost of sales | 128,038 | 120,976 | 121,397 | 127,115 | 137,244 | 102,035 | 104,180 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Gross profit | 66,547 | 65,338 | 64,930 | 70,623 | 67,534 | 51,922 | 56,065 |
| Operating expenses | 48,479 | 49,452 | 50,263 | 51,824 | 56,081 | 39,729 | 41,769 |
| Restructuring and other nonrecurring charges | -- | -- | -- | 3,900 | 6,762 | -- | -- |
| Operating income (loss) | 18,068 | 15,886 | 14,667 | 14,899 | 4,691 | 12,193 | 14,296 |
| Interest expense, net | 8,136 | 12,796 | 17,462 | 20,025 | 20,365 | 15,242 | 15,635 |
| Income (loss) from continuing operations before income taxes, extraordinary charges and cumulative effect of accounting change | 9,932 | 3,090 | (2,795) | (5,126) | (15,674) | (3,049) | (1,339) |
| Provision (benefit) for income taxes | 3,794 | 958 | (680) | (768) | 216 | (1,429) | -- |
| Income (loss) from continuing operations before extraordinary charges and cumulative effect of accounting change | 6,138 | 2,132 | (2,115) | (4,358) | (15,890) | (1,620) | (1,339) |
| Discontinued Operations - Ideal | | | | | | | |
| Income (loss) from discontinued operations, net of taxes | 1,183 | 4,656 | 4,343 | 1,146 | (11,240) | 1,300 | (3,249) |
| Loss on disposal, without tax benefit | -- | -- | -- | -- | -- | -- | (38,343) |
| Income (loss) before extraordinary charges and cumulative effect of accounting change | 7,321 | 6,788 | 2,228 | (3,212) | (27,130) | (320) | (42,931) |
| Extraordinary charges, early repayment of debt | -- | (320) | -- | (1,186) | -- | -- | (6,625) |
| Cumulative effect of accounting change | -- | -- | -- | -- | (2,110) | (2,110) | -- |
| Net income (loss) | $ 7,321 | $ 6,468 | $ 2,228 | (4,398) | $ (29,240) | $ (2,430) | $(49,556) |

</TABLE>





<TABLE>

| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
|---|---|---|---|---|---|---|---|
| Primary earnings per share: | | | | | | | |
| Income (loss) from continuing operations before extraordinary charges and cumulative effect of accounting change | $ .67 | $ .22 | $ (.22) | $ (.44) | $ (1.36) | $ (.14) | $ (.11) |
| Discontinued Operations: | | | | | | | |
| Income (loss) from discontinued operations | .13 | .48 | .45 | .11 | (.97) | .11 | (.28) |
| Loss on disposal | -- | -- | -- | -- | -- | -- | (3.29) |
| Extraordinary charge | -- | (.03) | -- | (.12) | -- | -- | (.57) |
| Cumulative effect of accounting change | -- | -- | -- | -- | (.18) | (.18) | -- |
| Net income (loss) | $ .80 | $ .67 | $ .23 | $ (.45) | $ (2.51) | $ (.21) | $ (4.25) |
| Cash dividends per share: | | | | | | | |
| Common stock | $ .10 | $ .12 | $ .12 | $ .12 | $ .08 | $ .06 | $ -- |
| Class B common stock | .08 | .11 | .12 | .12 | .08 | .06 | -- |
| Ratio of earnings to fixed charges(2) | 2.0x | 1.2x | -- | -- | -- | -- | -- |
| OTHER DATA(1): | | | | | | | |
| EBITDA(3) | $ 21,581 | $ 20,299 | $ 19,407 | $ 24,523 | $ 19,551 | $ 17,242 | $ 19,237 |
| Depreciation and amortization | 3,513 | 4,413 | 4,740 | 5,724 | 8,099 | 5,049 | 4,940 |
| Capital expenditures | 3,453 | 2,806 | 1,110 | 3,193 | 1,336 | 791 | 2,280 |
| Cash interest expense | 8,938 | 14,303 | 18,377 | 20,203 | 19,536 | 14,627 | 15,011 |
| Ratio of EBITDA to cash interest expense(4) | 2.41x | 1.42x | 1.06x | 1.21x | 1.00x | 1.18x | 1.28x |
| BALANCE SHEET DATA (AT END OF PERIOD)(1): | | | | | | | |
| Working capital | $117,777 | $136,989 | $133,654 | $135,886 | $119,187 | $133,862 | $ 79,457 |
| Total assets(5) | 235,485 | 249,892 | 236,437 | 237,481 | 197,051 | 222,733 | 174,677 |
| Total debt | 178,976 | 177,118 | 167,274 | 151,000 | 164,403 | 158,994 | 175,206 |
| Stockholders' equity (deficit) (5) | 26,934 | 39,242 | 38,066 | 40,827 | 7,496 | 37,258 | (37,949) |

</TABLE>

WAXMAN INDUSTRIES

NOTES TO SELECTED FINANCIAL DATA

(1) Data relating to continuing operations reflects the acquisition of Western American Manufacturing, Inc. in November 1990, which was accounted for as a purchase. Discontinued operations data relates to Ideal which was acquired in May 1989 and accounted for as a purchase.

(2) For purposes of calculating this ratio, "earnings" consist of income (loss) from continuing operations before income taxes, extraordinary charges and cumulative effect of accounting change and fixed charges, and "fixed charges" consist of interest expense, including the interest portion of rental obligations on capitalized and operating leases (which is deemed by the Company to be one-third of all of its rental obligations with respect to operating leases). Fiscal 1991 earnings were insufficient to cover fixed charges by $2.8 million. Fiscal 1992 earnings were insufficient to cover fixed charges by $5.1 million. Fiscal 1993 earnings were insufficient to cover fixed charges by $15.7 million. Earnings for the nine months ended March 31, 1993 and 1994 were insufficient to cover fixed charges by $3.0 million and $1.3 million, respectively.

(3) EBITDA represents income (loss) from continuing operations before income taxes, extraordinary charges and cumulative effect of accounting change plus interest expense, nonrecurring charges (which were primarily non-cash), depreciation and amortization. The Company has included EBITDA data (which is not a measure of financial performance under generally accepted accounting principles) because such data is used by certain investors to measure the ability to service debt. EBITDA is not presented herein as an alternative to net income, as an indicator of the Company's operating performance, or to cash flows, as a measure of liquidity, but rather to provide additional information relating to the Company's ability to service its debt.

(4) For purposes of calculating this ratio, cash interest expense does not include amortization of deferred financing costs.

(5) Certain March 31, 1993 Balance Sheet Data has been restated for the cumulative effect of an accounting change.





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

RESULTS OF OPERATIONS

GENERAL.

The Company operates in a single business segment--the distribution of plumbing, electrical and hardware products. The Company's business is conducted in the United States primarily through Barnett and Consumer Products.

The Company's recent operating results have been adversely affected by restructuring as well as several other nonrecurring charges. In fiscal 1993, the Company recorded $6.8 million of restructuring and other nonrecurring charges as well as $1.2 million of charges included in operating expenses which the Company believes are nonrecurring. In fiscal 1992, the Company recorded $3.9 million of restructuring and other nonrecurring charges.

The fiscal 1993 restructuring charge consists of $4.6 million related to the expected losses in connection with the disposal of three small operating units. The decision to dispose of the three entities was based in part on the Company's strategy to refocus and build on its core businesses in the U.S. (i.e., Consumer Products and Barnett). The Company completed the sale of one of these operating units in October 1993. The Company was unable to come to terms with the prospective buyer of the other two entities and the consummation of a sale of these businesses is not expected to occur in the foreseeable future, if at all. The remainder of the restructuring charge includes $1.6 million of costs incurred to consolidate administrative functions and transfer two of Consumer Products' domestic packaging facilities to Mexico in order to take advantage of that country's lower labor costs and $0.6 million related to the Company's decision not to proceed with the securities offering of Barnett in fiscal 1993. In addition, fiscal 1993 operating expenses include $1.2 million of accelerated amortization relating to certain warehouse start-up and catalog costs to conform with prevailing industry practice. The change to accelerated amortization was made during the fourth quarter of fiscal 1993 and applied retroactively to July 1, 1992. The $1.2 million of accelerated amortization, which is included in selling, general and administrative expense, is primarily the result of the introduction of a new catalog, and in management's opinion, is not indicative of the expected impact of accelerated amortization on future operating results.

The fiscal 1992 restructuring charge consisted of a $3.9 million capital loss realized upon the sale of the Company's portfolio of debt securities.

Effective March 31, 1994, the Company adopted a plan to dispose of its Canadian subsidiary, Ideal. Unlike the Company's U.S. operations which supply products to customers in the home repair and remodeling market through mass retailers, Ideal primarily serves customers in the Canadian new construction market through independent contractors. This action was prompted by a number of factors which had adversely affected Ideal's results of operations over the past several years and more recently had resulted in severe liquidity problems and jeopardized Ideal's ability to continue conducting its operations. At the time the plan of disposition was adopted, the Company expected that the disposition would be accomplished through a sale of the business to a group of investors which included members of Ideal's management. Such transaction would have required the consent of Ideal's Canadian banks as borrowings under its bank credit agreements were collateralized by all of the assets and capital stock of Ideal. The bank considered the management group's acquisition proposal; however, the proposal was subsequently rejected. On May 5, 1994, without advance notice, Ideal's Canadian bank filed an involuntary bankruptcy petition against Ideal citing defaults under the bank credit agreements (borrowings under these agreements are non-recourse to Waxman Industries). The Company has not contested the bank's efforts to effect the orderly disposition of Ideal. On May 30, 1994, Ideal was declared bankrupt by the Canadian court





and, as a result, the Company's ownership and control of Ideal effectively ceased on such date. The estimated loss on disposal totals $38.3 million, without tax benefits, and represents a complete write-off of the Company's investment in Ideal. See Notes 3 and 12 to Notes to Consolidated Financial Statements.

At March 31, 1994, Ideal is reported as a discontinued operation and the Company's consolidated financial statements have been reclassified to report separately Ideal's net assets and results of operations. Prior period consolidated financial statements have been reclassified to conform to the current period presentation.

The following table sets forth certain items reflected in the Company's Consolidated Statements of Income expressed as a percentage of net sales.

<TABLE>
<CAPTION>

| | PERCENTAGE OF NET SALES | | | | |
|---|---|---|---|---|---|
| | YEARS ENDED JUNE 30, | | | NINE MONTHS ENDED MARCH 31, | |
| | 1993 | 1992 | 1991 | 1994 | 1993 |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Gross profit | 33.0% | 35.7% | 34.8% | 35.0% | 33.7% |
| Operating expenses | 27.4 | 26.2 | 27.0 | 26.1 | 25.8 |
| Restructuring and other nonrecurring charges | 3.3 | 2.0 | -- | -- | -- |
| Operating income (loss) | 2.3 | 7.5 | 7.9 | 8.9 | 7.9 |
| Interest expense, net | 9.9 | 10.1 | 9.4 | 9.7 | 9.9 |
| Income (loss) from continuing operations before income taxes, extraordinary charge and cumulative effect of accounting change | (7.6) | (2.6) | (1.5) | (0.8) | (2.0) |
| Income (loss) before extraordinary charge and cumulative effect of accounting change | (13.2) | (1.6) | 1.2 | (26.8) | (0.2) |

| | | | | | |
|---|---|---|---|---|---|
| Net income (loss) | (14.3) | (2.2) | 1.2 | (30.9) | (1.6) |

</TABLE>

NINE MONTHS ENDED MARCH 31, 1994 VERSUS MARCH 31, 1993

NET SALES.

Net sales from the Company's continuing operations for the 1994 third quarter totaled $52.3 million, compared with $48.6 million in the 1993 third quarter, an increase of 7.7%. Net sales for the 1994 nine month period increased 4.1%, from $154.0 million to $160.2 million. The Company's net sales were adversely affected by the sale of H. Belanger Plumbing Accessories (Belanger) in October 1993. Net sales increased 6.5% and 11.6% for the nine months and three months ended March 31, 1994, respectively, after excluding the impact of Belanger. The net sales increases are primarily the result of the continued growth of Barnett. Barnett's net sales increased 16.5% from $20.6 million in the 1993 third quarter to $24.0 million in the 1994 third quarter and 14.2% from $61.2 million in the 1993 nine month period to $69.9 million in the 1994 nine month period. New product introductions accounted for $2.2 million and $5.0 million of the increases for the 1994 third quarter and nine month period, respectively. The remainder of Barnett's increases were the result of opening additional mail order warehouses, as well as the growth of Barnett's existing customer base. Barnett opened two additional warehouses during the 1994 nine month period, increasing the total number of warehouses to 28. Also contributing to the increases in net sales were higher net sales from Consumer Products. Consumer Products' net sales increased 9.8% from $15.7 million in the 1993 third quarter to $17.2 million in the 1994 third quarter





and 4.5% from $50.9 million in the 1993 nine month period to $53.2 million in the 1994 nine month period. The increase in Consumer Products' net sales is primarily the result of the sale of additional product lines to several of its existing customers.

GROSS PROFIT.

The Company's gross margins increased from 34.5% for the 1993 third quarter to 35.5% for the 1994 third quarter and increased from 33.7% in the 1993 nine month period to 35.0% in the 1994 nine month period. The increase in the Company's gross margins is primarily a result of improved margins at Barnett. Barnett's gross margins have been favorably impacted by increased sales of higher margin proprietary branded products. The favorable impact of Barnett's margins was offset, in part, by lower gross margins at Consumer Products. Consumer Products' margins declined as a result of proportionately lower sales of higher margin packaged products, as well as competitive pressures within its market.

OPERATING EXPENSES.

The Company's operating expenses from the Company increased 9.9% for the 1994 third quarter from $12.9 million in the 1993 third quarter to $14.1 million in the 1994 third quarter and 5.1% for the 1994 nine month period from $39.7 million in the 1993 nine month period to $41.8 million in the 1994 nine month period. These increases were due primarily to increases in operating expenses for Barnett. Barnett's operating expenses increased approximately $0.9 million in the 1994 third quarter and $2.5 million in the 1994 nine month period. These increases primarily related to higher catalog costs as well as the opening of new mail order warehouses during the 1994 nine month period.

OPERATING INCOME.

The Company's operating income totaled $4.4 million or 8.4% of net sales and $3.9 million or 8.0% of net sales for the 1994 and 1993 third quarters, respectively. For the 1994 and 1993 nine month periods, operating income totaled $14.3 million or 8.9% of net sales and $12.2 million or 7.9% of net sales, respectively.

The Company's operating income increased 13.1% and 17.3% for the 1994 third quarter and nine month period, respectively, as compared with the comparable prior year periods. Excluding the impact of Belanger, which was sold in October 1993, operating income increased 14.9% and 18.8%, respectively. The improved operating income was the result of higher gross margins offset, in part, by increased operating expenses.

INTEREST EXPENSE.

The Company's interest expense totaled $5.3 million for the 1994 third quarter, compared with $5.1 million for the 1993 third quarter. Interest expense totaled $15.6 million for the 1994 nine month period, compared with $15.2 million for the 1993 nine month period. Average borrowings outstanding increased from $158.7 million and $158.1 million in the 1993 third quarter and nine month periods, respectively, to $172.4 million and $168.5 million for the same periods in the current year. The increase in average borrowings outstanding is due to increased working capital needs relating to the growth of the Company's operations. The weighted average interest rate decreased from 12.6% in both the 1993 third quarter and nine month period, respectively, to 12.0% and 12.1% in each of the same periods in the current fiscal year.

INCOME TAXES.

In accordance with the provisions of SFAS 109, the Company is unable to benefit losses in the current year. The Company has $11.5 million of available domestic net operating loss carryforwards which expire in 2008, the benefit of which has been reduced 100% by a valuation allowance. The Company will continue to





evaluate the valuation allowance and to the extent that the Company is able to recognize tax benefits in the future, such recognition will favorably affect future results of operations. See Note 5 for a discussion of anticipated additional net operating losses which would result from the disposition of Ideal.

LOSS FROM CONTINUING OPERATIONS.

The Company's loss from continuing operations for the 1994 third quarter totaled $0.9 million compared with a loss of $0.7 million in the 1993 third quarter. For the 1994 nine month period, the loss from continuing operations totaled $1.3 million compared with a loss of $1.6 million in the 1993 nine month period. The increase in the loss from continuing operations in the current year periods is due to the Company's inability to tax benefit losses in the current year.

DISCONTINUED OPERATIONS.

The Company's net loss from discontinued operations for the 1994 third quarter totaled $4.2 million, compared with a net loss of $0.2 million in the 1993 third quarter. For the 1994 nine month period, the net loss from discontinued operations totaled $3.2 million, compared with net income of $1.3 million in the 1993 nine month period. The Company recognized a loss on the disposal of Ideal of approximately $38.3 million in the 1994 third quarter.

EXTRAORDINARY CHARGE.

The Company recognized a $6.6 million extraordinary charge, without tax benefit, in the 1994 third quarter as a result of the refinancing of the $50 million of Subordinated Notes as well as borrowings under the domestic bank credit facilities. The extraordinary charge included the fees paid upon the exchange of the Subordinated Notes along with the accelerated amortization of unamortized debt discount and issuance costs.

NET LOSS.

The Company's net loss (including those relating to Ideal) for the 1994 third quarter totaled $50.2 million, compared with a loss of $0.9 million in the 1993 third quarter. For the 1994 nine month period, the net loss totaled $49.6 million compared with a net loss of $2.4 million in the 1993 nine month period. The 1993 nine month period includes a $2.1 million charge for the cumulative effect of a change in accounting for warehouse and catalog costs, which was made during the fourth quarter of fiscal 1993 and was applied retroactively to July 1, 1992.

FISCAL 1993 VERSUS FISCAL 1992

NET SALES.

The Company's net sales from continuing operations for fiscal 1993 totaled $204.8 million compared with $197.7 million in fiscal 1992, an increase of 3.6%. Barnett's net sales increased 14.9% from $72.1 million in fiscal 1992 to $82.9 million in fiscal 1993. New product introductions accounted for $5.6 million of this increase. In addition, the new catalog of maintenance products introduced in January 1992 generated approximately $2.2 million in incremental sales. The remainder of Barnett's increase was the result of the opening of additional mail order warehouses, as well as the growth of Barnett's existing customer base. Barnett opened three additional mail order warehouses during fiscal 1993, increasing the total number of warehouses to 26. The increase from Barnett was offset, in part, by lower net sales from Consumer Products. Consumer Products' net sales totaled $67.5 million in fiscal 1993 compared with $70.0 million in fiscal 1992, a decrease of 3.6%. Management believes that the change in the domestic operations' net sales is primarily the result of changes in volume.





GROSS PROFIT.

The Company's gross margin was 33.0% in fiscal 1993 compared with 35.7% in fiscal 1992. Barnett's gross margin declined approximately one-half of one percentage point and Consumer Products' gross margin declined approximately four percentage points. The majority of Consumer Products' decline in margin is attributable to proportionately lower sales of higher margin packaged products as well as competitive pressures within its markets.

OPERATING EXPENSES.

The Company's operating expenses totaled $56.1 million or 27.4% of net sales, in fiscal 1993 compared with $51.8 million, or 26.2% of net sales, in fiscal 1992, an increase of $4.3 million, or 8.2%. Approximately $1.2 million of this increase relates to accelerated amortization of certain warehouse start-up and catalog costs during fiscal 1993 to conform with prevailing industry practice. This change was made during the fourth quarter and was applied retroactively to July 1, 1992. The effect of this change on fiscal 1993 results was to increase amortization expense by $1.2 million. This increase is primarily the result of the introduction of a new catalog, and in management's opinion, is not indicative of the expected impact of accelerated amortization on future operating results. The cumulative effect of this change on prior years totaled $2.1 million and is reported separately in the income statement, without tax benefit, as a change in accounting. Excluding the impact of this item, operating expenses were up 6.7% primarily due to increases at Barnett. Barnett's operating expenses (excluding the accelerated amortization) increased approximately $2.1 million or 13.4%, which is less than Barnett's 14.9% increase in net sales between the years. Approximately $1.3 million of Barnett's increase in operating expenses is related to the opening of new mail order warehouses. Consumer Products' operating expenses increased approximately $0.4 million between years.

RESTRUCTURING AND OTHER NON-RECURRING CHARGES.

As discussed above, the Company recorded several nonrecurring charges during fiscal 1993 including an $6.8 million restructuring charge. Fiscal 1992 results include a $3.9 million restructuring charge which represented a capital loss realized upon the sale of the Company's portfolio of debt securities.

OPERATING INCOME.

The Company's operating income totaled $4.7 million in fiscal 1993 compared with $14.9 million in fiscal 1992, a decrease of 68.5%. Current year results were negatively impacted by the $4.2 million restructuring charge described above, and the $1.2 million of accelerated amortization described above. The remainder of the decrease was primarily attributable to a $2.5 million decline of Consumer Products' gross margin.

INTEREST EXPENSE.

The Company's net interest expense totaled $20.4 million for fiscal year 1993 compared with $20.0 million for fiscal year 1992, an increase of 1.7%. Average borrowings outstanding totaled $159.1 million in fiscal 1993, as compared with $159.7 million in fiscal 1992. Weighted average borrowings in fiscal 1992 included amounts which the Company borrowed under a domestic term loan which were invested in highly liquid short-term securities and used for working capital purposes until the Company obtained its revolving credit facility in September 1991. Excluding the impact of these borrowings, average borrowings for fiscal 1992 were $156.4 million. The weighted average interest rate for fiscal year 1993 was 12.9% compared with 13.2% in the prior year.

LOSS FROM CONTINUING OPERATIONS.

The Company's fiscal 1993 loss from continuing operations totaled $15.9 million compared with a loss of $4.4 million in fiscal 1992.

DISCONTINUED OPERATIONS.

The Company's fiscal 1993 net loss from discontinued operations totaled $11.2 million compared with net income of $1.1 million in fiscal 1992.

NET INCOME (LOSS).

The Company's fiscal 1993 net loss totaled $29.2 million and includes a $2.1 million charge for the cumulative effect of the change in accounting discussed above. The net loss for fiscal 1992 was $4.4 million and included a $1.2 million extraordinary charge for the early repayment of debt. The Company has not been able to benefit from any of its current year losses for tax purposes. As a result, it has available $11.5 million of domestic net operating loss carryforwards to offset future tax provisions. See "Impact of New Accounting Standards" for a discussion of the new accounting standard for income taxes and the impact it will have on the Company.

FISCAL 1992 VERSUS FISCAL 1991

NET SALES.

The Company's net sales from continuing operations for fiscal 1992 totaled $197.7 million compared with $186.3 million in fiscal 1991, an increase of 6.1%. Barnett's net sales increased 15.4% from $62.5 million in fiscal 1991 to $72.1 million in fiscal 1992. New product introductions accounted for $5.9 million of this increase. In addition, the new catalog of maintenance products introduced in January 1992 generated approximately $1.1 million of net sales in fiscal 1992. The remainder of Barnett's increase was the result of the opening of additional mail order warehouses, as well as the growth of Barnett's existing customer base. During fiscal 1992, Barnett opened four additional mail order warehouses bringing its total number of warehouses to 23. Consumer Products' net sales in fiscal 1992 totaled $70.0 million, an increase of 1.9% over fiscal 1991 sales of $68.7 million.

GROSS PROFIT.

The Company's gross margin was 35.7% in fiscal 1992 compared with 34.8% in fiscal 1991. Barnett's gross margin increased approximately one-third of one percentage point as a result of a more profitable product mix and the use of more economical sources of purchased materials. Consumer Products' gross margin remained constant between years.

OPERATING EXPENSES.

The Company's operating expenses totaled $51.8 million, or 26.2% of net sales, in fiscal 1992 compared with $50.3 million, or 27.0% of net sales, in fiscal 1991, an increase of $1.5 million, or 3.1%. Barnett's operating expenses increased approximately $2.2 million of which approximately $0.7 million is related to the opening of new mail order warehouses.





RESTRUCTURING AND OTHER NONRECURRING CHARGES.

During the fourth quarter of fiscal 1992, the Company's results were affected by nonrecurring charges totaling $3.9 million, which represents a capital loss realized upon the sale of the Company's portfolio of debt securities.

OPERATING INCOME.

The Company's operating income was $14.9 million in fiscal 1992 compared with $14.7 million in fiscal 1991, an increase of 1.6%. Such increase was primarily the result of the higher net sales and gross profit levels.

INTEREST EXPENSE.

Net interest expense totaled $20.0 million for fiscal 1992 compared with $17.5 million for fiscal 1991. Average borrowings outstanding totaled $159.7 million in fiscal 1992 compared with $153.3 million in the prior year. The increase in average borrowings relates primarily to borrowings for short-term working capital needs. In addition, borrowings for fiscal 1992 include amounts borrowed under the Company's domestic term loan which were invested in highly liquid short-term securities during the first quarter of the fiscal year. The amounts invested were subsequently used in connection with the repayment of the domestic term loan. Excluding the impact of these borrowings, average borrowings for fiscal 1992 were $156.4 million. The weighted average interest rate for fiscal 1992 increased to 13.2% from 12.3% in the prior year primarily due to the issuance of the Notes in September 1991, the proceeds from which were used to retire borrowings under the Company's then existing credit facilities.

LOSS FROM CONTINUING OPERATIONS.

The Company's fiscal 1992 loss from continuing operations totaled $4.4 million compared with a loss of $2.1 million in fiscal 1991.

DISCONTINUED OPERATIONS.

The Company's fiscal 1992 net income from discontinued operations totaled $1.1 million compared with net income of $4.3 million in fiscal 1991.

EXTRAORDINARY CHARGE.

During the fourth quarter of fiscal 1992, the Company repurchased certain debt securities and incurred an extraordinary charge which totaled $1.2 million (net of the applicable income tax benefit). The extraordinary charge included the market premium paid and the accelerated amortization of unamortized debt discount and issuance costs.

NET INCOME (LOSS).

The Company's fiscal 1992 net loss totaled $4.4 million and included a $1.2 million extraordinary charge for the early repayment of debt. Net income for fiscal 1991 was $2.2 million.





LIQUIDITY AND CAPITAL RESOURCES

On May 20, 1994, the Company completed a financial restructuring which was undertaken to modify the Company's capital structure to facilitate the growth of its domestic businesses by reducing cash interest expense and increasing the Company's liquidity. See Note 12 to Notes to Consolidated Financial Statements.

As part of the restructuring, the Company exchanged $50 million of its Senior Subordinated Notes for $50 million initial accreted value of Deferred Coupon Notes. Approximately $48.8 million of the Senior Subordinated Notes remain outstanding. The Deferred Coupon Notes have no cash interest requirements until June 1, 1999. As a result of the exchange, the Company's cash interest requirements have been reduced by approximately $6.9 million annually for five years. In addition, the $50 million of Senior Subordinated Notes exchanged can be used to satisfy the Company's mandatory redemption requirements with respect to such issue and, as such, the $20 million mandatory redemption payments due on June 1, 1996 and 1997 have been satisfied and the mandatory redemption payment due on June 1, 1998 has been reduced to $8.8 million. The Company does, however, continue to have annual mandatory redemption payments of $17.0 million commencing on September 1, 1996 with respect to the Notes.

As part of the Reorganization, the Operating Companies entered into a $55 million, four-year, secured credit facility with an affiliate of Citibank, N.A., as agent for certain financial institutions. The Domestic Credit Facility, which has an initial term of three years, will be extended for an additional year if the Notes have been redeemed within 33 months after the initial borrowing under the Domestic Credit Facility. The Domestic Credit Facility is subject to borrowing base formulas. Borrowings under the Domestic Credit Facility bear interest at (i) the per annum rate of 1.5% plus the highest of (a) the prime rate of Citibank N.A., (b) the federal funds rate plus 0.5% and (c) a formula with respect to three month certificates of deposit of major United States money market banks or (ii) LIBOR plus 3.0%. These rates will be increased by 0.5% until such time as the Domestic Term Loan, discussed below, has been repaid in full. These rates will be reduced by up to 0.5% if Waxman USA achieves certain performance criteria based on the ratio of EBITDA to fixed charges. The facility includes a letter of credit subfacility of $20 million. The Domestic Credit Facility is secured by the accounts receivable, inventory, certain general intangibles and unencumbered fixed assets of the Operating Companies and 65% of the capital stock of one subsidiary of TWI and

100% of the capital stock of another such subsidiary. In addition, the facility requires the Operating Companies to maintain cash collateral accounts into which all available funds will be deposited and applied to service the facility on a daily basis. The Domestic Credit Facility prohibits dividends and distributions by the Operating Companies except in certain limited instances. The Domestic Credit Facility contains customary negative, affirmative and financial covenants and conditions. On the date hereof, availability under the Domestic Credit Facility is approximately $____ million.

The Domestic Credit Agreement contains customary events of default, including the following: (i) any Operating Company shall fail to make any payment of principal or interest or any other amount due under the agreements related to the Domestic Credit Facility or fail to perform any covenant (after the expiration of any applicable grace period) thereunder, or any representation or warranty made in connection therewith shall prove to have been incorrect in any material respect when made or demand made; (ii) the Company or any of its subsidiaries (other than Ideal Holding Group and its subsidiaries) shall fail to pay any indebtedness having a principal amount of $5,000,000 or more; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such indebtedness, if the effect of such event or condition is to accelerate, or to permit the acceleration of (after the expiration of any applicable period of grace), the maturity of such indebtedness; or any such indebtedness shall become or be declared to be due and payable, or required to be repaid (other than by a regularly scheduled required prepayment), or the Company or any of its subsidiaries (other than Ideal Holding Group and its subsidiaries) shall be required to repurchase or offer to repurchase such indebtedness, prior to the stated maturity thereof; (iii) certain events of bankruptcy with respect to the Company or any of its subsidiaries (other than Ideal Holding Group and its subsidiaries); (iv) there shall occur any Change of Control (as defined in the Domestic Credit Facility); (v) there shall occur a Material Adverse Change (as





defined in the Domestic Credit Facility) or an event which would have a Material Adverse Effect (as defined in the Domestic Credit Agreement).

As part of the Reorganization, the Operating Companies entered into a $15.0 million three-year term loan with Citibank, N.A., as agent. The Domestic Term Loan bear interest at a rate per annum equal to 2.0% over the interest rate under the Domestic Credit Facility and is secured by a junior lien on the collateral under the Domestic Credit Facility. A one-time fee of 1.0% of the principal amount outstanding under the Domestic Term Loan will be payable if such loan is not repaid within 6 months after May 20, 1994. Principal payments on the Domestic Term Loan of $1.0 million each will be required quarterly commencing at the end of the third quarter following May 20, 1994. The Domestic Term Loan will be required to be prepaid if Waxman USA completes a financing sufficient to retire the Subordinated Notes, the Notes and the Domestic Term Loan. The Domestic Term Loan contains negative, affirmative and financial covenants, conditions and events of default substantially the same as those under the Domestic Credit Facility. See Note 12 to Notes to Consolidated Financial Statements for a more complete discussion of the new domestic credit facility and domestic term loan.

On June 17, 1994, the Company purchased $1.875 million of its $2.03 million outstanding 9.5% Convertible Subordinated Debentures due 2007 pursuant to its offer to purchase made on April 28, 1994.

The Company does not have any commitments to make substantial capital expenditures. However, the Company does expect to open 3 to 4 Barnett warehouses over the next twelve months. The average cost to open a Barnett warehouse is approximately $0.5 million.

The Company expects to incur approximately $0.5 million of costs relating to the disposition of Ideal.

As a result of the issuance of the Deferred Coupon Notes which reduces cash interest requirements by approximately $6.9 million annually until June 1, 1999, the Company believes that funds generated from operations along with funds available under the Company's revolving credit facility will be sufficient to satisfy the Company's liquidity requirements for the next twenty-four months.

DISCUSSION OF CASH FLOWS

For the 1994 nine month period, the Company's continuing operations generated $1.2 million of cash flow from operations which included a use of $3.1 million of cash for increased working capital. The Company's working capital levels have increased in response to its higher net sales levels. Cash flow used for investments totaled $2.6 million. During October 1993, the Company generated approximately $3.0 million of cash from the sale of Belanger. Capital expenditures totaled approximately $2.3 million in the 1994 nine month period. Changes in other assets increased approximately $3.3 million as a result of costs associated with the refinancing. Financing activities generated approximately $9.5 million of cash flow as the Company increased amounts outstanding under its revolving credit facilities.

IMPACT OF NEW ACCOUNTING STANDARDS

In February 1992, the Financial Accounting Standards Board (the FASB) issued SFAS No. 109, "Accounting for Income Taxes." The Company adopted SFAS No. 109 during the first quarter of its fiscal year ending June 30, 1994. SFAS No. 109 requires the Company to recognize income tax benefits for loss carryforwards which have not previously been recorded. The tax benefits recognized must be reduced by a valuation allowance in certain circumstances. The Company did not recognize a benefit and such adoption did not have a material effect upon its results of operations or financial position. However, to the extent that the Company is able to recognize tax benefits in the future, such recognition will favorably effect future results of operations. The FASB has also issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions" and SFAS No. 112, "Employers'





Accounting for Postemployment Benefits." The Company does not currently maintain any postretirement or postemployment benefit plans or programs which would be subject to such accounting standards.





BUSINESS

GENERAL

The Company believes that it is one of the leading suppliers of plumbing products to the home repair and remodeling market in the United States. The Company distributes plumbing, electrical and hardware products, in both packaged and bulk form, to D-I-Y retailers, mass merchandisers, smaller independent retailers and plumbing, electrical repair and remodeling contractors.

The Company's business is conducted through its indirect wholly owned subsidiaries, Barnett, Consumer Products, WOC and TWI. Through their nationwide network of warehouses and distribution centers, Barnett and Consumer Products provide their customers with a single source for an extensive line of competitively priced, quality products. The Company's strategy of being a low-cost supplier is facilitated by its purchase of a significant portion of its products from low-cost foreign sources. Barnett's marketing strategy is directed predominantly to contractors and independent retailers, as compared to Consumer Products' strategy of focusing on mass merchandisers and larger D-I-Y retailers. The Company's continuing operations' consolidated net sales were $204.8 million in fiscal 1993.

BUSINESS STRATEGY

During the 1980's, the Company achieved significant revenue increases through a combination of internal growth and strategic acquisitions of businesses that marketed similar or complementary product lines. During the 1990's, the Company has initiated steps and is continuing to focus on integrating the acquired businesses and improving operating efficiencies. The Company's current strategy includes the following elements:

- EXPANSION OF BARNETT. Since its acquisition in 1984, Barnett's revenues and operating income have grown at compound annual rates of 11.3% and 11.1%, respectively, as a result of (i) the expansion of its warehouse network, (ii) the introduction of new product offerings and (iii) the introduction in January 1992 of an additional catalog targeted at a new customer base. The Company intends to continue to expand Barnett's national warehouse network and expects to open as many as four new warehouses during each of the next several fiscal years. Barnett also intends to continue expanding its product offerings, allowing its customers to utilize its catalogs as a means of one-stop shopping for many of their needs. In an effort to further increase profitability, Barnett is also increasing the number of higher margin product offerings bearing its proprietary trade names and trademarks.

- ENHANCE COMPETITIVE POSITION OF CONSUMER PRODUCTS. During the past 24 months, Consumer Products has restructured its sales and marketing functions in order to better serve the needs of its existing and potential customers. Consumer Products' strategy is to achieve consistent growth by expanding its business with existing customers and by developing new products and new customers. In order to increase business with existing customers, Consumer Products is focusing on developing strategic alliances with its customers. Consumer Products seeks to (i) introduce new products within existing categories, as well as new product categories, (ii) improve customer service, (iii) introduce full service marketing programs and (iv) achieve higher profitability for both the retailer and Consumer Products. Management believes that Consumer Products is well positioned to benefit from the trend among many large retailers to consolidate their purchases among fewer vendors.





BARNETT

Barnett markets over 8,000 products to more than 32,000 active customers through comprehensive quarterly catalogs, supplemented by monthly promotional flyers and supported by telemarketing operations. Barnett services its customers, who are primarily plumbing and electrical contractors serving the repair and remodeling markets and independent retailers, through its growing, nationwide network of 28 mail order warehouses. Barnett also distributes a specialized quarterly catalog of maintenance products (also supplemented by monthly promotional flyers) that is directed only to customers responsible for the maintenance of hotels, motels, office buildings, healthcare facilities and apartment complexes. The Company believes that this marketing strategy effectively positions Barnett to continue to expand its customer base and increase sales to existing customers. In fiscal 1993, Barnett's largest customer accounted for less than 2% of Waxman USA's net sales and its top-ten customers accounted for less than 6% of Waxman USA's net sales. Barnett's average sale is $350. Barnett's net sales were approximately $83 million in fiscal 1993.

Barnett was acquired by the Company in 1984. Since the acquisition, Barnett has increased its number of warehouses from three to 28 and the number of items in its catalog from 2,000 to 8,000. During this period, the number of active accounts serviced by Barnett increased from 6,000 to over 32,000. Barnett has added ten warehouses during the last three full fiscal years and two warehouses to date in calendar 1994. Barnett plans to open up to four warehouses annually for the next several years. Barnett has been able to maintain its overall operating margins throughout its expansion.

Based on management's experience and knowledge of the industry, the Company believes, in the absence of any applicable statistics, that Barnett is the only national mail order and telemarketing operation distributing plumbing, electrical and hardware products in the United States. The Company believes that Barnett has significant advantages over its regional and national competitors. Due to its size and volume of purchases, Barnett is able to obtain purchase terms which are more favorable than those available to its competition, enabling it to offer prices which are generally lower than those available from its competitors. In addition to Barnett's competitive pricing strategy, by offering over 8,000 products, Barnett is able to provide its customers with a single source of supply for all of their needs.

MARKETING AND DISTRIBUTION

Barnett markets its products nationwide principally through regular catalog and promotional mailings to existing and potential customers, supported by telemarketing operations providing 24-hour-a-day, toll-free ordering and an expanding network of 28 warehouses allowing for delivery to customers generally within one day of the receipt of an order. The telemarketing operations are utilized to make telephonic sales presentations to certain potential customers only after these customers have received written promotional materials.

Barnett's telemarketing operations (as well as all other administrative functions) are centralized at Barnett's Jacksonville, Florida headquarters.

CATALOGS

Barnett's in-house art department produces the design and layout for its catalogs and promotional mailings, including the quarterly catalog, the monthly promotional flyers and Barnett's catalog of maintenance products. Barnett's catalogs are indexed and illustrated, provide simplified pricing and highlight new product offerings.

Barnett mails its principal catalog, containing plumbing, electrical and hardware products, to over 32,000 active customers, including hardware and building supply stores, lumberyards and plumbing, electrical repair and remodeling contractors. The quarterly catalog is supplemented by monthly promotional flyers mailed to approximately 180,000 active and potential customers. In 1992, Barnett introduced a new semi-annual catalog





of maintenance products designed to appeal to customers responsible for the maintenance of hotels, motels, healthcare facilities, office buildings and apartment complexes. Since the maintenance catalog was introduced in 1992, Barnett has added approximately 6,000 new maintenance accounts.

Barnett makes its initial contact with potential customers primarily through promotional flyers. Barnett obtains the names of prospective customers through the rental of mailing lists from outside marketing information services and other sources. Barnett uses sophisticated proprietary information systems to analyze the results of individual catalog and promotional flyer mailings and uses the information derived from these mailings to target future mailings. Barnett updates its mailing lists frequently to delete inactive customers.

TELEMARKETING

Barnett's telemarketing operations have been designed to make ordering its products as convenient and efficient as possible. Barnett offers its customers a nationwide toll-free telephone number which accepts orders on a 24-hour-a-day basis. Calls are handled by members of Barnett's well-trained staff of 42 telemarketers who utilize Barnett's proprietary, on-line order processing system. This system provides the telemarketing staff with access to information about products, pricing and promotions which enables them to better serve the customer. Barnett's telemarketing staff handles approximately 1,600 incoming calls per day.

After an order is received, a computer credit check is performed and if credit is approved, the order is transmitted to the warehouse located nearest the customer and is shipped within 24 hours.

In addition to receiving incoming calls, Barnett's telemarketing operations are also utilized to make telephonic sales presentations to potential customers who have received promotional flyers from Barnett. Also, for several months prior to the opening of new mail order warehouses, Barnett utilizes its telemarketing operations to generate awareness of Barnett, its product offerings and the upcoming opening of new mail order warehouses located near the target customers.

Barnett's telemarketing operations and information systems provide its management with current market information such as customer purchasing patterns and purchases, competitive pricing data, and potential new products. This information allows Barnett to quickly react to and capitalize on business opportunities.

WAREHOUSES

Barnett currently has four warehouses in Texas, three in Florida and two in each of Pennsylvania, New York and California. The remaining 15 warehouses are dispersed among an equal number of states. Barnett's warehouses are located in areas meeting certain criteria for overall population and potential customers. Typical warehouses have approximately 15,000 to 18,000 square feet of space of which up to 600 square feet are devoted to over-the-counter sales. Barnett has initiated a program to enlarge product displays in the counter area of the warehouses in order to display the breadth of its expanding product line.

Barnett's experience indicates that customers prefer to order from local suppliers and that many local tradespeople prefer to pick up their orders in person rather than to have them delivered. Therefore, Barnett intends to continue the expansion of its warehouse network in order to reduce the distance between it and the customer. For the year ended June 30, 1993, approximately 23% of Barnett's net sales were picked up by Barnett's customers.

The factors considered in site selection include the number of prospective customers in the local target area, the existing sales volume in such area and the availability and cost of warehouse space, as well as other demographic information. From its experience in opening 25 new warehouses since its acquisition by the Company, Barnett has gained substantial expertise in warehouse site selection, negotiating leases, reconfiguring





space to suit its needs, and stocking and opening new warehouses. The average investment required to open a warehouse is approximately $500,000, including approximately $250,000 for inventory.

PRODUCTS

Barnett markets an extensive line of over 8,000 plumbing, electrical and hardware products, many of which are sold under its proprietary trade names and trademarks. This extensive line of products allows Barnett to serve as a single source supplier for many of its customers. Since the beginning of the current fiscal year, Barnett has added approximately 1,100 new products, including a new line of builders' hardware and light bulbs. Many of these products are higher margin products bearing Barnett's proprietary trade names and trademarks. Barnett tracks sales of new products the first year they are offered and new products that fail to meet specified sales criteria are discontinued. Barnett believes that its customers respond favorably to the introduction of new product lines in areas that allow the customers to realize additional cost savings and to utilize Barnett's catalogs as a means of one-stop shopping for many of their needs.

In an effort to further increase profitability and to further enhance Barnett's reputation as a leading supplier of plumbing, electrical and hardware products, Barnett is presently increasing the number of its higher margin product offerings bearing its proprietary trade names and trademarks. Proprietary products offer customers high quality, lower cost alternatives to the brand name products Barnett sells. Barnett's catalogs and monthly promotional flyers emphasize the comparative value of such items. Barnett's products are generally covered by a one year warranty, and returns (which require prior authorization from Barnett) have historically been immaterial in amount.

The following is a discussion of Barnett's principal product groups:

PLUMBING PRODUCTS. Barnett's plumbing products include faucets and faucet parts, sinks, disposals, vanities and cabinets, tub and shower accessories, and toilets and toilet tank repair items. Barnett's plumbing products are sold under its proprietary trademarks Premier(TM) and Regent(TM). Barnett also sells branded products of leading plumbing manufacturers.

ELECTRICAL PRODUCTS. Barnett's electrical products include such items as light bulbs, light fixtures, circuit panels and breakers, switches and receptacles, wiring devices, chimes and bells, telephone and audio/video accessories and various appliance repair items. Certain of Barnett's electrical products are sold under its own proprietary trademarks, such as Premier(TM) light bulbs, and the proprietary trademarks of leading manufacturers of electrical supplies.

HARDWARE PRODUCTS. Barnett sells a broad range of hardware products, including hand tools and power tools, patio and closet door repair accessories, window hardware, paint supplies, fasteners, safety equipment, cleaning supplies and garden hoses and sprinklers.

CONSUMER PRODUCTS

Consumer Products markets and distributes approximately 9,000 products to a wide variety of retailers, primarily D-I-Y warehouse home centers, home improvement centers, mass merchandisers, hardware stores and lumberyards. Representative of Consumer Products' large national retailers are Kmart, Builders Square and Wal-Mart. Representative of Consumer Products' large regional D-I-Y retailers are Channel Home Centers and Fred Meyer Inc. According to rankings of the largest D-I-Y retailers published in National Home Center News, an industry trade publication, Consumer Products' customers include 16 of the 25 largest D-I-Y retailers in the United States. Consumer Products works closely with its customers to develop comprehensive marketing and merchandising programs designed to improve their profitability, efficiently manage shelf space, reduce inventory levels and maximize floor stock turnover. Management believes that Consumer Products is the only supplier to





the D-I-Y market that carries a complete line of plumbing, electrical and floor protective hardware products, in both packaged and bulk form. Consumer Products also offers certain of its customers the option of private label programs. The Company believes that Consumer Products will also benefit from the continued growth of the D-I-Y market which, according to DO-IT-YOURSELF RETAILING, an industry trade publication, is expected to expand at a compound annual rate of approximately 6% over the next four years as well as from the expected growth of existing customers, several of which have announced expansion plans. In fiscal 1993, Kmart and its subsidiaries accounted for approximately 12% of the Company's continuing operations' net sales. No other customer was responsible for more than 2% of the Company's continuing operations' net sales in fiscal 1993. Consumer Products' top ten customers accounted for approximately 24% of the Company's continuing operations' net sales in fiscal 1993.

During the 1980's, Consumer Products significantly expanded its business through a combination of internal growth and strategic acquisitions. The Company's acquisition strategy focused on businesses which marketed similar or complementary product lines to customers or markets not previously served or through channels not previously utilized by the Company. In recent years, Consumer Products has integrated the acquired businesses to enhance the Company's purchasing power, improving operating efficiencies and enabling Consumer Products to cross-sell a broader range of products to a larger customer base. These improvements have enabled Consumer Products to withstand financial downturns suffered by several important regional retailers to whom Consumer Products sells its products and to significantly increase its sales to several national retailers. Consumer Products' net sales were approximately $67.5 million in fiscal 1993.

In recent years, the rapid growth of large mass merchandisers and D-I-Y retailers has contributed to a significant consolidation of the United States retail industry and the formation of large, dominant, product specific and multi-category retailers. These retailers demand suppliers who can offer a broad range of quality products and can provide strong marketing and merchandising support. Due to the consolidation in the D-I-Y retail industry, a substantial portion of Consumer Products' net sales are generated by a small number of customers. During the past 18 months, Consumer Products has restructured its sales and marketing functions in order to better position itself to meet the demands of the retailers. Management believes that its strategy of developing new products and forming strategic alliances with its customers will enable Consumer Products to effectively compete and achieve consistent growth. Consumer Products supplies products to its customers pursuant to individual purchase orders and has no long-term written contract with its customers.

MARKETING AND DISTRIBUTION

Consumer Products' marketing strategy includes offering mass merchandisers and D-I-Y retailers a comprehensive merchandising program which includes design, layout and setup of selling areas. Sales and service personnel assist the retailer in determining the proper product mix in addition to designing department layouts to effectively display products and optimally utilize available floor and shelf space. Consumer Products supplies point-of-purchase displays for both bulk and packaged products, including color-coded product category signs and color-coordinated bin labels to help identify products, and backup tags to signify products that require reordering. Consumer Products also offers certain of its customers the option of private label programs for their plumbing and floor care products. In-house design, assembly and packaging capabilities enable Consumer Products to react quickly and effectively to service its customers' changing needs. In addition, Consumer Products' products are packaged and designed for ease of use, with "how to" instructions included to simplify installation, even for the uninitiated D-I-Y consumer.

Consumer Products' sales and service representatives visit stores regularly to take reorders and recommend program improvements. These representatives also file reports with Consumer Products, enabling it to stay abreast of changing consumer demand and identify developing trends. In addition, Consumer Products has identified a growing trend among retailers to purchase on a "just-in-time" basis in order to reduce their inventory levels and increase returns on investment. In order to support its customers' "just-in-time" requirements, Consumer Products has significantly improved its EDI capabilities.

Consumer Products operates and distributes its products through four strategically located distribution facilities in Cleveland, Ohio, Lancaster, Pennsylvania, Dallas, Texas and Reno, Nevada.

PRODUCTS

The following is a discussion of the principal product groups:

PLUMBING PRODUCTS. Consumer Products' plumbing products include valves and fittings, rubber products, repair kits and tubular products such as traps and elbows. Many of Consumer Products' plumbing products are sold under the proprietary trade names Plumbcraft(R), PlumbKing(R), Plumbline(TM) and KF(R). In addition, Consumer Products offers certain of its customers the option of private label programs. Consumer Products also offers proprietary lines of faucets under the trade name Premier(R), as well as a line of shower and bath accessories under the proprietary trade name Spray Sensations(TM).

ELECTRICAL PRODUCTS. Consumer Products' electrical products include items such as plugs, adapters, outlets, wire, circuit breakers and various tools and test equipment. Consumer Products sells many of its electrical products under the proprietary trade name Electracraft(R). Consumer Products also sells a line of outdoor weatherproof electrical products, a full line of ceiling fan accessories, a line of telephone accessories and connecting devices, a line of audio and video accessories and lamp and light fixture replacement parts and replacement glassware.

FLOOR PROTECTIVE HARDWARE PRODUCTS. Consumer Products' floor protective hardware products include casters, doorstops and other floor, furniture and wall protective items. Consumer Products markets a complete line of floor protective hardware products under the proprietary trade name KF(R) and also under private labels.

OTHER OPERATIONS

The Company has several other operations which are conducted through WOC and TWI. These operations in the aggregate generated net sales of $48.0 million in fiscal 1993, which accounted for approximately 23.5% of the net sales from the Company's continuing operations during the period. The most significant of these operations are U.S. Lock, a supplier of security hardware products, and LeRan, a supplier of copper tubing and specialty plumbing products. U.S. Lock and LeRan, as well as Madison Equipment and Medal Distributing, are operated as separate divisions of WOC. TWI includes the foreign sourcing operations which support the Company's continuing operations.

U.S. LOCK

U.S. Lock, which was acquired by the Company in 1988, carries a full line of security hardware products, including locksets, door closers and locksmith tools. Many of these products are sold under the U.S. Lock(R) and Legend(TM) trademarks. U.S. Lock markets and distributes its products primarily to locksmiths through a telemarketing sales team. U.S. Lock's telemarketing effort is supplemented with a catalog that is mailed annually to 6,000 existing customers and promotional flyers. Since its acquisition by the Company, U.S. Lock has increased its number of warehouses from one to four, three of which are shared with Barnett. Shared facilities allow the Company to realize additional efficiencies by consolidating space requirements and reducing personnel costs.





LERAN

LeRan, which was acquired by the Company in 1985, is a supplier of copper tubing and fittings, brass valves and fittings, malleable fittings and related products. Its customers include liquid petroleum gas dealers, lumberyards, plumbing and mechanical contractors and D-I-Y retailers. LeRan markets its products primarily through salesmen and outside service representative organizations. These efforts are supported by a catalog, which is mailed semiannually to 7,000 existing customers, monthly promotional flyers and a telemarketing program. LeRan currently services its customers from four regional warehouses, two of which are shared with Barnett.

OTHER OPERATIONS

WOC's other operations also include its Madison Equipment division, a supplier of electrical products, and its Medal Distributing division, a supplier of hardware products.

PURCHASING, PACKAGING AND ASSEMBLY

Products bearing the Company's proprietary trade names and trademarks are assembled and packaged in its Taiwan, Mainland China and Mexico facilities. The products packaged in Taiwan and China are purchased locally in bulk and, after assembly and packaging, are shipped to the Company's various distribution centers in the United States. The Company also outsources the packaging of certain products. For the year ended June 30, 1993, products purchased overseas, primarily from Taiwan, accounted for approximately 22.9% of the total product purchases made by the Company's continuing operations.

TWI, through its subsidiaries, operates the Taiwan and Mainland China facilities, which assemble and package plumbing and electrical products. In addition, the facility in Mainland China manufactures and packages plastic floor protective hardware. The Company believes that these facilities give it competitive advantages, in terms of cost and flexibility in sourcing. Both labor and physical plant costs are significantly below those in the United States.

During fiscal 1991, the Company purchased WAMI, a small manufacturer of plumbing pipe nipples in Tijuana, Mexico. Pipe nipples are short lengths of pipe from 1/2 of an inch to 6 feet long, threaded at each end. As a result of this acquisition, the Company is now vertically integrated in the manufacture and distribution of pipe nipples. Since the acquisition, in order to take advantage of lower labor costs, the Company has relocated certain of its United States packaging operations to TWI's WAMI subsidiary in Mexico.

Substantially all of the other products purchased by Waxman USA are manufactured for it by third parties. Waxman USA estimates that it purchases products and materials from over approximately 1,300 suppliers and is not dependent on any single unaffiliated supplier for any of its requirements.

The following table sets forth the approximate percentage of net sales attributable to the Company's principal product groups:

| | 1993 | 1992 | 1991 |
|---|---|---|---|
| Plumbing | 74% | 73% | 71% |
| Electrical | 10 | 9 | 10 |
| Hardware | 16 | 18 | 19 |
| Total Net Sales | 100% | 100% | 100% |





IMPORT RESTRICTIONS

Under current United States government regulations all products manufactured offshore are subject to import restrictions. The Company currently imports goods from Mexico under the preferential import regulations commonly known as "807' and as direct imports from China and Taiwan. The "807' arrangement permits an importer who purchases raw materials in the United States and then ships the raw materials to an offshore factory for assembly, to reimport the goods, without quota restriction and to pay a duty only on the value added in the offshore factory.

Where the Company chooses to directly import goods purchased outside of the United States, the Company may be subject to import quota restrictions, depending on the country in which assembly takes place. These restrictions may limit the amount of goods of a particular category that a country may export to the United States. If the Company cannot obtain the necessary quota, the Company will not be able to import the goods into the United States. Export visas for the goods purchased offshore by the Company are readily available.

The above arrangements, both 807 and quota restrictions, may be superseded by more favorable regulations with respect to Mexico under the North American Free Trade Agreement ("NAFTA"), or may be limited by revision or cancelled at any time by the United States government. The Company does not believe that its relative competitive position will be adversely affected by NAFTA. As a result of the passage of NAFTA, importation from Mexico will become more competitive in the near future relative to importation from other exporting countries.

COMPETITION

Waxman USA faces significant competition from different competitors within each of its product lines, although it has no competitor offering the range of products in all of the product lines that Waxman USA offers. Waxman USA believes that its buying power, extensive inventory, emphasis on customer service and merchandising programs have contributed to its ability to compete successfully in its various markets. In the areas of electrical and hardware supplies, Waxman USA faces significant competition from smaller companies which specialize in particular types of products and larger companies which manufacture their own products and have greater financial resources than Waxman USA. Barnett's mail order business competes principally with local distributors of plumbing, electrical and hardware products. Waxman USA believes that competition in sales to both mail order customers and retailers is primarily based on price, product quality and selection, as well as customer service, which includes speed of responses for mail order customers and packaging and merchandising for retailers.

EMPLOYEES

As of March 31, 1994, the Company's continuing operations employed 1,245 persons, 300 of whom were clerical and administrative personnel, 145 of whom were sales service representatives and 800 of whom were either production or warehouse personnel. Approximately 8% of the employees of the Company's continuing operations are represented by collective bargaining units. The Company considers its relations with its employees, including those represented by collective bargaining units, to be satisfactory.

TRADEMARKS

Several of the trademarks and trade names used by the Company are considered to have significant value in its business. See "Business--Barnett--Products," "--Consumer Products--Products" and "--Other Operations."





PROPERTIES

The following table sets forth, as of March 31, 1994, certain information with respect to the Company's principal physical properties:

<TABLE>
<CAPTION>

| LOCATION | APPROXIMATE SQUARE FEET | PURPOSE | LEASE EXPIRATION DATE |
|---|---|---|---|
| 24460 Aurora Road<br>Bedford Hts., OH | 21,000 | Corporate Office | Owned |
| 24455 Aurora Road<br>Bedford Hts., OH(1) | 125,000 | Consumer Products Corporate Office and Warehouse | 6/30/02 |
| 330 Vine Street<br>Sharon, PA | 80,000 | Consumer Products Office and Warehouse | 2/28/96 |
| 2029 McKenzie Drive<br>Dallas, TX(2) | 60,000 | Consumer Products Office and Warehouse | 5/31/94 |
| 945 Spice Island Drive<br>Sparks, NV(3) | 71,000 | Consumer Products Office and Warehouse | 7/31/98 |
| 1842 Colonial Village Lane<br>Lancaster, PA | 72,000 | Consumer Products Office and Warehouse | 5/31/00 |
| 3333 Lenox Avenue | 60,000 | Barnett Corporate Office and Warehouse | 10/31/03 |

Jacksonville, FL

| | | | |
|---|---|---|---|
| 300 Jay Street<br>Coldwater, MI | 56,000 | LeRan Corporate Office and Warehouse | Owned |
| No. 10, 7th Road<br>Industrial Park<br>Taichung, Taiwan<br>Republic of China | 56,000 | Office, Packaging, and Warehouse | Owned |

<FN>

(1) Aurora Investment Co., a partnership owned by Melvin and Armond Waxman together with certain other members of their families, is the owner and lessor of this property. The Company has the option to renew the leases for a five-year term at the market rate at the time of renewal.

(2) The Company has the option to renew the lease for a two-year term.
</TABLE>

In addition to the properties shown in the table, the Company owns 15 warehouses and leases 55 warehouses ranging in size from 6,000 to 50,000 square feet (of these properties, Barnett leases 27 warehouses and Consumer Products leases six warehouses).

The Company believes that its facilities are suitable for its operations and provide the Company with adequate capacity.





LEGAL PROCEEDINGS

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of any ultimate liability with respect to these actions will not affect materially the financial position of the Company.

ENVIRONMENTAL REGULATIONS

The Company is subject to certain federal, state and local environmental laws and regulations. The Company believes that it is in material compliance with such laws and regulations applicable to it. To the extent any subsidiaries of Waxman Industries are not in compliance with such laws and regulations, Waxman Industries, as well as such subsidiaries, may be liable for such non-compliance. However, in any event, the Company is not aware of any such liabilities which could have a natural adverse effect on it or any of its subsidiaries.

RECENT DEVELOPMENTS

BELANGER SALE. In October 1993, the Company completed the sale of all of the capital stock of one of its Canadian operations, H. Belanger Plumbing Accessories, Ltd. ("Belanger") to a group led by the management of Belanger in exchange for cash and a promissory note. Belanger, based in Montreal, is engaged in the distribution of plumbing specialty products, including bulk and packaged products to plumbing and hardware wholesalers and retailers. During fiscal 1993, Belanger had net sales of U.S. $6.3 million.

CONSENT SOLICITATION. On April 22, 1994, the Company began soliciting consents (the "Consent Solicitation") from the holders of the Notes to a waiver (the "Waiver") of compliance by the Company with certain provisions of the Indenture and an amendment (the "Amendment") to certain provisions of the Indenture. The Waiver waived any event of default resulting from (i) a cross-default by Ideal Holding Group, Inc. and/or any of its subsidiaries (together, the "Ideal Group"), (ii) the bankruptcy or insolvency of any member of the Ideal Group and (iii) the rendering of any judgments against any member of the Ideal Group. The effect of the Waiver was to remove cross-defaults in the Indenture relating to the Ideal Group so that adverse factors affecting Ideal's business do not adversely impact upon the financial condition of the Company's domestic operations. Effectiveness of the Waiver and the Amendment required the consent of holders of at least 66 2/3% of the outstanding principal amount of the Notes, which was obtained on May 3, 1994.

The Amendment, among other things (i) provided for the guarantee by Waxman USA of the obligations of the Company under the Notes and the Indenture and that the Company's obligations under the Notes and Waxman USA's obligations under its guarantee shall be secured by a pledge of the capital stock of Consumer Products and WOC, in addition to Barnett, the capital stock of which previously secured the Company's obligations under the Notes; (ii) modified the restrictions on investments by the Company and its subsidiaries under the

Indenture to prohibit further investments in, or advances or loans to members of the Ideal Group in amounts in excess of Cdn. $450,000; (iii) modified the restrictions on mergers and transfers of assets and on the disposition of assets and subsidiary stock under the Indenture to permit the Company to effect the Corporate Restructuring; (iv) modified the restrictions on payments by the Company's subsidiaries of dividends and other distributions to, and guarantees of indebtedness of, the Company and its subsidiaries under the Indenture in order to permit (a) the Company's subsidiaries to pay dividends to the Company and its subsidiaries in an amount required by the Company to pay interest on the Notes and on the Senior Subordinated Notes, (b) the Company's subsidiaries to pay to the Company amounts owed by the subsidiaries pursuant to an intercorporate services agreement and a tax sharing agreement and (c) Waxman USA to guarantee the Notes; (v) (a) modified the net worth covenant





in the Indenture to eliminate the potential effects from (x) the ideal Group and (y) charges relating to any subsequent non-cash interest on the Deferred Coupon Notes and/or amortization on the Exchange Warrants and (b) reduced the minimum net worth required to be maintained by the Company under the Indenture to the Company's net worth at June 30, 1994 minus $5.0 million; (vi) modified the limitation on the incurrence of debt by the Company under the Indenture to (a) permit the Company to issue the Deferred Coupon Notes and (b) provide that the Company's Consolidated Operating Cash Flow Ratio calculated for purposes of (x) determining the amount of debt which may be incurred by the Company and (y) the Consolidated Operating Cash Flow maintenance covenant shall exclude any effect of the Ideal Group or charges relating to non-cash interest on the Deferred Coupon Notes and/or amortizations on the Exchange Warrants; (vii) modified the limitation on the incurrence of debt by the Company or its subsidiaries under the Indenture to permit the Domestic Credit Facility, the Domestic Term Loan, the Waxman USA Permitted Indebtedness (as hereinafter defined) and the guarantee by Waxman USA of the Notes; (viii) modified the limitations on subsidiary payment restrictions under the Indenture to provide that Barnett, Consumer Products, WOC and Waxman USA may, pursuant to agreements relating to indebtedness permitted under clause (vii) above, agree to restrictions on their respective payments of dividends, loans or transfers of assets to the Company as long as such restrictions do not materially impair their ability, absent a default under such agreements, to pay dividends in amounts not exceeding their respective net income for the purpose of paying interest on the Notes or to make required payments to the Company under an intercorporate services agreement and a tax sharing agreement with the Company; (ix) modified the restriction on subordinated debt repurchases by the Company under the Indenture to permit the redemption by the Company of all its outstanding Convertible Debentures and the Exchange Offer; (x) modified the restriction on liens under the Indenture to permit Barnett, Consumer Products and WOC to grant liens on their respective properties in connection with any indebtedness incurred by them which is permitted under clauses (i), (vi) and (vii) above; (xi) modified the events of default under the Indenture to exclude (a) any cross-default by any member of the Ideal Group, (b) the bankruptcy or insolvency of any member of the Ideal Group and (c) the rendering of any judgments against any member of the Ideal Group; and (xii) provided for the payment by the Company of an amount equal to 1.0% of the aggregate principal amount of outstanding Notes to the Trustee for the benefit of the holders of the Notes on December 31, 1994 in the event that the Notes are not redeemed on or prior to such date. See "Description of Notes."

SUBORDINATED NOTE CONSENT SOLICITATION. Concurrently with the Consent Solicitation, the Company solicited consents from the holders of its Senior Subordinated Notes to a waiver (the "Subordinated Note Waiver") of compliance by the Company with certain provisions of the Subordinated Note Indenture and an amendment (the "Subordinated Note Amendment") to certain provisions of the Subordinated Note Indenture. The Subordinated Note Waiver and Subordinated Note Amendment were similar in many respects to the Waiver and Amendment, respectively, and were primarily intended to remove cross-defaults in the Subordinated Note Indenture relating to the Ideal Group and to permit the Corporate Restructuring to occur. Effectiveness of the Subordinated Note Waiver and Subordinated Note Amendment required the consent of holders of at least 66 2/3% of the outstanding principal amount of the Senior Subordinated Notes, which was obtained on May 3, 1994 with respect to the Subordinated Note Waiver and May 19, 1994 with respect to the Subordinated Note Amendment.

DISCONTINUED OPERATIONS. Effective March 31, 1994, the Company adopted a plan to dispose of its Canadian subsidiary, Ideal. Unlike the Company's United States operations which supply products to customers in the home repair and remodeling market through mass retailers, Ideal primarily served customers in the Canadian new construction market through independent contractors. Accordingly, Ideal is reported as a discontinued operation at March 31, 1994 and the consolidated financial statements and financial information contained herein as of such date have been reclassified to report separately Ideal's net assets and results of operations. Prior period consolidated financial statements and financial information have been reclassified to conform to the current period presentation.





At the time the plan of disposition was adopted, the Company expected that the disposition would be accomplished through a sale of the business to a group of investors which included members of Ideal's management. Such transaction would have required the consent of the lenders under Ideal's Canadian bank credit agreements as borrowings under such credit agreements were collateralized by all of the assets and capital stock of Ideal. The bank considered the management group's acquisition proposal; however, the proposal was subsequently rejected. On May 5, 1994, without advance notice, the bank filed an involuntary bankruptcy petition against Ideal citing defaults under the bank credit agreements (borrowings under these agreements are non-recourse to Waxman Industries, Inc.). The Company has not contested the bank's efforts to effect the orderly disposition of Ideal. On May 30, 1994, Ideal was declared bankrupt by the Canadian courts and, as a result, the Company's ownership and control of Ideal effectively ceased on such date.

REORGANIZATION. On May 20, 1994, the Company issued the Deferred Coupon Notes, having an initial accreted value of $50,000,000, together with the Exchange Warrants in exchange for $50,000,000 aggregate principal amount of the Company's outstanding Senior Subordinated Notes pursuant to the Private Exchange Offer which was a part of the Reorganization. In addition to the Private Exchange Offer, the components of the Reorganization included (i) the Senior Subordinated Consent Solicitation with respect to the Subordinated Note Waiver and the Subordinated Note Amendment, (ii) the establishment of the Domestic Credit Facility and the Domestic Term Loan, (iii) the Consent Solicitation with respect to the Waiver and the Amendment and (iv) the repayment of the borrowings under the Company's then existing domestic revolving credit facilities (including $27.6 under the Company's then existing working capital credit facility and $1.2 million under the Barnett Financing).

In connection with the Reorganization, the Company effected the Corporate Restructuring, such that after giving effect thereto the Company became a holding company whose only material assets are the capital stock of its subsidiaries. As part of the Corporate Restructuring, the Company formed (a) Waxman USA, as a holding company for the subsidiaries that comprise and support the Company's domestic operations, (b) Consumer Products, a wholly owned subsidiary of Waxman USA, to own and operate Waxman Industries' Consumer Products Group Division and (c) WOC, a wholly owned subsidiary of Waxman USA, to own and operate Waxman USA's domestic subsidiaries, other than Barnett and Consumer Products. On May 20, 1994, the Company effected the Corporate Restructuring by (i) contributing the capital stock of Barnett to Waxman USA, (ii) contributing the assets and liabilities of the Consumer Products Division to Consumer Products, (iii) contributing the assets and liabilities of its Madison Equipment Division to WOC, (iv) contributing the assets and liabilities of its Medal Distributing Division to WOC, (v) merging U.S. Lock and LeRan, each a wholly owned subsidiary of the Company, into WOC, (vi) contributing the capital stock of TWI to Waxman USA and (vii) contributing the capital stock of WAMI to TWI.





<TABLE>

## MANAGEMENT

### DIRECTORS AND EXECUTIVE OFFICERS

The members of the Board of Directors, executive officers and key employees of the Company and their respective ages and positions are as follows:

<CAPTION>

| Name | Age | Position |
|---|---|---|
| <S> | <C> | <C> |
| Melvin Waxman | 59 | Chairman of the Board and Co-Chief Executive Officer |

| | | |
|---|---|---|
| Armond Waxman | 55 | President, Co-Chief Executive Officer, Treasurer and Director |
| John S. Peters | 45 | Senior Vice President, Operations |
| William R. Pray | 46 | Senior Vice President |
| Laurence S. Waxman | 37 | Senior Vice President |
| Neal R. Restivo | 34 | Vice President, Finance and Chief Financial Officer |
| Irving Z. Friedman | 61 | Director |
| Samuel J. Krasney | 68 | Director |
| Judy Robins | 45 | Director |

</TABLE>

Set forth below is a biographical description of each director, executive officer and key employee of the Company mentioned above.

Mr. Melvin Waxman was elected Co-Chief Executive Officer of the Company in May 1988. Mr. Waxman has been a Chief Executive Officer of the Company for over 20 years and has been a director of the Company since 1962. Mr. Waxman has been Chairman of the Board of the Company since August 1976. Melvin Waxman and Armond Waxman are brothers.

Mr. Armond Waxman was elected Co-Chief Executive Officer of the Company in May 1988. Mr. Waxman has been the President and Treasurer of the Company since August 1976. Mr. Waxman has been a director of the Company since 1962 and was Chief Operating Officer of the Company from August 1976 to May 1988. Armond Waxman and Melvin Waxman are brothers.

Mr. Peters was elected to the position of Senior Vice President, Operations of the Company in April 1988, after serving as Vice President, Operations of the Company since February 1985. Prior to that Mr. Peters had been Vice President, Personnel/Administration of the Company since February 1979.

Mr. Pray was elected Senior Vice President of the Company in February 1991 and is also President of Barnett, a position he has held since 1987. Mr. Pray joined Barnett in 1979 as Vice President of Sales and Marketing.

Mr. Laurence Waxman was elected Senior Vice President of the Company in November 1993 and is also President of the Consumer Group Division, a position he has held since 1988. Mr. Waxman joined the Company in 1981. Mr. Laurence Waxman is the son of Melvin Waxman.

Mr. Restivo was elected Vice President, Finance and Chief Financial Officer of the Company in November 1993, after serving as Vice President, Corporate Controller since November 1990, and as Corporate Controller of the Company since November 1989. From August 1982 until November 1989,





Mr. Restivo was employed by the public accounting firm of Arthur Andersen & Co., where he was an audit manager since 1988.

Mr. Friedman has been a director of the Company since 1989. Mr. Friedman has been a certified public accountant with the firm of Krasney Polk Friedman & Fishman for more than five years.

Mr. Krasney has been a director of the Company since 1977. In September 1993, Mr. Krasney retired from his position of Chairman of the Board, President and Chief Executive Officer of Banner Aerospace, Inc., a distributor of parts in the aviation aftermarket, a position he had held since June 1990. In September 1993, Mr. Krasney also retired from The Fairchild Corporation (formerly Banner Industries, Inc.) where he had been Vice Chairman of the Board since 1985. Fairchild is a manufacturer and distributor of fasteners to the aerospace industry and industrial products for the plastic injection molding industry and other industrial markets and is a furnisher of telecommunication services to office buildings. Mr. Krasney is also a director of FabriCenters of America, Inc.

Mrs. Robins has been a director of the Company since 1980. Mrs. Robins has owned and operated an interior design business for more than five years. Mrs. Robins is the sister of Melvin and Armond Waxman. Mrs. Robins' husband is the Secretary of the Company.

Board of Directors

The number of directors on the Board of the Company is presently fixed at five. Directors are elected at the annual meeting of stockholders and hold office for one year and until their successors are elected. the Company has an

Executive Committee, Audit Committee, Compensation Committee and Stock Option Committee. Messrs. Melvin and Armond Waxman and Krasney serve on the Executive Committee, Messrs. Friedman and Krasney serve on the Audit Committee and the Stock Option Committee and Mrs. Robins and Messrs. Krasney and Friedman serve on the Compensation Committee.

Director Remuneration

Each director who is not an employee of the Company received a fee of $3,000 per fiscal quarter for services as a director during fiscal 1993 plus a fee of $1,000 plus traveling expenses for each Board meeting he or she attended. In addition to the foregoing compensation, each director who is not an employee of the Company received options during fiscal 1993 to purchase 10,000 shares of the Company's Common Stock at a price of $4.25 per share.

EXECUTIVE COMPENSATION

The following table sets forth the cash compensation paid for services rendered during fiscal 1993 to the Co-Chief Executive Officers and the three other most highly compensated executive officers of the Company in the fiscal years indicated:





<TABLE>

SUMMARY COMPENSATION TABLE

<CAPTION>

| Name and Principal Position | Year | Annual Compensation(1) Salary($) | Bonus($)(2) | Long-Term Compensation Awards Restricted Stock($) | Options(#) | Payouts LTIP Payouts($) | All Other Compensation ($)(3)(4) |
|---|---|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Melvin Waxman | 1993 | 365,000 | 100,000 | __ | 250,000 | __ | 65,293 |
| Chairman of the Board and | 1992 | 400,000 | 125,000 | __ | __ | __ | __ |
| Co-Chief Executive Officer | 1991 | 400,000 | 125,000 | __ | __ | __ | __ |
| Armond Waxman | 1993 | 378,942 | 100,000 | __ | 250,000 | __ | 50,464 |
| President and Co-Chief | 1992 | 400,000 | 125,000 | __ | __ | __ | __ |
| Executive Officer | 1991 | 400,000 | 125,000 | __ | __ | __ | __ |
| Jerome C. Jacques(5) | 1993 | 192,067 | 45,000 | __ | 50,000 | __ | 16,175 |
| Senior Vice President -- | 1992 | 200,000 | 50,000 | __ | 12,500 | __ | __ |
| Finance and Chief Financial Officer | 1991 | 200,000 | 50,000 | __ | __ | __ | __ |
| William R. Pray | 1993 | 200,000 | 45,000 | __ | 25,000 | __ | 14,789 |
| Senior Vice President | 1992 | 173,000 | 50,000 | __ | 7,500 | __ | __ |
| | 1991 | 171,000 | 38,000 | __ | 10,000 | __ | __ |
| John S. Peters | 1993 | 132,644 | 25,000 | __ | 45,000 | __ | 14,137 |
| Senior Vice President -- | 1992 | 125,000 | 25,000 | __ | 7,500 | __ | __ |
| Operations | 1991 | 125,000 | 25,000 | __ | __ | __ | __ |

<FN>

(1) Certain executive officers received compensation in fiscal 1991, 1992 and 1993 in the form of perquisites, the amount of which does not exceed reporting thresholds.

(2) Messrs. Pray and Peters received their bonuses under the Company's Profit Incentive Plan.

(3) In accordance with the transitional provisions applicable to the rules of the Securities and Exchange Commission, disclosure of All Other Compensation is not required for 1991 and 1992.

(4) Includes Company contributions to the Company's Profit-Sharing Retirement Plan and premiums on split-dollar life insurance policies. Profit Sharing Plan contributions were as follows: $2,289 each for Messrs. Melvin and Armond Waxman, and Pray, $1,637 for Mr. Peters and $2,289 for Mr. Jacques. Premiums on split-dollar life insurance

policies were as follows: $63,004 for Melvin Waxman, $48,175 for Armond Waxman, $12,500 each for Messrs. Pray and Peters and $13,886 for Mr. Jacques.

(5) Mr. Jacques' employment with the Company was terminated in November 1993.
</TABLE>

EMPLOYMENT AGREEMENTS

Mr. Peters entered into an employment agreement with the Company which became effective as of January 1, 1992 and terminates on December 31, 1995. Pursuant to such employment agreement, Mr. Peters is to serve as Senior Vice President, Operations of the Company, and is also to serve in such substitute or further offices or positions with the Company or any subsidiary or affiliate of the Company as shall, from time to time, be assigned by the Board of Directors of the Company. Mr. Peters' employment agreement provides for a minimum annual salary of $125,000, which salary will be reviewed annually by the Company. Increases in salary and the granting of bonuses to Mr. Peters will be





determined by the Company, in its sole discretion, based on such individual's performance and contributions to the success of the Company, his responsibilities and duties and the salaries of other senior executives of the Company. The employment agreement also contains provisions which restrict Mr. Peters from competing with the Company during the term of the agreement and for two years following the termination thereof.

Mr. Pray has an employment agreement with Barnett and the Company which became effective as of July 1, 1990 and which terminates on June 30, 2000. Pursuant to this employment agreement, Mr. Pray is to serve as President of Barnett and provide services to Barnett in such managerial areas as Mr. Pray served in the past and such additional duties as shall be assigned to Mr. Pray by the Co-Chief Executive Officers of the Company. Mr. Pray's employment agreement provides for a minimum annual salary of $165,000 for the first year of the employment agreement and provides that for each year thereafter the minimum annual salary will be increased by eight percent of the prior year's salary or any salary amount separately agreed to in writing by Mr. Pray, Barnett and the Company. Mr. Pray is also eligible to receive additional discretionary bonuses as may from time to time be determined in the sole discretion of the Board of Directors of the Company. The employment agreement also contains provisions which restrict Mr. Pray from competing with the Company during the term of the agreement and for two years following the termination thereof.

STOCK OPTION AND SAR GRANTS

The following table sets forth the information noted for all grants of stock options made by the Company during fiscal 1993 to each of the executive officers named in the Summary Compensation Table:

<TABLE>
<CAPTION>

OPTIONS/SAR(1) GRANTS IN LAST FISCAL YEAR

| | INDIVIDUAL GRANTS | | | | POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2) | |
|---|---|---|---|---|---|---|
| NAME | OPTIONS GRANTED (#) | % OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR | EXERCISE PRICE ($/SH) | EXPIRATION DATE | 5%($) | 10%($) |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Melvin Waxman | 100,000 | 9.6 | 5.00 | Sept 1997 | 138,000 | 305,500 |
| | 150,000 | 14.4 | 4.25 | Feb 2003 | 400,988 | 1,016,175 |
| Armond Waxman | 100,000 | 9.6 | 5.00 | Sept 1997 | 138,000 | 305,500 |
| | 150,000 | 14.4 | 4.25 | Feb 2003 | 400,988 | 1,016,175 |
| Jerome C. Jacques(3) | 25,000 | 2.4 | 5.00 | Sept 1997 | 34,500 | 76,375 |
| | 25,000 | 2.4 | 4.25 | Feb 2003 | 66,831 | 169,362 |
| William R. Pray | 25,000 | 2.4 | 5.00 | Sept 1997 | 34,500 | 76,375 |
| John S. Peters | 20,000 | 1.9 | 5.00 | Sept 1997 | 27,600 | 61,100 |
| | 25,000 | 2.4 | 4.25 | Feb 2003 | 66,831 | 169,362 |

<FN>
(1) There were no SARs granted to any of the executive officers named in

this table in fiscal 1993.

(2) The potential realizable values represent future opportunity and have not been reduced to present value in 1993 dollars. The dollar amounts included in these columns are the result of calculations at assumed rates set by the Securities and Exchange Commission for illustration purposes, and these rates are not intended to be a forecast of the Common Stock price and are not necessarily indicative of the values that may be realized by the named executive officer.

(3) All of the options granted to Mr. Jacques have terminated as a result of the termination of his employment with the Company.

</TABLE>





<TABLE>

STOCK OPTION AND SAR EXERCISES

The following table sets forth the information noted for all exercises of stock options and SARs during fiscal 1993 by each of the executive officers named in the Summary Compensation Table:

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

<CAPTION>

| NAME | SHARES ACQUIRED ON EXERCISE(#) | VALUE REALIZED($) | NUMBER OF UNEXERCISED OPTIONS AT FISCAL YEAR-END(#) EXERCISABLE/ UNEXERCISABLE | VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT YEAR-END($) |
|---|---|---|---|---|
| Melvin Waxman | -- | -- | 30,000/270,000 | -- |
| Armond Waxman | -- | -- | 30,000/270,000 | -- |
| Jerome C. Jacques(1) | -- | -- | 29,500/63,000 | -- |
| William R. Pray | -- | -- | 13,000/37,000 | -- |
| John S. Peters | -- | -- | 9,000/51,000 | -- |

<FN>

(1) All of the options granted to Mr. Jacques have terminated as a result of the termination of his employment with the Company.

</TABLE>





<TABLE>

PRINCIPAL STOCKHOLDERS

CAPITAL STOCK

The following table sets forth, as of June 1, 1994 (except as noted in footnote 7 below), the number of shares beneficially owned by each director, by the directors and executive officers of the Company as a group and by each holder of at least five percent of Common Stock, and the respective percentage ownership of the outstanding Common Stock and Class B Common Stock and voting power held by each such holder and group. The mailing address for Messrs. Melvin and Armond Waxman is the executive office of the Company.

| NAME OF BENEFICIAL OWNER | NUMBER OF SHARES BENEFICIALLY OWNED: COMMON STOCK | NUMBER OF SHARES BENEFICIALLY OWNED: CLASS B COMMON STOCK | PERCENTAGE OWNERSHIP: COMMON STOCK | PERCENTAGE OWNERSHIP: CLASS B COMMON STOCK | PERCENTAGE OF AGGREGATE VOTING POWER |
|---|---|---|---|---|---|
| Melvin Waxman(1) | 970,782 | 1,011,932 | 10.2% | 45.4% | 34.9% |

| | | | | | |
|---|---|---|---|---|---|
| Armond Waxman(2) | 862,607 | 826,082 | 9.1 | 37.1 | 28.7 |
| Samuel J. Krasney(3) | 17,250 | 6,750 | * | * | * |
| Judy Robins(4) | 77,250 | 78,750 | * | 3.5 | 2.7 |
| Irving Z. Friedman(5) | 10,500 | -- | * | -- | * |
| Directors and officers as a group (10 individuals)(6) | 2,052,914 | 1,978,766 | 21.2 | 88.8 | 68.3 |
| Weiss, Peck & Greer(7) One New York Plaza New York, NY 10004 | 1,182,500 | -- | 12.5 | -- | 3.7 |

<FN>

* less than 1%

(1) Includes (i) 100 shares of Common Stock owned by a member of Mr. Melvin Waxman's immediate family, as to which shares Mr. Waxman disclaims beneficial interest and (ii) 97,500 shares of Common Stock which Mr. Waxman has the right to acquire within 60 days upon the exercise of stock options.

(2) Includes (i) 55,825 shares of Common Stock and 55,800 shares of Class B Common Stock owned by members of Mr. Armond Waxman's immediate family, as to which shares Mr. Waxman disclaims beneficial interest and (ii) 97,500 shares of Common Stock which Mr. Waxman has the right to acquire within 60 days upon the exercise of stock options.

(3) Includes (i) 4,500 shares of Common Stock and 4,500 shares of Class B Common Stock owned by Mr. Krasney's wife, as to which shares Mr. Krasney disclaims beneficial interest and (ii) 10,500 shares of Common Stock which Mr. Krasney has the right to acquire within 60 days upon the exercise of stock options.

(4) Includes 10,500 shares of Common Stock which Mrs. Robins has the right to acquire within 60 days upon the exercise of stock options.

(5) Consists of 10,500 shares of Common Stock which Mr. Friedman has the right to acquire within 60 days upon the exercise of stock options.

</TABLE>





(6) Includes 278,500 shares of Common Stock which the directors and officers of the Company have the right to acquire within 60 days upon the exercise of stock options.

(7) The information set forth in the table with respect to Weiss, Peck & Greer was obtained from Amendment No. 2 to a Statement on Schedule 13G, dated February 11, 1994, filed with the Commission. Such statement reflects Weiss, Peck & Greer's beneficial ownership as of December 31, 1993.





## DESCRIPTION OF NOTES

The Notes were issued under an Indenture dated as of September 1, 1991 (the "Indenture") between the Company and United States Trust Company of New York, as trustee (the "Trustee") and amended pursuant to the First Supplemental Indenture dated as of November 15, 1993, the Second Supplemental Indenture dated as of March 25, 1994 and the Third Supplemental Indenture dated as of May 20, 1994. Holders of the Notes (the "Noteholders") are referred to the Indenture, as amended, and the Trust Indenture Act of 1939, as amended (the "1939 Act"), for a statement of the terms of the Notes. The following summary of the provisions of the Notes is qualified in its entirety by reference to the Indenture, as amended, which has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. The provisions of the Fixed Rate Notes and Floating Rate Notes are identical unless otherwise noted. The term "Company" as used in this section means Waxman Industries, Inc., excluding its subsidiaries. Capitalized terms not otherwise defined herein have the meanings assigned to them in the Indenture.

### GENERAL

Principal (and premium, if any) and interest on the Notes will be payable, and the Notes may be presented for transfer and exchange or payment, at an office or agency maintained by the Company or by home office payment directly to the Noteholders if the Company has so agreed with such Noteholders. No service charge will be charged for any registration of transfer or exchange of Notes; however, the Company may require payment of a sum sufficient to cover any transfer taxes or similar governmental charges payable in connection therewith. The Company will pay interest on the Fixed Rate Notes on March 1 and September 1 of each year (beginning March 1, 1992) at the rate of 12.25% per annum to the persons who are registered Noteholders at the close of business on February 15 or August 15, as the case may be, immediately preceding the respective interest payment date. The Company will pay interest on the Floating Rate Notes on March 1, June 1, September 1 and December 1 of each year (beginning December 1, 1991) at the rate per annum equal to LIBOR (as defined therein) for such quarterly period plus 300 basis points (one basis point equalling .01%) to the persons who are registered Noteholders at the close of business on February 15, May 15, August 15 and November 15, as the case may be, immediately preceding the respective interest payment date. The Notes are in registered form without coupons in denominations of $1,000 and in integral multiples of $1,000.

Initially, the Trustee will act as Paying Agent and Registrar. United States Trust Company of New York is also acting as Warrant Agent under the Warrant Agreement and as Agent under the Pledge Agreement. The Company may change the Paying Agent and Registrar by notifying the Trustee. The Company may also change the Warrant Agent and the Agent by notice.

SECURITY

The Notes are secured obligations of the Company, in aggregate principal amount of $20,000,000 ($12,500,000 of Fixed Rate Notes and $7,500,000 of Floating Rate Notes), which will mature on September 1, 1998. Pursuant to the terms of the Guarantee, the payment of the Company's obligations under the Notes and the performance of the Company's obligations under the Indenture are guaranteed by Waxman USA. Separate Financial Statements of Waxman USA are not included herein, as the aggregate assets and earnings of Waxman USA are substantially equivalent to the assets and earnings of the Company. Pursuant to the terms of the Pledge Agreement, as amended on May 20, 1994 (the "Pledge Agreement"), the Notes (and the Guarantee) are secured by the Company's pledge of all of its right, title and interest in and to all of the capital stock of Barnett, Consumer Products and WOC now or hereafter owned by the Company. All presently outstanding capital stock of Barnett, Consumer Products and WOC is currently being held by United States Trust Company of New York (the "Agent")





pursuant to the Pledge Agreement. The Pledge Agreement provides that upon the occurrence of an Event of Default that is not cured within the applicable time period, the Agent shall have the rights and remedies of a secured party under the Uniform Commercial Code and shall have full power and authority to sell or otherwise dispose of the Pledged Stock and, after giving written notice of such Event of Default to the Company, vote the Pledged Stock in accordance with the instructions of the Security Holders. In addition, the Pledge Agreement provides that (i) if there exists no Event of Default, the Company shall be entitled to exercise all voting rights and power; (ii) upon the dissolution, winding up, liquidation or reorganization of Barnett, Consumer Products and WOC, any sum to be paid or any property to be distributed with respect to the Pledged Stock shall be paid to the Agent; and (iii) if there shall exist an Event of Default, the Agent shall be entitled to receive and retain any and all dividends declared upon any of the Pledged Stock. As required by the Indenture, the Company has provided the Trustee with a certificate of an independent appraiser that, in such appraiser's opinion, the fair value to the Company, as of June 11, 1992, of the Pledged Stock (which at the time consisted of only the capital stock of Barnett) was $70 million. However, there can be no assurance that the value of the Pledged Stock, or the net proceeds of any sale or other disposition of the Pledged Stock (after deducting all reasonable costs and expenses of collection, custody, sale or other disposition), will be sufficient to satisfy the outstanding principal and accrued interest on the Notes upon the occurrence of an Event of Default. In the event of such a shortfall in net proceeds, the Holders of the Notes will be unsecured creditors of the Company with respect to amounts under the Notes which remain unpaid.

CERTAIN DEFINITIONS

"CHANGE IN CONTROL" means the acquisition by any person or two or more persons acting together as a partnership, limited partnership, syndicate or other group for such acquisition purposes (other than the Waxman Family Group) of the power to direct or cause the direction of the management and policies of the Company (or of the properties and assets substantially as an entirety of the Company), directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

"COMPANY BORROWING BASE" means, as of any date, an amount equal to (i) 85% of the face amount of all accounts receivable owned by the Company or its domestic Subsidiaries (other than Barnett), as of such date that are not more than 90 days past due plus (ii) 50% of the book value (calculated on a FIFO basis) of all inventory owned by the Company or its domestic Subsidiaries (other than Barnett) as of such date, all calculated on a consolidated basis and in accordance with GAAP.

"CONSOLIDATED NET INCOME" for any period means the aggregate of the net income (or loss) of the Company and its Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP applied on a consistent basis; PROVIDED, HOWEVER, that (a) the net income of any person in which the Company or any of its Subsidiaries has a joint interest with a third party (which interest does not constitute a majority interest in such person) shall be included only to the extent of the amount of dividends or distributions paid to the Company or any Subsidiary; (b) the net income of any Subsidiary of the Company that is subject to any restriction or limitation on the declaration or payment of dividends or other distributions shall be excluded to the extent of such restriction or limitation; (c) the net income (or loss) of any person acquired in a pooling of interests transaction for any fiscal period ending prior to the date of such acquisition shall be excluded; (d) if the aggregate of all sales or other dispositions of capital assets other than in the ordinary course of business by the Company and any of its Subsidiaries during the period results in a net gain, such net gain shall be excluded and if such aggregate amount results in a net loss, such net loss shall be deducted; (e) the net gain or net loss resulting from any change in accounting shall be excluded; and (f) any extraordinary items shall be excluded.

"CONSOLIDATED OPERATING CASH FLOW" means Consolidated Net Income before interest, taxes, depreciation and amortization of intangibles.





"CONSOLIDATED OPERATING CASH FLOW COVERAGE RATIO" means, for any period and with respect to any Person, the ratio of (i) Consolidated Operating Cash Flow to (ii) net interest expense and preferred stock dividend expense, if any, of the Company and its Subsidiaries for such period, in each case on a consolidated basis, determined in accordance with GAAP. Notwithstanding the foregoing, the calculation of the Company's Consolidated Operating Cash Flow Coverage Ratio for all purposes of the Indenture (including for purposes of Sections 5.10(b) and 5.12) shall exclude (i) the effect of any item of income, gain, loss or charge or any other effect of or related to Ideal Holding Group, Inc., a wholly owned subsidiary of the Company, and any subsidiary thereof (the "Ideal Group") on the Company's Consolidated Operating Cash Flow, consolidated net interest expense and consolidated preferred stock dividend expense and (ii) from consolidated net interest expense any charges relating to non-cash interest on the 12 3/4% Senior Secured Deferred Coupon Notes of the Company Due 2004 offered pursuant to the Company's Offer to Exchange and Consent Solicitation dated April 21, 1994 (the "Offer to Exchange") and/or amortization of the warrants to purchase common stock of the Company offered pursuant to the Offer to Exchange from and after June 30, 1994.

"CONSOLIDATED OPERATING INCOME" means Consolidated Net Income before interest, taxes and amortization of intangibles.

"CONSOLIDATED TANGIBLE ASSETS" means the total amount of consolidated assets of the Company (less applicable reserves and other properly deductible items) after deducting therefrom (i) goodwill, trade names, trademarks, patents, unamortized debt discount and expense, and other like intangibles; and (ii) investments of the Company (that are not Qualified Investments) in excess of 10% of Consolidated Tangible Assets (computed before reducing Consolidated Tangible Assets by such excess non-Qualified Investments).

"CONSOLIDATED TANGIBLE NET WORTH" means the Consolidated Tangible Assets of the Company less the consolidated total liabilities of the Company.

"CORPORATE RESTRUCTURING" means (i) the formation by the Company of (a) Waxman USA, as a holding company for the subsidiaries that comprise and support the Company's domestic operations, (b) Consumer Products, a wholly owned subsidiary of Waxman USA, to own and operate the Company's Consumer Products Group Division (the "Consumer Products Division"), and (c) WOC, a wholly owned subsidiary of Waxman USA, to own and operate the Company's domestic operations, other than those of Barnett and Consumer Products, (ii) the contribution of the capital stock of Barnett from the Company to Waxman USA, (iii) the contribution of the assets and liabilities of the Consumer Products Division from the Company to Consumer Products, (iv) the contribution of the assets and liabilities of the Company's Madison Equipment Division from the Company to WOC, (v) the contribution of the assets and liabilities of the Company's Medal Distributing Division from the Company to WOC, (vi) the merger of U.S. Lock Corporation ("U.S. Lock") and LeRan Copper & Brass, Inc. ("LeRan"), each a wholly owned subsidiary of the Company, into WOC, (vii) the contribution of the capital stock of TWI, International, Inc. ("TWI") from the Company to Waxman USA and (viii) the contribution of the capital stock of Western American Manufacturing, Inc. ("WAMI") from the Company to TWI.

"GUARANTEE" shall mean the Guarantee dated as of May 20, 1994, whereby Waxman USA is guaranteeing the payment of the Company's obligations under the Notes and the performance of the Company's obligations under this Indenture.

"INDEBTEDNESS" means, with respect to any person, (i) any liability, contingent or otherwise, of such person (A) for borrowed money (whether or not the recourse of the lender is to the whole of the assets of such person or only to a portion thereof), (B) evidenced by a note, debenture or similar instrument (including a purchase money obligation) given in connection with the acquisition of any





property or assets, including securities, (C) for any letter of credit or performance bond in favor of such person, or (D) for the payment of money relating to a Capitalized Lease Obligation; (ii) any liability of others of the kind described in the preceding clause (i), which the person has guaranteed, directly or indirectly, or which is otherwise its legal liability; (iii) any obligation secured by a Lien to which the property or assets of such person are subject, whether or not the obligations secured thereby shall have been assumed by or shall otherwise be such person's legal liability; (iv) any and all deferrals, renewals, extensions and refundings of, or amendments, modifications or supplements to, any liability of the kind described in any of the preceding clauses (i), (ii) or (iii); and (v) any unfunded pension liabilities reflected or required to be reflected on such person's balance sheet.

"MATERIAL ACQUISITION" means any merger, consolidation, acquisition or lease of assets, acquisition of securities or other business combination or acquisition, or any two of such transactions that are part of a common plan to acquire a business or group of related businesses in each case, if the assets and/or securities thus acquired in the aggregate would constitute a significant subsidiary, as defined under Regulation S-X of the Securities Act.

"NET WORTH" of any person as of any date shall mean the stockholders' equity of such person and its consolidated subsidiaries determined as of the end of the immediately preceding fiscal quarter, excluding, in the case of the Company (i) cumulative currency translation adjustments as of the date of determination, (ii) the effect of any item of income, gain, loss or charge or any other effect of or related to the Ideal Group and (iii) charges relating to non-cash interest on the 12 3/4% Senior Secured Deferred Coupon Notes Due 2004 of the Company offered pursuant to the Offer to Exchange and/or amortization of the warrants to purchase common stock of the Company offered pursuant to the Offer to Exchange from and after June 30, 1994, each determined in accordance with GAAP.

"QUALIFIED INVESTMENTS" means (a) Investments by the Company or any Subsidiary in (i) commercial paper rated P-1 or A-1, certificates of deposit of banks with capital and surplus aggregating at least $100,000,000 and having P-1 or A-1 commercial paper ratings, and direct obligations of the United States Government or agencies thereof having a maturity of less than one year; (ii) loans or advances in the usual or ordinary course of business other than to Subsidiaries or Affiliates (except as required by the Company's cash management policies in the usual and ordinary course of business or as permitted by (iv) or (v) below); (iii) the Company's existing Investments and renewals thereof, so long as principal amounts are not increased, weighted average life is not decreased, nor priority ranking increased; (iv) equity Investments by the Company in or loans or advances by the Company to a Subsidiary (other than Ideal or Belanger), so long as such loans and advances do not exceed $5,000,000 in the aggregate; and (v) loans or advances by the Company to or equity Investments by the Company in Ideal or Belanger, so long as such loans, advances and Investments do not exceed $10,000,000 in the aggregate but in any event not in excess of Cdn. $450,000 in the aggregate following May 20, 1994; and (b) purchases and acquisitions of plant, property and equipment that is a part of, or is used in connection with the ordinary course of business of the Company.

"SENIOR INDEBTEDNESS" means (i) the Notes and all Indebtedness and other monetary obligations under the Notes, (ii) Indebtedness or amounts owed to banks and other financial institutions and (iii) any Indebtedness permitted by the Indenture which is not Subordinated Indebtedness.

"SUBORDINATED INDEBTEDNESS" means the principal of and interest on any Indebtedness of the Company (whether outstanding on the date of the Indenture or thereafter created, incurred, assumed or guaranteed) which, pursuant to the terms of the instrument creating or evidencing the same, is subordinated in right of payment to the Notes.





"WAXMAN FAMILY GROUP" means Melvin Waxman, Armond Waxman, Judy Robins, Louise Brody, Eva Waxman and each of their respective spouses, children and other members of their immediate family (including grandchildren), and any trust of which any of them are the beneficiaries or over which they exercise voting control.

OPTIONAL REDEMPTION

The Fixed Rate Notes may be redeemed at any time prior to maturity at the option of the Company in whole or in part, upon 45 days' notice mailed to the Noteholders' registered address at the following prices (expressed as a percentage of the principal amount), if redeemed during the twelve months commencing September 1 of the year indicated below, in each case together with interest accrued to the redemption date:

<TABLE>
<CAPTION>

| YEAR | PERCENTAGE |
|---|---|
| 1993 | 107.35% |
| 1994 | 104.90 |
| 1995 | 102.45 |
| 1996 and thereafter | 100.00 |

</TABLE>

The Floating Rate Notes may be redeemed in whole or in part, on any Interest Payment Date at a redemption price equal to 103% of the principal amount thereof, if redeemed prior to September 1, 1996 or 100% of the principal thereof, if redeemed on or after September 1, 1996 plus interest accrued to the redemption date. A Notice of Redemption is to be mailed at least 15 days but not more than 60 days before the redemption date to each Noteholder at its registered address.

MANDATORY REDEMPTION

The Indenture requires the Company to redeem Fixed Rate Notes in the aggregate principal amount of $14,450,000, and Floating Rate Notes in the aggregate principal amount of $2,550,000, annually on each of September 1, 1996 and September 1, 1997 (at a redemption price of 100% of their principal amount plus accrued interest to the redemption date), calculated to retire 68% of the issue prior to maturity. A Notice of Redemption is to be mailed at least 15 days but not more than 60 days before the redemption date to each Noteholder at its registered address. The Company may, at its option, receive credit against mandatory redemption payments for the principal amount of the Notes that the Company has previously redeemed pursuant to the optional redemption provisions described above.

The Indenture further provides that the Company will make Special Mandatory Redemption Offers upon the occurrence of the following specified events:

(a) MAINTENANCE OF NET WORTH. In the event that the Company's Net Worth at the end of any two (2) consecutive fiscal quarters declines below the Minimum Net Worth, the Company shall, on the last day of the second following fiscal quarter, make an offer in accordance with Section 4.04 hereof (a "Special Mandatory Redemption Offer"), to the Holders to redeem, regardless of whether on such day the Company's Net Worth is above or below the Minimum Net Worth, (A) $5,000,000 aggregate principal amount of the Securities, or (B) such lower amount still outstanding, at a Redemption Price of 102% of the principal amount thereof plus accrued and unpaid interest to the Special Mandatory Redemption Date, and shall continue to make like Special Mandatory Redemption Offers semiannually thereafter until such time as all outstanding Securities have been redeemed; PROVIDED, HOWEVER, that if the Company's Net Worth is equal to or above the Minimum Net Worth as at the last day of any fiscal quarter subsequent to the end

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of such two (2) fiscal quarters, the Company's obligation to make Special Mandatory Redemption Offers on dates after such quarter end shall terminate; and PROVIDED, FURTHER, that if the Company's Net Worth shall thereafter be less than the Minimum Net Worth as at the last day of any two (2) consecutive subsequent fiscal quarters, the Company's semiannual Special Mandatory Redemption Offers shall again commence on the last day of the second following fiscal quarter. For the purposes of this section, "Minimum Net Worth" shall equal the Company's Net Worth at June 30, 1994 minus $5,000,000. In each case, the Minimum Net Worth required to be maintained by the Company will be calculated by reducing such number by (i) any extraordinary charges attributable to the repayment of Indebtedness subsequent to June 30, 1993 (ii), any loss incurred subsequent to June 30, 1993 in connection with the sale by the Company of any Capital Stock of any Subsidiary or any sale of substantially all of the assets of any Subsidiary or division of the Company and (iii) any costs, including consent fees, incurred in connection with the consent solicitation described in the Company's Consent Solicitation Statement dated November 3, 1993, as supplemented from time to time, relating to the Senior Subordinated Notes, and the related and concurrent solicitation of consents from Holders of the Securities. The Company's obligation to make any Special Mandatory Redemption Offer pursuant to this section shall be in addition to, and not in lieu of, any obligation to make a Special Mandatory Redemption Offer as a result of the events described in paragraphs (b) and (c) below.

(b) DISPOSITION OF ASSETS AND SUBSIDIARY STOCK. The Company will not, and will not permit any Subsidiary to, sell, lease, transfer, or otherwise dispose of any part of its properties or assets, other than the sale, lease, transfer or other disposition of inventory or equipment in the ordinary course of business and excluding transactions between Subsidiaries or between the Company and Subsidiaries permitted under certain sections of the Indenture, nor will the Company sell or allow to be sold any Capital Stock of any Subsidiary:

(i) unless (A) the consideration received is equal to or greater than the fair market value of the assets or Capital Stock sold, (B) at least 85% of the consideration is in cash or cash equivalents, (C) (1) the Company uses the full amount of the Net Proceeds from any such sale, lease, transfer or disposition up to an aggregate of $75,000,000 to make a Special Mandatory Redemption Offer to redeem an equal principal amount of the Notes at a Redemption Price of 102% of the principal amount thereof plus accrued and unpaid interest to the Special Mandatory Redemption Date or (2) the Company reinvests such Net Proceeds within 12 months in the Company's consolidated business, other than in the manufacture or distribution of product lines (x) which are not similar or complementary to product lines presently manufactured or distributed by the Company or its Subsidiaries and (y) which would not be distributed or marketed to the same types of customers as presently served by the Company or its Subsidiaries; and (D) the Company uses the full amount of total aggregate Net Proceeds from such sale, lease, transfer or disposition in excess of an aggregate of $75,000,000 to make a Special Mandatory Redemption Offer to redeem an equal principal amount of the Notes at a Redemption Price of 102% of the principal amount thereof plus accrued and unpaid interest to the Special Mandatory Redemption Date; PROVIDED, that the Company shall use Net Proceeds from any such sale, lease, transfer or disposition to which the provisions of paragraph (c) below apply (a "Barnett Transaction") only in accordance with such paragraph (c).

(ii) if the Net Proceeds from any such sale, lease, transfer or other disposition, together with the sum of all Net Proceeds from similar transactions completed during the four full fiscal quarters ending immediately prior to such transaction, are greater than 15% of the Company's Consolidated Tangible Assets as of the end of the most recent fiscal quarter, or if the operating income for the four full fiscal quarters attributable to such assets or Capital Stock is greater than 15% of the Company's Consolidated Operating Income for the four full fiscal quarters ending immediately prior to such transaction, and, in either case, the Company does not make a Special Mandatory Redemption Offer to redeem an equal amount of the Notes at a Redemption Price of 102% of the principal amount thereof plus accrued and unpaid interest to the Special Mandatory Redemption Date. The Company may use Net Proceeds from transactions to which this paragraph applies to redeem Subordinated Indebtedness to the extent such Net Proceeds are not used to redeem Notes pursuant to clauses (i) and (ii) after a Special Mandatory Redemption Offer has been made by the Company and not accepted by Security Holders.

Notwithstanding the foregoing, the Company and its Subsidiaries may (a) sell, lease, transfer or otherwise dispose of assets or Capital Stock of Subsidiaries in a transaction outside the ordinary course of business (other than a Barnett Transaction), PROVIDED that (i) the consideration received is equal to or greater than the fair market value of the assets or Capital Stock sold, (ii) at least 85% of the consideration is in cash or cash equivalents and (iii) the Net Proceeds from all such transactions, after giving effect to the contemplated transaction, completed during the 12 months prior to such transaction do not exceed $3,000,000 in the aggregate and (b) effect the Corporate Restructuring without being required to make a Special Mandatory Offer.

(c) Sale of Company's Interest in Barnett. In the event of a sale by Barnett of shares of its Capital Stock, such that after such sale the Company owns less than 50% of the outstanding Capital Stock of Barnett, counting as exercised or converted all warrants, options and convertible securities held by persons other than the Company, the Company shall make a Special Mandatory Redemption Offer to redeem 100% of the Notes at a Redemption Price of 102% of the principal amount thereof plus accrued and unpaid interest to the Special Mandatory Redemption Date. In the event of a sale by Barnett of shares of its Capital Stock whereby the Company maintains a 50% or greater interest in Barnett:

(i) and the valuation of Barnett immediately prior to the consummation of the sale is greater than or equal to $70,000,000, as determined by the transaction price, then Barnett may use the Net Proceeds from the offering for any purpose permitted under the Indenture except for Investments in the manufacture or distribution of product lines (x) which are not similar or complementary to produce lines presently manufactured or distributed by the Company or its Subsidiaries and (y) which would not be distributed or marketed to the same types of customers as presently served by the Company or its Subsidiaries, with no obligation to offer to redeem the Notes; or

(ii) and the valuation of Barnett immediately prior to the consummation of the sale is less than $70,000,000, as determined by the transaction price, then the Company must make a Special Mandatory Redemption Offer to redeem, at a Redemption Price of 102% of the principal amount thereof plus accrued and unpaid interest to the Special Mandatory Redemption Date, the amount of Notes necessary to reduce the ratio of the outstanding principal amount of the Notes to the value of the Company's remaining interest in Barnett to 1:1.4, as determined by the transaction price;

PROVIDED, HOWEVER, that if Barnett distributes, dividends, loans, advances or otherwise transfers to the Company or any Subsidiaries or Affiliates of the Company (other than Barnett or any Subsidiary of Barnett) any Net Proceeds from such sale of Capital Stock of Barnett, the Company shall use such Net Proceeds in accordance with the provisions of paragraph (b) above, as if it received such Net Proceeds from a transaction to which the provisions of paragraph (b) above apply.

In the event of a sale by the Company of 50% or more of the Company's shares of Capital Stock of Barnett, the Company shall make a Special Mandatory Redemption Offer to redeem 100% of





the Notes at a Redemption Price of 102% of the principal amount thereof plus accrued and unpaid interest to the Special Mandatory Redemption Date.

In the event of a sale by the Company of less than 50% of the Company's shares of Capital Stock of Barnett, the Company shall make a Special Mandatory Redemption Offer to redeem, at a Redemption Price of 102% of the principal amount thereof plus accrued and unpaid interest to the Special Mandatory Redemption Date, the amount of Notes necessary to reduce the ratio of the outstanding principal amount of Notes to the value of the Company's remaining shares of Capital Stock of Barnett to 1:1.4, as determined by the transaction price.

SPECIAL PAYMENT

The Indenture provides that unless on or prior to December 31, 1994, the Company shall have satisfied and discharged its obligations under the Indenture, then on December 31, 1994, the Company shall irrevocably deposit with the Trustee for the ratable benefit of the holders of the Notes an amount in cash equal to 1.0% of the aggregate principal amount of Notes outstanding on such date

REPURCHASE AT OPTION OF NOTEHOLDER

In the event of a Change in Control, holders of the Notes will have the right to require the Company to repurchase such holders' Notes at a price of 102% of the principal amount thereof plus accrued interest, if any, to the date of purchase. Upon the occurrence of such event, the Company will make an offer to repurchase all of the Notes, which offer will comply with all applicable tender offer rules, including, but not limited to, Section 14(e) of the Exchange Act and Rule 14e-1 thereunder.

This provision of the Indenture is intended to protect the holders of the Notes against a diminution in the value of the Notes in the event of certain extraordinary corporate transactions such as a recapitalization, leveraged buyout or similar transaction. In the event of such a transaction which constitutes a Change in Control, holders will have the option of continuing to hold the Notes or liquidating their investment by requiring the Company to repurchase the Notes. However, the provision will have no effect in the event of an extraordinary transaction which results in the Waxman Family Group retaining control of the Company and thus does not constitute a Change in Control.

RANKING

The Notes are PARI PASSU in right of payment with all Senior Indebtedness and senior in right of payment to all Subordinated Indebtedness. The Fixed Rate Notes and Floating Rate Notes are equal INTER SESE in right of payment. The Indenture contains certain restrictions on the ability of the Company and its Subsidiaries to incur additional Indebtedness, including Senior Indebtedness. See "Certain Covenants - Limitation on Incurrence of Indebtedness by the Company" and "- Limitation on Indebtedness and Convertible Preferred Stock of Subsidiaries."

A significant portion of the Company's operations is conducted through Subsidiaries. The rights of the Company and its creditors, including the holders of the Notes, to participate in the assets of any Subsidiary upon any liquidation or reorganization of such Subsidiary or otherwise will be subject to the prior claims of creditors of such Subsidiary, except to the extent that the Company may itself be a creditor with recognized claims against the Subsidiary. The ability of the Company to pay principal and interest on the Notes may be dependent upon the payment to it of dividends, interest or other charges by the Subsidiaries.





CERTAIN COVENANTS

LIMITATION ON DIVIDENDS, ACQUISITIONS OF CAPITAL STOCK AND INVESTMENTS IN SUBSIDIARIES

The Indenture provides that the Company shall not, and shall not permit any Subsidiary to, directly or indirectly, (i) declare or pay any dividends on or make any distributions, in cash or otherwise, in respect of its Capital Stock to holders of Capital Stock of the Company or, except for payment to the Company, to holders of Capital Stock of any Subsidiary of the Company, or (ii) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company or any Subsidiary (other than Qualified Investments), or (iii) make any payments or contributions to, guaranties of any Indebtedness of or Investments in, any Subsidiary or any Affiliate of the Company or of any Subsidiary (other than Qualified Investments) or (iv) make any other Investments other than Qualified Investments (any such transaction described in (i), (ii), (iii) or (iv) being hereinafter referred to as a "Restricted Payment") if, at the time of such Restricted Payment, or after giving effect thereto: (A) an Event of Default shall have occurred and be continuing; or (B) the aggregate amount expended subsequent to the date of the original issuance of the Notes for all such Restricted Payments (the amount of any Restricted

Payment, if other than cash, to be the fair market value of such payment) exceeds the sum of (x) the sum of (i) 50% of the Company's cumulative Consolidated Net Income earned subsequent to June 30, 1991 in any fiscal quarter at the end of which the ratio of the Company's Total Consolidated Indebtedness to Net Worth is equal to or greater than 2.0 to 1 and (ii) 30% of the Company's cumulative Consolidated Net Income earned subsequent to June 30, 1991 in any fiscal quarter at the end of which the Company's Total Consolidated Indebtedness to Net Worth is less than 2.0 to 1; (y) the Net Proceeds of the issuance or sale after the initial issuance of the Notes of Capital Stock of the Company, net of amounts used for the redemption of Notes; and (z) the net cash proceeds of the issuance or sale after the initial issuance of the Notes of any Indebtedness of the Company which has been converted pursuant to its terms into shares of Capital Stock of the Company; PROVIDED, HOWEVER, that clause (B) shall not prevent (I) the payment of any dividend within 90 days after the date of declaration thereof if, at the date of declaration and, after giving effect to any such dividend payments, the Company is in compliance with the provisions of this section, (II) the retirement of any shares of the Company's Capital Stock by exchange for or out of the proceeds of a substantially concurrent sale (other than to a Subsidiary) of other shares of the Company's Capital Stock, (III) the payment of any dividend or distribution payable in Capital Stock of the Company, or (IV) the payment of cash dividends on the Company's Common Stock and Class B Common Stock with respect to each of the four fiscal quarters subsequent to the original issuance of the Notes at a rate per share not in excess of $0.12 per annum (as adjusted for stock splits, dividends, subdivisions or combinations); and PROVIDED, FURTHER, HOWEVER, that the Company may not pay dividends on the Company's Common Stock and Class B Common Stock with respect to any fiscal quarter at a rate per share in excess of $0.12 per annum (as adjusted for stock splits, dividends, subdivisions or combinations) unless the ratio of the Company's Total Consolidated Indebtedness to Net Worth at the end of such fiscal quarter is less than 2.0 to 1, after giving effect to the Restricted Payment as if it had occurred in such fiscal quarter. The Indenture provides that the Company will not, and will not permit any Subsidiary to, directly or indirectly, make or acquire any Investment, or purchase or otherwise acquire any plant, property or equipment, other than Qualified Investments, except as permitted by this covenant.

Notwithstanding the foregoing, the Indenture shall not prohibit the Company from permitting (i) Barnett, Consumer Products and WOC (collectively, the "Operating Companies") to declare or pay dividends on or make distributions, in cash or otherwise, in each case without duplication, to Waxman USA and Waxman USA to declare or pay dividends on or make distributions, in cash or otherwise, in amounts required by the Company to pay, and the Company may pay, interest on the Notes and on the Company's 13 3/4% Senior Subordinated Notes dues June 1, 1999, (ii) Waxman USA, Barnett, Consumer Products, WOC, TWI and WAMI to make cash payments to the Company pursuant to (x) that certain Intercorporate Agreement dated as of the date hereof among the Company, Waxman USA, Consumer





Products, Barnett and WOC (the "Intercorporate Agreement") and, (y) so long as such Subsidiary of the Company is included in the Company's consolidated federal income tax return, that certain Tax Sharing Agreement dated as of the date hereof among the Company, Waxman USA, Consumer Products, Barnett, WOC, TWI and WAMI (the "Tax Sharing Agreement), and (iii) Waxman USA to guarantee the obligations of the Company under the Notes and this Indenture pursuant to the Guarantee. Any amounts expended pursuant to the preceding sentence shall not be Restricted Payments for purposes of this Indenture.

LIMITATION ON INCURRENCE OF INDEBTEDNESS BY THE COMPANY

The Indenture provides that the Company will not create, incur, guarantee or assume any Indebtedness, in addition to Indebtedness evidenced by the Notes, except for:

(a) Indebtedness of the Company pursuant to the 12 3/4% Senior Secured Deferred Coupon Notes Due 2004 offered pursuant to the Offer to Exchange and additional Indebtedness in an amount up to $5,000,000, the proceeds of which are applied for working capital purposes, provided that no such working capital Indebtedness may be incurred if, after giving effect thereto, the total Indebtedness incurred and outstanding under this subsection would exceed the Company Borrowing Base; and provided, further, that no such Indebtedness may be created, incurred, assumed or suffered to exist if all or any portion of the proceeds therefrom are (or are to be) applied in connection with the manufacture or distribution of, or entry into any line of business (through merger, consolidation, acquisition, purchase of all or substantially all of the assets of any person or business or otherwise) relating to, product lines (i) which are not similar or complementary to product lines presently manufactured or distributed by the Company or its Subsidiaries and (ii) which would not be distributed or marketed to the same types of customers as presently served by the Company or its Subsidiaries;

(b) other Indebtedness if, after giving effect thereto and the application of the proceeds thereof, the Company's Consolidated Operating Cash Flow Ratio is greater than and the ratio of the Company's Total Consolidated Indebtedness to Total Capitalization is less than, the following:

| FOR THE FISCAL YEAR ENDING JUNE 30, | CONSOLIDATED OPERATING CASH FLOW RATIO | TOTAL CONSOLIDATED INDEBTEDNESS TO TOTAL CAPITALIZATION |
|---|---|---|
| 1994 | 1.8 to 1 | 79% |
| 1995 | 1.9 to 1 | 77% |
| Thereafter | 2.0 to 1 | 75% |

Notwithstanding anything to the contrary contained in paragraphs (a) or (b) above, the Company (excluding Subsidiaries) may not have outstanding Senior Indebtedness in an aggregate amount in excess of $100,000,000 at any one time.

(c) Indebtedness incurred solely for the purpose of renewing, extending or refunding Indebtedness that was incurred in compliance with the provisions of paragraph (a) or (b) of this covenant or was existing as of the date of the initial issuance of the Notes; PROVIDED that the principal amount of any Indebtedness incurred pursuant to this paragraph (c) shall not exceed the principal amount, and the weighted average life of any Indebtedness incurred pursuant to this paragraph (c) shall not be less than the weighted average life, of the Indebtedness being renewed, extended or refunded, and if the Indebtedness to be renewed, extended or refunded was incurred pursuant to paragraph (b) above, the priority of payment of the Indebtedness pursuant to this





paragraph (c) relative to the Notes is the same as or subordinate to that of the Indebtedness being renewed, extended or refunded.

LIMITATION ON INDEBTEDNESS AND PREFERRED STOCK OF SUBSIDIARIES

The Indenture provides that:

(a) The Company shall not permit any Subsidiary to issue any preferred stock or to create, incur, guarantee or assume Indebtedness except for the following: (i) Indebtedness owed to the Company; (ii) Subsidiary Indebtedness existing at the date of the initial issuance of the Notes; (iii) Indebtedness that is non-recourse to the Company outstanding at the time a Subsidiary becomes a Subsidiary; (iv) Indebtedness of the Operating Companies in an amount up to $70,000,000, the proceeds of which are used for general corporate purposes (the "Permitted Operating Companies Indebtedness"); (v) Indebtedness of Waxman USA incurred to refinance Indebtedness of the Company and any fees, expenses and premiums incurred in connection with such refinancing (the "Permitted Waxman USA Indebtedness"); (vi) Indebtedness of Waxman USA incurred pursuant to the Guarantee; and (vii) extensions, renewals and refundings of (ii), (iii), (iv), (v) and (vi), so long as principal amounts are not increased, and, in the case of clauses (ii) and (iii) above, the weighted average life of any such Indebtedness is not decreased and the extended, renewed or refunded Indebtedness does not have a more senior priority ranking.

(b) Notwithstanding anything to the contrary in this covenant, the Company may permit Ideal or Belanger to create, incur, guarantee or assume any Indebtedness, in an amount up to Canadian $35,000,000 if, after giving effect thereto and the application of the proceeds thereof, the Company's Consolidated Operating Cash Flow Ratio is greater than and the ratio of the Ideal's Total Consolidated Indebtedness to Total Capitalization is less than the following:

| FOR THE | | TOTAL CONSOLIDATED |
|---|---|---|

| FISCAL YEAR ENDING JUNE 30, | CONSOLIDATED OPERATING CASH FLOW RATIO | INDEBTEDNESS TO TOTAL CAPITALIZATION |
|---|---|---|
| 1994 | 1.7 to 1 | 81% |
| 1995 | 1.8 to 1 | 79% |
| Thereafter | 1.9 to 1 | 77% |

PROVIDED, HOWEVER, that in no event may the aggregate outstanding amount of Indebtedness of Ideal and Belanger exceed Canadian $95,000,000.

MAINTENANCE OF CONSOLIDATED OPERATING CASH FLOW COVERAGE RATIO

The Indenture provides that the Company's Consolidated Operating Cash Flow Coverage Ratio for (i) the full fiscal quarter ending on September 30, 1993, (ii) the two full consecutive fiscal quarters ending on December 31, 1993, (iii) the three full consecutive fiscal quarters ending on March 31, 1994 and (iv) the four full consecutive fiscal quarters ending on June 30, 1994 or on the last day of any fiscal quarter thereafter shall not be less than 1.1 to 1.

LIMITATION ON SUBSIDIARY PAYMENT RESTRICTIONS

The Indenture provides that the Company will not, and will not permit any Subsidiary to, create or otherwise cause or suffer to exist or become effective any consensual restriction or encumbrance on the ability of any Subsidiary (a) to pay dividends or make any other distributions on such Subsidiary's





Capital Stock to, or pay any Indebtedness owing to, or repurchase or redeem any of such Subsidiary's Capital Stock from, the Company or any other Subsidiary, (b) to make any loans or advances to the Company or any other Subsidiary, or (c) to transfer any of its property or assets to the Company or any other Subsidiary, except for (i) the restrictions contained herein and in the Ideal Credit Agreement, (ii) the restrictions contained in any agreement or instrument relating to Indebtedness incurred by Ideal in accordance with Section 5.11(b) or Indebtedness in existence on the date of the initial issuance of the Notes, provided that the terms and conditions of such agreement or instrument relating to the limitations referred to in (a), (b) and (c) above are no more restrictive on any Subsidiary than the terms and conditions of the Ideal Credit Agreement, and (iii) restrictions, agreed to by Waxman USA or the Operating Companies, in any agreement or instrument relating to Permitted Waxman USA Indebtedness and Permitted Operating Companies Indebtedness, respectively; provided, however, that such restrictions do not materially impair the ability of Waxman USA or the Operating Companies to declare and pay dividends or make distributions of up to 100% of their respective net income to permit the Company to meet its debt service obligations on the Securities in the absence of a default under any such agreement or instrument and provided, further, that such restrictions do not materially impair the ability of Waxman USA or the Operating Companies to make cash payments to the Company, in addition to such dividends and distributions, in the absence of a default under any such agreement or instrument, pursuant to (i) the Intercorporate Agreement and, (ii) so long as such Subsidiary is included in the Company's consolidated federal income tax returns, the Tax Sharing Agreement.

SUBORDINATED DEBT REPURCHASES

The Indenture provides that the Company may not purchase, redeem or otherwise acquire or retire (other than pursuant to mandatory redemptions or at maturity) any Subordinated Indebtedness if the total of such purchases exceeds the sum of (i) the sum of (x) 75% of the sum of Consolidated Net Income plus increases in deferred taxes and less decreases in deferred taxes, plus depreciation and amortization of intangibles, less capital expenditures, less (y) 100% of the sum of cash dividends or distributions on the Company's Capital Stock, amounts paid to make Mandatory Redemptions of the Notes, repurchases of Capital Stock or any investments (other than Qualified Investments), in each case subsequent to June 30, 1991; (ii) the net proceeds of the issuance or sale after the initial issuance of the Notes of Capital Stock or Subordinated Indebtedness of the Company, net of any amounts used for the repurchase of Notes; (iii) the net proceeds of the issuance or sale after the date of the initial issuance of the Notes of any Indebtedness of the Company which has been converted into shares of Capital Stock of the Company; and (iv) $3,000,000.

Notwithstanding the foregoing, the Company may purchase, redeem or otherwise acquire or retire any Subordinated Debt using Net Proceeds from sales of the Company's assets not used to redeem the Notes after a Special Mandatory Redemption Offer has been made to the Security Holders. Notwithstanding anything to the contrary herein, the provisions of this section shall not be violated by the purchase, redemption or other acquisition or retirement by the Company of any or all of its (i) outstanding 13 3/4% Senior Subordinated Notes due June 1, 1999 pursuant to the Offer to Exchange and (ii) outstanding 9 1/2% Convertible Subordinated Debentures due March 15, 2007.

RESTRICTION ON LIENS

The Indenture provides that so long as any of the Notes shall be outstanding, the Company will not create, grant or suffer to exist, directly or indirectly, a Lien upon any property of any character owned by the Company or any Subsidiary, whether now owned or hereafter acquired, except (i) Liens existing at the date of the initial issuance of the Securities, Liens granted by the Operating Companies on their respective assets to secure Permitted Operating Companies Indebtedness, Liens granted by





Waxman USA on the Capital Stock of its Subsidiaries to secure the Guarantee and/or Permitted Waxman USA Indebtedness and Liens granted by the Company on the Capital Stock of its Subsidiaries (other than the Ideal Group) to secure its 12 3/4% Senior Secured Deferred Coupon Notes Due 2004 offered pursuant to the Offer to Exchange; (ii) Liens to secure Indebtedness permitted under the Indenture, PROVIDED that the aggregate amount of all assets subject to such liens at any time does not exceed 15% of Consolidated Tangible Assets; (iii) renewal of Liens permitted under (i) and (ii); and (iv) Customary Permitted Liens.

LIMITATIONS ON MATERIAL ACQUISITIONS

The Indenture provides that the Company will not, and will not permit any Subsidiary to, make a Material Acquisition unless (a) no Default or Event of Default exists at the time of or after giving effect to such Material Acquisition; (b) after giving effect to such Material Acquisition (on a pro forma basis, as if such Material Acquisition and any related financing transaction had occurred at the beginning of the four-quarter period immediately preceding such Material Acquisition), the Company would be permitted to incur $1.00 of additional Indebtedness pursuant to the Limitation on Incurrence of Indebtedness covenant discussed above; (c) the Company has a Consolidated Tangible Net Worth after giving effect to such Material Acquisition not less than the Company's Consolidated Tangible Net Worth prior to such Material Acquisition, as reduced by any goodwill acquired in or resulting from such Material Acquisition up to $10,000,000; and (d) the business or property which is the subject of such Material Acquisition is in a line of business relating to product lines (i) which are similar or complementary to product lines presently manufactured or distributed by the Company or its Subsidiaries and (ii) which would be distributed or marketed to the same types of customers as presently served by the Company or its Subsidiaries.

MERGERS, CONSOLIDATIONS AND SALES OF ASSETS

The Indenture provides that the Company may not consolidate with or merge with or into any other corporation, or permit any other entity to merge with or into the Company or any Subsidiary, or transfer or lease in a single transaction or through a series of transactions all or substantially all of its properties and assets as an entirety or substantially as an entirety to any person or group of affiliated persons, unless (1) either the Company shall be the continuing person, or the resulting or surviving person (if other than the Company) expressly assumes all the obligations of the Company under the Notes and the Indenture; (2) such person formed by such consolidation or surviving such merger or to which the properties and assets of the Company as an entirety or substantially as an entirety are transferred shall have a Consolidated Tangible Net Worth (immediately after and giving effect to such transaction), equal to or greater than that of the Company (immediately preceding such transaction); (3) immediately before and immediately after giving effect to such transaction, no Event of Default and no Default shall have occurred and be continuing; (4) the person formed by such consolidation or surviving such merger or to which the properties and assets of the Company as an entirety or substantially as an entirety are transferred (immediately after giving effect to such transaction) is able to incur additional Indebtedness of at least $1.00 under the Limitation on Incurrence of Indebtedness covenant discussed above; and (5) certain other conditions are satisfied. Notwithstanding the foregoing, the Company and its Subsidiaries shall be permitted to effect the Corporate

Restructuring.

DEFAULTS AND REMEDIES

The Indenture provides that an Event of Default occurs if (i) the Company defaults in the payment of the principal of or premium, if any, on the Notes whether due upon maturity, redemption or otherwise; (ii) the Company defaults for 15 days in payment of interest on the Notes; (iii) the Company fails to comply with any of its other agreements in the Indenture, the Notes or certain related agreements for the period and after the notice specified below; (iv) the Company or any Subsidiary defaults in (A) the





payment of interest on other indebtedness or the performance of any other agreement, term or condition contained in any agreement under which other indebtedness is created or secured, if the effect of such default is to cause in excess of $5,000,000 in aggregate principal amount of such indebtedness to become due prior to its stated maturity or (B) the payment of principal of other indebtedness, if the effect of such default is to permit the holders of such indebtedness to cause in excess of $5,000,000 in aggregate principal amount of such indebtedness to become due prior to its stated maturity; (v) any executive officer of the Company fails, after such executive officer becomes aware that an Event of Default has occurred, to promptly notify the Security Holders of such Event of Default and provide a written statement to the Security Holders setting forth the details of the Event of Default and any action with respect thereto taken or contemplated to be taken by the Company; (vi) the security interest of the Security Holders is not perfected, enforceable or valid; (vii) the Company or any Material Subsidiary becomes insolvent, fails to pay its debts generally as they become due, commences a voluntary case under any applicable bankruptcy law, consents to a judgment in an involuntary case under any applicable bankruptcy law, consents to the appointment of a custodian of its property or makes a general assignment for the benefit of its creditors; (viii) a court enters a judgment in respect of the Company or any Material Subsidiary in an involuntary bankruptcy case and such judgment remains unstayed for a period of 60 consecutive days or any bankruptcy proceeding is commenced against the Company or any Material Subsidiary and is not dismissed within 30 days; (ix) final judgments involving aggregate uninsured liability exceeding $2,500,000 are rendered against the Company or any Subsidiary and remain undischarged for a period of 60 days; or (x) the Trustee receives notice from the Company or holders of at least 25% in principal amount of the outstanding Notes of the occurrence of a material default under, or a material breach of, the agreements (other than the Indenture) relating to the issuance of the Notes. For purposes of this section, the terms "Subsidiary" and "Material Subsidiary" shall not include any members of the Ideal Group and in no event shall any event of default exist as a result of any action or inaction of or relating to any member of the Ideal Group or of the Company with respect to the Ideal Group or any member thereof.

A default under clause (iii) above is not an Event of Default unless the Company does not cure the default within 30 days after it receives notice of the default from the Trustee or the holders of at least 25% in principal amount of the outstanding Notes, other than defaults under the provisions relating to Restricted Payments and the incurrence of Indebtedness, with respect to which the Company has ten days after notice to cure a default, and other than the failure by the Company to effect a Special Mandatory Redemption Offer or the repurchase offer required upon a Change of Control, either of which will constitute an Event of Default without notice or the passage of time.

The Indenture provides that the Trustee shall, within 90 days after the occurrence of a Default which is continuing and which is known to the Trustee, give the holders of Notes notice of all uncured defaults known to it; PROVIDED that, except in the case of default in the payment of principal, premium, if any, or interest on the Notes, including payment upon mandatory redemption, the Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the Security Holders.

In case an Event of Default (other than an Event of Default resulting from bankruptcy, insolvency or reorganization) shall have occurred and be continuing, the Trustee or the holders of at least 25% in principal amount of the Notes outstanding by notice in writing, may declare to be due and payable immediately the principal of, premium, if any, and accrued interest on the Notes. In case an Event of Default resulting from certain events of bankruptcy, insolvency or reorganization shall occur, such amount with respect to all the Notes shall be due immediately and payable without any declaration or any act on the part of the Trustee or the holders of the Notes. Such declaration may be annulled and past defaults may be waived (except, unless theretofore cured, a default in payment of principal, premium, if any, or interest) by the holders of 66 2/3% in principal amount of the Notes outstanding upon





conditions provided in the Indenture. Except to enforce the right to receive payment of principal or interest when due, no holder of a Note may institute any proceeding with respect to the Indenture or for any remedy thereunder unless such holder has previously given to the Trustee written notice of a continuing Event of Default and unless the holders of at least 25% in principal amount of the Notes outstanding have made a written request to the Trustee to institute proceedings in respect of such Event of Default, have offered the Trustee reasonable indemnity against loss, liability and expense to be thereby incurred and the Trustee has failed so to act for 60 days after receipt of the same and no inconsistent direction has been given to the Trustee from the holders of a majority in principal amount of the Notes outstanding during such 60 day period.

The Indenture requires the Company to file annually with the Trustee a statement regarding compliance by the Company with certain covenants in the Indenture, specifying any defaults of which the signers may have knowledge.

AMENDMENT, SUPPLEMENT AND WAIVER

Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the holders of at least 66 2/3% in principal amount of the Notes outstanding, and any past default or non-compliance with any provisions may be waived with the consent of the holders of a majority in principal amount of the Notes. Without the consent of Noteholders, the Company may amend or supplement the Indenture or the Notes to cure any ambiguity, defect or inconsistency or to evidence the succession of another corporation or to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Noteholder. However, without the consent of the holders of the Notes, the Company may not amend or supplement the Indenture or the Notes, nor shall a waiver be effective, to, among other things, extend the maturity, reduce the rate or extend the time of payment of interest, modify the terms or manner of payment of the principal, premium, if any, or interest on the Notes in any other way, change redemption provisions in a manner adverse to the holders or reduce the percentage of holders necessary to amend or supplement the Indenture.

SATISFACTION AND DISCHARGE OF INDENTURE

The Company may terminate its obligations, with certain exceptions, under the Notes and the Indenture if all Notes previously authenticated and delivered (other than destroyed, lost or stolen Notes which have been replaced or paid) have been delivered to the Trustee for cancellation and the Company has paid all sums payable by it under the Indenture or if (i) the Company irrevocably deposits in trust with the Trustee money or United States Government Obligations sufficient to pay principal of and interest on the Notes in cash to maturity or redemption, as the case may be, and to pay all other sums payable to the Trustee under the Indenture and, (ii) no Default or Event of Default shall have occurred or be continuing, (iii) such deposit will not result in a breach of, or constitute a default under the Indenture or any other instrument to which the Company is a party or by which it or its property is bound, (iv) the Company delivers to the Trustee an opinion of independent counsel to the effect that the Holders of the Notes will not recognize income, gain or loss for federal income tax purposes and that the Holders will have no federal income tax consequences as a result of such deposit, and (v) certain other conditions are satisfied.

REPORTS TO NOTEHOLDERS

So long as any of the Notes remain outstanding, the Company shall cause annual reports on Form 10-K and quarterly reports on Form 10-Q containing financial statements and other information concerning the business and affairs of the Company to be mailed to the Noteholders.

THE TRUSTEE

The Trustee is permitted to engage in other transactions with the Company; provided, however, that if the Trustee acquires certain conflicting interests specified in the 1939 Act, it must eliminate such conflicts or resign. Presently, United States Trust Company of New York also serves as Agent under the Pledge Agreement and as Warrant Agent under the Warrant Agreement.

The holders of a majority in principal amount of Notes then outstanding will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, PROVIDED that such direction would not conflict with any rule of law or with the terms of the Indenture and would not be unduly prejudicial to the rights of another Noteholder or that may subject the Trustee to personal liability. The Indenture provides that, in case an Event of Default shall occur (and not be cured), the Trustee will be required to use the same degree of care and skill in the exercise of its powers as a prudent person would use in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any of the Noteholders, unless it shall have received security and indemnity satisfactory to it.

## DESCRIPTION OF WARRANTS

The Warrants, which are governed by the terms and conditions of the Warrant Agreement, are immediately exercisable into 957,000 shares of Common Stock at an exercise price of $4.60 per share. The exercise price of the Warrants and the number of shares of Common Stock issuable upon exercise of the Warrants are subject to adjustment upon the occurrence of certain events including but not limited to, the declaration of dividends or making of a distribution on the outstanding shares of the Company's Common Stock in shares of its Common Stock or the subdivision or reclassification of the outstanding shares of the Company's Common Stock into a greater or smaller number of shares. The Warrants expire on September 1, 1996. The Company may offer to the registered holder the option, in lieu of exercising the Warrants, of surrendering the Warrants, in whole or in part, for a cash payment equal to the product of (i) the Closing Price (as defined in the Warrant Agreement) for a share of Common Stock on the last business day prior to the date of surrender of the warrant certificate less the exercise price, and (ii) the number of shares of Common Stock to which the holder is entitled pursuant to the Warrants surrendered therefor.

As long as any Warrant remains outstanding, the Company is not permitted to (i) issue any shares of its Class B Common Stock or options, rights, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of its Class B Common Stock; (ii) authorize, issue, grant or sell incentive stock options, non-qualified stock options or any other option to subscribe for or purchase shares of Common Stock if the aggregate number of shares of Common Stock which may be purchased under all such options exceeds 2,400,000; and (iii) authorize or grant incentive stock options, non-qualified stock options or any other option to subscribe for or purchase any shares of any class of common stock of the Company other than the Common Stock.

## DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 2,000,000 shares of Preferred Stock, $.01 par value, 22,000,000 shares of Common Stock, $.01 par value, and 6,000,000 shares of Class B Common Stock, $.01 par value. As of June 14, 1994, no shares of Preferred Stock, 9,489,657 shares of Common Stock and 2,222,505 shares of Class B Common Stock were issued and outstanding.





COMMON STOCK AND CLASS B COMMON STOCK

Each share of Common Stock entitles the holder to one vote on all matters submitted to the stockholders, including the election of directors, and each share of Class B Common Stock entitles the holder to ten votes on all such matters. Except as set forth below, all actions submitted to a vote of stockholders are voted on by holders of Common Stock and Class B Common Stock voting together as a single class. The holders of Common Stock and Class B Common Stock vote separately as classes with respect to any amendments to the Company's Certificate of Incorporation that alter or change the powers, preferences or special rights of their respective classes of stock so as to affect them adversely, and with respect to such other matters as may require class votes under the Delaware General Corporation Law.

Dividends on the Class B Common Stock may not exceed those on the Common Stock. Each share of Common Stock and Class B Common Stock is equal in respect of rights to dividends and other distributions in stock or property of the Company (including distributions upon liquidation of the Company), except that in the case of dividends or other distributions payable on the Common Stock and the Class B Common Stock in shares of such stock, including distributions pursuant to split-ups or divisions of the Common Stock or the Class B Common Stock, only Common Stock will be distributed with respect to Common Stock and only Class B Common Stock will be distributed with respect to Class B Common Stock. In no event will either the Common Stock or the Class B Common Stock be split, divided or combined unless the other is split, divided or combined equally.

The Class B Common Stock is not transferable by a holder except to or among such holder's spouse, certain of such holder's relatives and certain trusts established for their benefit. The Class B Common Stock is convertible into Common Stock on a share-for-share basis at any time.

If the number of outstanding shares of Class B Common Stock at any time falls below 250,000 (as adjusted for any stock splits, combinations, stock dividends or further issuances of Class B Common Stock), the outstanding shares of Class B Common Stock will automatically be converted into shares of Common Stock.

The Class B Common Stock may tend to have an anti-takeover effect. Since voting control of the Company is vested primarily in the holders of the Class B Common Stock, the issuance of the Class B Common Stock could render more difficult, or discourage, a hostile merger proposal, a tender offer or a proxy contest, even if such actions were favored by a majority of the holders of Common Stock. As of June 1, 1994, Melvin Waxman and Armond Waxman beneficially owned an aggregate of approximately 80.1% of the outstanding Class B Common Stock and 61.1% of the aggregate outstanding voting power of the Company.

The transfer agent and registrar for the Common Stock and Class B Common Stock is National City Bank, Cleveland, Ohio.

PREFERRED STOCK

The Preferred Stock may be issued from time to time in one or more series, and the Board of Directors is authorized to fix the dividend rights and terms, any conversion rights, any voting rights, any redemption rights and terms (including sinking fund provisions), the rights in the event of liquidation and any other rights, preferences, privileges and restrictions of any series of Preferred Stock, as well as the number of shares constituting such series and the designation thereof. The Preferred Stock, if issued, will rank senior to the Company Common Stock as to dividends and as to liquidation preference. Holders of Preferred Stock will have no preemptive rights. The issuance of shares of Preferred Stock could have an anti-takeover effect under certain circumstances. The issuance of shares of Preferred Stock could





enable the Board of Directors to render more difficult or discourage an attempt to obtain control of the Company by means of a merger, tender offer or other business combination transaction directed at the Company by, among other things, placing shares of Preferred Stock with investors who might align themselves with the Board of Directors, issuing new shares to dilute stock ownership of a person or entity seeking control of the Company or creating a class or series of Preferred Stock with voting rights. The issuance of shares of the Preferred Stock as an anti-takeover device might preclude stockholders from taking advantage of a situation which they believed could be favorable to their interests. No shares of Preferred Stock are outstanding, and the Company has no present plans to issue any shares of Preferred Stock.

## CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following discussion sets forth the material Federal income tax consequences associated with the acquisition, ownership and disposition of the Securities by prospective purchasers. This summary does not discuss all aspects of Federal income taxation that may be relevant to a particular holder of Securities in light of his personal investment circumstances or to certain types of holders of Securities subject to special treatment under the Federal income tax laws (for example, life insurance companies, tax-exempt organizations and foreign corporations and individuals who are not citizens or residents of the United States) and does not discuss any aspects of state, local or foreign taxation. The discussion is addressed primarily to purchasers who will hold the Securities as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). Moreover, substantial uncertainties, resulting from the lack of definitive judicial or administrative authority and interpretation, apply to various tax aspects of the acquisition, ownership and disposition of the Securities. As to such issues, the discussion sets forth the positions that the Company believes to be correct and currently intends to take. No assurance, however, can be given that the Service will not take contrary or differing positions. No ruling from the Internal Revenue Service (the "Service") has been or will be requested in any tax matters concerning the offering. Prospective purchasers are urged to consult their own tax advisors as to the precise Federal, state, local and other tax consequences of acquiring, owning and disposing of the Securities.

THE NOTES

STATED INTEREST ON THE NOTES

In addition to the accrual of interest income under the original issue discount rules discussed below, a holder of a Note will be required to report as income for Federal income tax purposes the stated interest on such Note in accordance with the holder's method of tax accounting.

ORIGINAL ISSUE DISCOUNT

In 1986, the Service issued proposed regulations (with certain amendments made in 1989 and 1991) governing the inclusion in income of original issue discount ("OID") by holders of debt instruments (the "1986 Proposed Regulations"). The 1986 Proposed Regulations were to become effective for debt instruments issued after July 1, 1982. On December 22, 1992, the Service withdrew the 1986 Proposed Regulations and issued a new set of proposed regulations governing the inclusion in income of original issue discount by holders of debt instruments. With certain changes, these proposed regulations were adopted and published in the Federal Register on February 2, 1994, and substantially revised the 1986 Proposed Regulations (the "1994 Regulations"). (Together, the 1986 Proposed Regulations and the 1994 Regulations will be referred to as the "OID Regulations.") The 1994 Regulations are only effective for debt instruments issued on or after April 14, 1994, and, by their terms, are not applicable to the Notes.





In Treasury decision Section 517 relating to the 1994 Regulations, the Service has stated that taxpayers may rely upon the 1986 Proposed Regulations as "substantial authority" under Section 6662 of the Internal Revenue Code (relating to certain penalties for the understatement of taxes) for debt instruments issued prior to their withdrawal. Thus, the Company and the holders of the Securities may rely on the 1986 Proposed Regulations as "substantial authority" with respect to the Notes and the Warrants, which were issued on September 17, 1991, to avoid certain penalties, if necessary. However, to the extent that the 1986 Proposed Regulations conflict with the 1994 Regulations, the Service may apply the rules contained in the 1994 Regulations for purposes of determining a taxpayer's substantive tax liability.

In certain instances, the OID Regulations are potentially inconsistent or are susceptible to varying interpretations. No assurance can be given that the Service will agree with the positions the Company may take with respect to the OID Regulations. Purchasers are urged to consult their own tax advisors regarding the application of the OID Regulations to an investment in the Notes.

The amount of OID, if any, on a debt instrument is the difference between its "issue price" and its "stated redemption price at maturity," subject, generally, to a statutory de minimis exception. The portion of original issue discount, if any, accrued (and to be included in income) with respect to a debt instrument with a maturity of more than one year will generally be determined for each accrual period under the constant yield method by multiplying the adjusted issue price of the debt instrument at the beginning of the accrual period by its yield to maturity (determined on the basis of semi-annual compounding), and subtracting from that product the amount of any interest payments made during that accrual period which are based on a single fixed rate and are payable unconditionally in cash or in property (other than debt instruments of the issuer) at intervals of one year or less during the entire term of the debt instrument ("Qualified Stated Interest"). The resulting amount is allocated ratably to each day in the accrual period, and the amount includible in a holder's income (whether on the cash or accrual method of accounting) with respect to the debt instrument is the sum of the resulting daily portions of OID for each day of the taxable year on which the holder held the debt instrument. The adjusted issue price of a debt instrument at the beginning of any accrual is equal to its original issue price increased by all previously accrued original issue discount and reduced by the amount of all previous payments made on such debt instrument other than payments of Qualified Stated Interest. Generally, the tax basis of a debt instrument in the hands of the holder will be increased by the amount of OID, if any, that is included in the holder's income pursuant to these rules and will be decreased by the amount of any payment received by the holder other than payments of Qualified Stated Interest.

The 1986 Proposed Regulations provide that if a debt instrument is issued as part of an investment unit, which includes a property right such as a Warrant, and neither the property right nor the debt instrument is publicly traded within ten (10) days after issuance (as was the case with respect to the Notes and the Warrants), the original issue price of the debt instrument is the present value of all payments under such debt instrument, discounted at a rate based on yields of comparable debt instruments. The remaining original issue price of the investment unit is allocated to the property right. Based upon this rule, the Company has calculated the original issue price of each Note to be $980.00 and each Warrant to be $1.00. The 1994 Regulations provide that the issue price of an investment unit is to be allocated between the components of the unit based on their relative fair market values but do not provide any specific guidance on how the allocation is to be made. The Company intends to rely on the guidance provided by the 1986 Proposed Regulations. There can, however, be no assurance that the Service will agree with such allocation and will not be successful in asserting a different allocation of the issue price of the investment unit.

The 1994 Regulations contain certain aggregation rules that could be interpreted to require that, for purposes of calculating and amortizing any OID, the Fixed Rate Notes and the Floating Rate Notes be treated together as a single debt instrument with a single issue price, maturity date, yield to maturity





and stated redemption price at maturity. If these aggregation rules were to apply, the Fixed Rate Notes and the Floating Rate Notes, in the aggregate, could be treated as a single "installment obligation." This treatment could result in a distortion of the amount of OID otherwise includible in income by holders. The Company believes that the aggregation rules are inapplicable to the Fixed Rate Notes and the Floating Rate Notes and intends to adopt the position that the Fixed Rate Notes and the Floating Rate Notes are not subject to such rules for purposes of computing OID.

The Company will furnish annually to record holders of the Notes and to the Service information with respect to OID, if any, accruing during the calendar year (as well as interest paid during that year). Because this information will be based upon the adjusted issue price of the Notes, subsequent holders who purchase the Notes for an amount in excess of the adjusted issue price will be required to determine for themselves the amount of OID, if any, they are required to report. Moreover, as stated above, the Service may not agree with the original issue price allocated by the Company to the Notes.

As a result of each issue of the Notes being offered together with Warrants, both issues of the Notes were issued with OID. As discussed above, the total amount of original issue discount with respect to each of such Notes is the excess of its stated redemption price at maturity over its issue price. The Company believes the amount of original issue discount per each $1,000 Note is $20.00. Consequently, a holder of either the Fixed Rate Notes or the Floating Rate Notes will be required to include in his gross income in advance of the receipt of cash representing that income the sum of the daily portions of OID on his Notes for each day during each taxable year or portion thereof on which he holds such Notes. These amounts are in addition to the actual interest payments on the Notes.

Holders of the Notes should be aware that there are the above-described and other possible interpretations of the OID Regulations which could result in differences in the amount or timing of OID on Notes and that such alternative interpretations may also be reasonable. Moreover, there can be no assurance that the Service will not interpret the OID Regulations in a manner contrary to the positions described above.

ACQUISITION PREMIUM

Purchasers of a Note who purchase such debt instrument at an acquisition premium will be entitled to a reduction in the daily portion of OID they are required to include in income. A debt instrument is purchased at an acquisition premium if it is not purchased at a "premium" (as defined in the "Bond Premium" below) and immediately after its purchase (including a purchase at original issuance) its adjusted basis exceeds its adjusted issue price. The amount of such reduction will be equal to the daily portion of OID (as otherwise determined to be includible) multiplied by a fraction the numerator of which is the amount of such excess and the denominator of which is the total OID remaining to be accrued on such debt instrument subsequent to the date of purchase. Alternatively, a purchaser of a Note who purchases such debt instrument after its original issuance at an acquisition premium may elect to compute all interest under the Note as OID by treating the purchase as a purchase at original issuance in the manner described under "Original Issue Discount" above.

BOND PREMIUM

If the tax basis of the Note in the hands of a purchaser exceeds the sum of all amounts payable on the Note after the purchase date (other than Qualified Stated Interest), then such holder may be allowed to deduct the excess of his basis over the amount payable at maturity as amortizable bond premium over the term of such Note. The amount of bond premium which may be deducted annually will be computed on the basis of the purchaser's yield to maturity, determined by using his basis in the Notes and compounding at the close of each accrual period. To amortize bond premium, the purchaser





must make an election that applies to all debt instruments held or subsequently acquired by him. A purchaser who elects to amortize bond premium must reduce his tax basis in the Notes by an amount equal to the amortized premium.

MARKET DISCOUNT ON RESALE

Purchasers of a Note should be aware that the resale of Notes may be affected by the market discount provisions of the Code. Those rules generally provide that, if a holder of a debt instrument purchases it at a market discount and thereafter recognizes gain upon a disposition of the debt instrument (including a gift), the lesser of such gain (or appreciation, in the case of a gift) or the portion of the market discount that accrued while the debt instrument was held by such holder will be treated as ordinary interest income at the time of the disposition. The market discount rules also provide that a holder who acquires a debt instrument at a market discount may be required to defer a portion of any interest expense that may otherwise be deductible on any indebtedness incurred or maintained to purchase or carry such debt instrument until the holder disposes of the debt instrument in a taxable transaction. Debt instruments, like the Notes, which bear OID are considered to have been purchased at a market discount if, subsequent to their original issuance, they are purchased at a price below their issue price increased by the original issue discount includible in the income of all prior holders (and, probably, although the Code and the 1994 Regulations do not expressly so provide, reduced by all payments other than Qualified Stated Interest). Neither the rule treating accrued market discount as ordinary income on disposition nor the rule deferring interest deductions applies if the holder elects to include the accrued market discount in income currently.

The Notes provide for mandatory redemption in accordance with certain provisions and also for optional redemption by the Company, in whole or in part, prior to maturity. If Notes were redeemed in part, a holder of market discount Notes would be required to include in gross income (as ordinary income) the portion of the principal payment attributable to accrued market discount on the Notes.

SALE, EXCHANGE OR REDEMPTION OF NOTES

In general, the sale, exchange or redemption of the Notes will result in gain or loss equal to the difference between the amount realized and the holder's adjusted tax basis in the Note immediately before the transaction. Subject to the special rules under the Code relating to "market discount," any such gain or loss on the sale, exchange or redemption will be capital gain or loss.

THE WARRANTS

The sale of a Warrant by a holder other than to the Company will result in the recognition of a capital gain or loss, PROVIDED that the Warrant is a capital asset in the hands of the holder on the date of the sale. The amount of the gain or loss will be the difference between the amount paid by the holder for the Warrant and the sales price of the Warrant. The Company believes that the amount of the original issue price properly allocable to the purchase of a Warrant is $1.00. The tax consequences of a sale of a Warrant to the Company (other than upon the exercise of a Warrant) are uncertain. Under certain unusual circumstances, the Service may take the position that the proceeds of the sale would be ordinary income.

As a general rule, no gain or loss will be recognized by a holder of a Warrant on the purchase of Common Stock for cash on the exercise of the Warrant. Gain may be recognized, however, to the extent a holder receives cash in lieu of fractional shares of Common Stock. The adjusted tax basis of a share of Common Stock received upon exercise of a Warrant will be equal to the sum of the Holder's





adjusted tax basis in the exercised Warrant and the exercise price. The holding period for Common Stock received upon exercise of a Warrant will commence with the date of exercise of the Warrant.

Each purchaser of Securities should consult his own tax advisor with respect to the tax consequences to him, including the tax consequences under state, local, foreign and other tax laws, of the ownership and disposition of the Securities.

## PLAN OF DISTRIBUTION

Any or all of the Securities may be sold from time to time to purchasers directly by any of the Selling Security Holders. Alternatively, the Selling Security Holders may from time to time offer the Securities through underwriters, dealers or agents who may receive compensation in the form of underwriting discounts, concessions or commissions from the Selling Security Holders and/or the purchasers of Securities for whom they may act as agents. The Selling Security Holders and any such underwriters, dealers or agents that participate in the distribution of Securities may be deemed to be underwriters under the Act, and any profit on the sale of the Securities by them and any discounts, commissions or concessions received by them may be deemed to be underwriting discounts and commissions under the Act. The Securities may be sold from time to time in one or more transactions at a fixed offering price, which may be changed, or at varying prices determined at the time of sale or at negotiated prices.

At the time a particular offer of Securities is made, to the extent required, a supplement to this Prospectus will be distributed (and a post-effective amendment to the Registration Statement of which this Prospectus is a part will be filed) which will identify and set forth the aggregate amount of Securities being offered and the terms of the offering, including the name or names of any underwriters, dealers or agents, the purchase price paid by any underwriter for Securities purchased from the Selling Security Holders, any discounts, commissions and other items constituting compensation from the Selling Security Holders and/or the Company and any discounts, commissions or concessions allowed or reallowed or paid to dealers, including the proposed selling price to the public. In addition, an underwritten offering will require clearance by the National Association of Securities Dealers, Inc. of the underwriter's compensation arrangements. The Company will not receive any of the proceeds from the sale by the Selling Security Holders of the Securities offered hereby. All of the filing fees and other expenses of this Registration Statement will be borne in full by the Company.

The Company entered into a registration rights agreement with the original purchasers of the Securities to register their Securities under applicable Federal and state securities laws at certain times. The Company will pay substantially all of the expenses incident to the offering and sale of the Securities to the public, other than commissions, concessions and discounts of underwriters, dealers or agents. The registration rights agreement provides for cross-indemnification of the Selling Security Holders and the Company, to the extent permitted by law, for losses, claims, damages, liabilities and expenses arising, under certain circumstances, out of any registration of the Securities.

Under applicable rules and regulations under the Exchange Act, any person engaged in a distribution of the Securities may not simultaneously engage in market making activities with respect to the Securities for a period of nine business days prior to the commencement of such distribution. In addition and without limiting the foregoing, the Selling Security Holders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including without limitation Rules 10b-2, 10b-6 and 10b-7, which provisions may limit the timing of purchases and sales of the

Securities by the Selling Security Holders.





In order to comply with certain states' securities laws, if applicable, the Securities will be sold in such jurisdictions only through registered or licensed brokers or dealers. In certain states the Securities may not be sold unless the Securities have been registered or qualified for sale in such state, or unless an exemption from registration or qualification is available and is obtained.

The Securities originally issued by the Company in the private placement contained legends as to their restricted transferability. Upon the effectiveness of the Registration Statement of which this Prospectus forms a part, these legends will no longer be necessary. Upon the transfer by the Selling Security Holders of any of the Securities, new certificates representing such Securities will be issued to the transferee, free of any such legends.

In addition to sales pursuant to the Registration Statement of which this Prospectus forms a part, the Securities may be sold in accordance with Rule 144 under the Act.





<TABLE>

SELLING SECURITY HOLDERS

The following table provides certain information with respect to the Securities beneficially owned by each Selling Security Holder. The Securities offered by this Prospectus may be offered from time to time in whole or in part by the persons named below or by their transferees, as to whom applicable information will be set forth in a prospectus supplement to the extent required.

<CAPTION>

| SELLING SECURITY HOLDER | PRINCIPAL AMOUNT OF FIXED RATE NOTES(1) | PRINCIPAL AMOUNT OF FLOATING RATE NOTES(1) | NUMBER OF WARRANTS(1) |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| President and Fellows of Harvard College | $500,000 | --- | 60,000 |
| Eaton Vance High Income Portfolio | --- | --- | 6,000 |
| Eaton Vance Income Fund of Boston | --- | --- | 14,000 |
| [ | | | ] |
| TOTAL | $12,500,000 | $7,500,000 | 957,000 |
| | =========== | ========== | ======= |

<FN>

(1) Each Selling Security Holder is registering the entire amount of Securities set forth opposite its name above. Because the Selling Security Holders may offer all or some part of the Securities which they hold pursuant to this Prospectus and because this offering is not being underwritten on a firm commitment basis, no estimate can be given as to the amount of Securities to be offered for sale by the Selling Security Holders nor the amount of Securities that will be held by the Selling Security Holders upon termination of this offering. See "Plan of Distribution". To the extent required, the specific amount of Securities to be sold by a Selling Security Holder in connection with a particular offer will be set forth in an

accompanying Prospectus Supplement.

</TABLE>





## LEGAL MATTERS

The legality of the Securities offered hereby has been passed upon for the Company by Shereff, Friedman, Hoffman & Goodman, New York, New York.

## EXPERTS

The audited consolidated financial statements of the Company as of June 30, 1992 and 1993 and for each of the three years in the period ended June 30, 1993 appearing in this Prospectus and elsewhere in this Registration Statement have been audited by Arthur Andersen & Co., independent certified public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

Reference is made to said report which includes an explanatory paragraph with respect to the change in method of accounting for certain warehousing and catalog costs as discussed in Note 3 to the consolidated financial statements.





<TABLE>

## INDEX TO FINANCIAL STATEMENTS

<CAPTION>



</TABLE>





<TABLE>

WAXMAN INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

March 31, 1994 and June 30, 1993

ASSETS

<CAPTION>

| <S> | March 31, 1994 <C> | June 30, 1993 <C> |
|---|---|---|
| | (in thousands) | |
| CURRENT ASSETS: | | |
| Cash | $ 529 | $ 406 |
| Accounts receivable, net | 37,297 | 32,432 |
| Inventories | 77,929 | 69,728 |
| Prepaid expenses | 4,800 | 4,844 |
| Net assets held for sale | - | 10,266 |
| Net assets (liabilities) of discontinued operations | (500) | 29,156 |
| Total current assets | 120,055 | 146,832 |
| PROPERTY AND EQUIPMENT: | | |
| Land | 1,852 | 1,420 |
| Buildings | 11,816 | 11,172 |
| Equipment | 19,953 | 18,229 |
| | 33,621 | 30,821 |
| Less accumulated depreciation and amortization | (16,675) | (14,361) |
| Property and equipment, net | 16,946 | 16,460 |
| COST OF BUSINESSES IN EXCESS OF NET ASSETS ACQUIRED, NET | 24,955 | 24,448 |
| OTHER ASSETS | 12,721 | 9,311 |
| | $174,677 | $197,051 |

<FN>

The accompanying Notes to Consolidated Financial Statments are an integral part of these balance sheets.

</TABLE>





<TABLE>

WAXMAN INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

March 31, 1994 and June 30, 1993

LIABILITIES AND STOCKHOLDERS' EQUITY

<CAPTION>

| <S> | March 31, 1994 <C> | June 30, 1993 <C> |
|---|---|---|
| | (in thousands, except per share amounts) | |
| CURRENT LIABILITIES: | | |
| Current portion of long-term debt | $ 3,178 | $ 2,493 |
| Accounts payable | 23,197 | 18,604 |

| | | |
|---|---|---|
| Accrued liabilities | 14,223 | 6,548 |
| Total current liabilities | 40,598 | 27,645 |
| LONG-TERM DEBT, NET OF CURRENT PORTION | 32,602 | 22,567 |
| SENIOR SECURED NOTES | 38,646 | 38,563 |
| SUBORDINATED DEBT | 100,780 | 100,780 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY: | | |
| Preferrrred stock, $.01 par value per share: Authorized and unissued 2,000 shares | - | - |
| Common Stock, $.01 par value per share: Authorized 22,000 shares; Issued 9,484 at March 31, 1994 and 9,424 at June 30, 1993 | 95 | 94 |
| Class B common stock $.01 par value per share: Authorized 6,000 shares; Issued 2,229 at March 31, 1994 and 2,238 at June 30, 1993 | 23 | 23 |
| Paid-in capital | 18,598 | 18,467 |
| Retained deficit | (55,993) | (6,437) |
| | (37,277) | 12,147 |
| Cumulative currency translation adjustments | (672) | (4,651) |
| Total stockholders' equity (deficit) | (37,949) | 7,496 |
| | $174,677 | $197,051 |

<FN>

The accompanying Notes to Consolidated Financial Statements are an integral part of these balance sheets.

</TABLE>





<TABLE>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

WAXMAN INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In Thousands, Except Per Share Data)

For the Nine Months and Three Months Ended March 31, 1994 and 1993

<CAPTION>

| | Nine Months Ended March 31, 1994 | Nine Months Ended March 31, 1993 | Three Months Ended March 31, 1994 | Three Months Ended March 31, 1993 |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| Net sales | $ 160,245 | $ 153,957 | $ 52,311 | $ 48,583 |
| Cost of sales | 104,180 | 102,035 | 33,761 | 31,810 |
| Gross profit | 56,065 | 51,922 | 18,550 | 16,773 |
| Operating expenses | 41,769 | 39,729 | 14,137 | 12,868 |
| Operating income | 14,296 | 12,193 | 4,413 | 3,905 |
| Interest expense, net | 15,635 | 15,242 | 5,293 | 5,089 |

| | | | | |
|---|---|---|---|---|
| Loss from continuing operations before income taxes, extraordinary charge and cumulative effect of accounting change | (1,339) | (3,049) | (880) | (1,184) |
| Provision (benefit) for income taxes | - | (1,429) | 61 | (474) |
| Loss from continuing operations before extraordinary charge and cumulative effect of accounting change | (1,339) | (1,620) | (941) | (710) |
| Discontinued Operations - Ideal | | | | |
| Income (loss) from discontinued operations, net of taxes | (3,249) | 1,300 | (4,250) | (218) |
| Loss on disposal, without tax benefit | (38,343) | | (38,343) | |
| Loss before extraordinary charge and cumulative effect of accounting change | (42,931) | (320) | (43,534) | (928) |
| Extraordinary charge, early retirement of debt, without tax benefit | (6,625) | - | (6,625) | - |
| Cumulative effect of change in accounting for warehouse and catalog costs, without tax benefit | - | (2,110) | - | - |
| Net loss | $ (49,556) | $ (2,430) | $ (50,159) | $ (928) |

</TABLE>

..continued..





<TABLE>

WAXMAN INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In Thousands, Except Per Share Data)

For the Nine Months and Three Months Ended March 31, 1994 and 1993

<CAPTION>

| <S> | Nine Months Ended March 31, 1994 <C> | 1993 <C> | Three Months Ended March 31, 1994 <C> | 1993 <C> |
|---|---|---|---|---|
| Primary and fully diluted earnings (loss) per share: | | | | |
| From continuing operations | $ (.11) | $ (.14) | $ (.08) | $ (.06) |
| Discontinued operations: | | | | |
| Income (loss) from discontinued operations | (.28) | .11 | (.36) | (.02) |
| Loss on disposal | (3.29) | - | (3.28) | - |
| Extraordinary charge | (.57) | - | (.57) | - |
| Cumulative effect of accounting change | - | (.18) | - | - |
| Net loss | $ (4.25) | $ (.21) | $ (4.29) | $ (.08) |

<FN>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

</TABLE>

<TABLE>

WAXMAN INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

For the Nine Months Ended March 31, 1994 and 1993

<CAPTION>

| <S> | 1994 <C> | 1993 <C> |
|---|---|---|
| | (in thousands) | |
| CASH FROM (USED FOR): | | |
| OPERATIONS | | |
| Loss from continuing operations | $(1,339) | $(1,620) |
| Adjustments to reconcile loss from continuing operations: | | |
| Changes in assets and liabilities: | | |
| Depreciation and Amortization | 5,573 | 5,696 |
| Accounts receivable | (1,026) | (332) |
| Inventories | ( 6,537) | 1,336 |
| Prepaid expenses | 187 | 1,954 |
| Accounts payable | 3,261 | (10,174) |
| Accrued liabilities | 1,038 | (549) |
| Net cash from provided by (used for) continuing operations | 1,157 | (3,689) |
| Earnings (loss) from discontinued operations | (3,249) | 1,300 |
| Loss on disposal of discontinued operations | (38,343) | - |
| Other, net | 3,979 | (2,550) |
| Change in net assets of discontinued operations | 29,656 | 300 |
| Net cash used for operating activities | (6,800) | (4,639) |
| INVESTMENTS: | | |
| Proceeds from sale of business | 3,006 | - |
| Capital expenditures | (2,280) | (791) |
| Change in other assets | (3,321) | (1,811) |
| Net cash used for investments | (2,595) | (2,602) |
| FINANCING: | | |
| Net borrowings under credit agreements | 9,848 | 8,348 |
| Repayments of long-term debt | (330) | (453) |
| Dividends paid | - | (700) |
| Net cash from financing | 9,518 | 7,195 |
| NET INCREASE (DECREASE) IN CASH | 123 | (46) |
| BALANCE, BEGINNING OF PERIOD | 406 | 194 |
| BALANCE, END OF PERIOD | $ 529 | $ 148 |

<FN>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

</TABLE>





WAXMAN INDUSTRIES, INC. AND SUBSIDIARIES

Management believes that the information furnished in the accompanying consolidated financial statements reflects all adjustments (consisting only of normal recurring adjustments) which are necessary for a fair presentation of the Company's financial position and results of operations for the periods presented. The results of operations for the nine months and three months ended March 31, 1994 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 1994 or any other period. The information reported in the consolidated financial statements and the notes below should be read in conjunction with the Company's Annual Report on Form 10-K/A for the fiscal year ended June 30, 1993.

1. Business

The Company believes that it is one of the leading suppliers of plumbing products to the home repair and remodeling market in the United States. The Company distributes plumbing, electrical and hardware products, in both packaged and bulk form, to do-it-yourself (D-I-Y) retailers, mass merchandisers, smaller independent retailers and plumbing, electrical repair and remodeling contractors. The Company performs ongoing credit evaluations of its customers' financial condition. The Company's largest customer accounted for approximately 12.3% and 11.5% of the Company's net sales from continuing operations for the nine months ended March 31, 1994 and 1993, respectively.

2. Consolidation and Prior-Year Reclassification

The accompanying consolidated financial statements include the accounts of Waxman Industries, Inc. and its wholly-owned subsidiaries (the Company). All significant intercompany transactions and balances are eliminated in consolidation.

The accompanying June 30, 1993 balance sheet has been restated to reflect the discontinued operations discussed in Note 3 and the reclassification of certain debt amounts from current to long-term as a result of the Company's successful solicitation of consents to obtain waivers of certain covenant violations that existed at June 30, 1993 and the subsequent modification of certain of the Company's debt agreements. See Note 6.

3. Discontinued Operations - Ideal

Effective March 31, 1994, the Company adopted a plan to dispose of its Canadian subsidiary, Ideal Plumbing Group, Inc. (Ideal). Unlike the Company's U.S. operations which supply products to customers in the home repair and remodeling market through mass retailers, Ideal primarily serves customers in the Canadian new construction market through independent contractors. Accordingly, Ideal is reported as a discontinued operation at March 31, 1994 and the consolidated financial statements have been reclassified to report separately Ideal's net assets and results of operations. Prior period consolidated financial statements have been reclassified to conform to the current period presentation.





At the time the plan of disposition was adopted, the Company expected that the disposition would be accomplished through a sale of the business to a group which included members of Ideal's management. Such transaction would have required the consent of Ideal's Canadian bank as borrowings under its bank credit agreements were collateralized by all of the assets and capital stock of Ideal. The bank reviewed the management group's acquisition proposal, however the proposal was subsequently rejected. On May 5, 1994, without advance notice, the bank filed an involuntary bankruptcy petition against Ideal citing defaults under the bank credit agreements. (Borrowings under these agreements are non-recourse to Waxman Industries, Inc.) As a result of this action, the Company's control and ownership of Ideal is likely to be lost prior to June 30, 1994.

The estimated loss on disposal totals $38.2 million, without tax benefit, and represents a complete write-off of the Company's investment in Ideal. The loss includes the estimated loss on disposal, a provision for anticipated operating losses until disposal and provisions for other estimated costs to be incurred in connection with the disposal, as well as a $6.4 million foreign currency exchange loss which results from the elimination of the currency translation adjustments relating to Ideal. In accordance with SFAS No. 109, "Accounting for Income Taxes", any tax benefits relating to the loss on disposal have been reduced 100% by a valuation allowance. The Company will continue to evaluate the valuation allowance and to the extent it is determined that such allowance is no longer required, the tax benefit of such loss on disposal may be recognized in the future.

Net assets of the discontinued operation at March 31, 1994 consist of current assets and plant, property and equipment, current liabilities and bank borrowings after deducting an allowance for the estimated loss on disposal.

Summary operating results of the discontinued operation for the periods presented are as follows:

<TABLE>
<CAPTION>

| | Nine Months Ended March 31 | | Three Months Ended March 31 | |
|---|---|---|---|---|
| | 1994 | 1993 | 1994 | 1993 |
| <S> | <C> | <C> | <C> | <C> |
| Net sales | $87,265 | $118,455 | $18,449 | $31,371 |
| Costs and expenses | 90,261 | 115,960 | 22,597 | 31,793 |
| Income (loss) before income taxes | (2,996) | 2,495 | (4,148) | (422) |
| Income taxes | 253 | 1,195 | 102 | (204) |
| Net income (loss) | $(3,249) | $ 1,300 | $(4,250) | $ (218) |

</TABLE>

4. Earnings Per Share

Primary earnings per share have been computed based on the weighted average number of shares and share equivalents outstanding, which totaled 11,674 and 11,666 for the three and nine months ended March 31, 1994, respectively. The weighted average number of shares and share equivalents outstanding totaled 11,662 for both the three and nine months ended March 31, 1993. Share equivalents include the Company's common stock purchase warrants. The conversion of the Company's Convertible Subordinated





Debentures due March 15, 2007 into shares of common stock was not assumed in computing fully diluted earnings per share in either 1994 or 1993, as the effect would be antidilutive.

5. Income Taxes

Effective July 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). The adoption of SFAS 109 had no effect on the Company's financial position or results of operations. In accordance with the provisions of SFAS 109, the Company is unable to tax benefit losses in the current period.

The Company currently has $11.5 million of available domestic net operating loss carryforwards which expire in 2008. In addition, as a result of the anticipated disposition of Ideal, the Company currently estimates that it will have available additional net operating loss carry forwards of approximately $30 million.

SFAS 109 requires the recognition of income tax benefits for loss carryforwards which have not previously been recorded. The tax benefits recognized must be reduced by a valuation allowance in certain circumstances. Upon adoption of SFAS 109, the benefit of the Company's net operating loss carryforwards was reduced 100% by a valuation allowance. The Company will continue to evaluate the valuation allowance and to the extent that the Company is able to recognize tax benefits in the future, such recognition will favorably affect future results of operations.

6. Debt:

----
A. Long-Term Debt
--------------

Long-term debt at March 31, 1994 consisted of the following:

| | |
|---|---|
| Domestic revolving credit agreements | $30,794 |
| Other notes payable | 4,986 |
| Subtotal - long-term debt | 35,780 |
| Less: current portion | (3,178) |
| Long-term debt, net | $32,602 |

The Company has a secured revolving credit facility with two banks which provides for availability of up to $30 million and expires on December 31, 1995. At June 30, 1993, a "cross-default" provision contained in the credit agreement would have been triggered, and borrowings thereunder would have been subject to acceleration if, due to a covenant violation related to the Senior Secured Notes (defined below), such notes were accelerated. As discussed in B. below, the Company has received consents from the requisite number of holders of the Senior Secured Notes to waive such covenant violation.

In December 1993, Barnett Inc. (Barnett), a wholly-owned subsidiary of the Company, entered into a secured revolving credit facility with a domestic bank. The credit facility provides for availability of up to $5 million and expires on May 31, 1994. Borrowings under this facility are secured by substantially all of Barnett's assets. Interest on the unpaid principal is based on the bank's prime rate plus 1.5% or LIBOR plus 3%.





In May 1994, both the domestic revolving credit facility and the Barnett revolving credit facility were terminated by the Company, and borrowings thereunder were refinanced as part of the Company's debt restructuring. See Note 9. Borrowings under the Barnett revolving credit facility at March 31, 1994 are classified as long-term debt as they were subsequently refinanced using proceeds from long-term debt obligations.

B. Senior Secured Notes
--------------------

In September 1991, the Company completed a private placement of Senior Secured Notes due September 1, 1998 (the Senior Secured Notes). As of June 30, 1993, the Company was not in compliance with the operating cash flow covenant contained in the Senior Secured Note indenture. As a result of the covenant violation, the trustee or the holders of 25% of the Senior Secured Notes had the right, at their discretion, to declare the Company to be in default under the indenture and cause the amounts due under the Senior Secured Notes to be subject to acceleration. In addition, as a result of the Company's 1993 operating results as well as the unfavorable impact of the decline in the Canadian dollar on cumulative currency translation adjustments, the Company's consolidated stockholders' equity at June 30, 1993 and September 30, 1993 was below the minimum net worth requirement under the Senior Secured Note indenture. Under the terms of the indenture, the Company would have been required to offer to purchase $5 million of the Senior Secured Notes every six months.

During November 1993, the Company completed a solicitation of consents from the holders of the Senior Secured Notes to waive noncompliance with the operating cash flow covenant and amend certain provisions of the Senior Secured Note indenture. Effectiveness of the waiver and amendments required the consent of holders of at least 66-2/3% of the outstanding principal amount of the securities. The effect of the consent was to cure the noncompliance with the operating cash flow covenant as well as amend the net worth and certain other financial covenants to relieve the Company of its obligation to offer to purchase $5 million of Senior Secured Notes on May 30, 1994 and provide that future compliance will not be negatively impacted by the Company's fiscal 1993 operating results or fluctuations in foreign currency on cumulative translation adjustments.

During May 1994, the Company received requisite consents from the holders of the Senior Secured Notes to, among other things, permit the completion of the Company's debt restructuring (see Note 9) and eliminate any prospective defaults resulting from the adverse results and events relating to the Company's discontinued Canadian operations. See Note 9.

C. Senior Subordinated Notes

In June 1989, the Company issued $100 million principal amount of 13-3/4% Senior Subordinated Notes (the Subordinated Notes) due June 1, 1999. As a result of the Company's 1993 operating results as well as the unfavorable impact of the decline in the Canadian dollar on cumulative currency translation adjustments, the Company's consolidated stockholders' equity at June 30, 1993 and September 30, 1993 was below the $15 million minimum net worth requirement under the Subordinated Note indenture. Under the terms of the Subordinated Note indenture, the Company would have been required to offer to purchase $10 million of the Subordinated Notes every six months.





During November 1993, the Company completed a solicitation of consents from the holders of the Subordinated Notes to waive the Company's obligation to offer to purchase on December 31, 1993 $10 million principal amount of the Subordinated Notes as well as amend certain provisions of the Subordinated Note indenture. Effectiveness of the waiver and amendments required the consent of holders of at least 66-2/3% of the outstanding principal amount of the Subordinated Notes. The effect of the consent was to relieve the Company of its obligation to offer to purchase $10 million Subordinated Notes on December 31, 1993 as well as amend the minimum net worth covenant to provide that future compliance will not be negatively impacted by the Company's cumulative currency translation adjustments.

During May 1994, the Company refinanced $50 million of the Subordinated Notes. In addition, it received requisite consents from the holders of the Subordinated Notes to, among other things, permit the completion of the Company's debt restructuring and eliminate any prospective defaults which result from the adverse results and events relating to the Company's discontinued Canadian operations See Note 9.

D. Convertible Subordinated Debentures

In March 1987, the Company issued 6-1/4% Convertible Subordinated Debentures (the Debentures) due March 15, 2007 of which approximately $2 million remained outstanding as of December 31, 1993. As a result of the Company's 1993 operating results, as well as the unfavorable impact of the decline in the Canadian dollar on cumulative currency translation adjustments, the Company's consolidated stockholders' equity was below the minimum net worth requirement under the Debenture indenture at both June 30, 1993 and September 30, 1993. As a result, the Company would have been required to make a purchase offer at December 31, 1993 for substantially all of the Debentures currently outstanding. However, in December 1993, the Company commenced and successfully completed a solicitation of consents from the holders of the Debentures to defer until April 30, 1994 the Company's obligation to offer to purchase $1.9 million of the Debentures. In connection with the solicitation, the interest rate on the Debentures was adjusted to 9.5% and the conversion price was reduced from $9.58 to $3.25 per share.

On April 28, 1994, the Company made an offer to purchase $1.9 million of the Debentures. If the offer is accepted, such purchase is expected to be consummated on June 15, 1994.

7. Supplemental Cash Flow Information

Cash payments during the nine months ended March 31, 1994 and 1993 included income taxes of $ 401 and $ 635, and interest of $12,769 and $ 12,281 respectively.

8. Sale of Businesses

At June 30, 1993, net assets held for sale in the accompanying consolidated balance sheets related to the proposed disposal of three operating entities in which the Company had entered into letters of intent with prospective buyers.

During October 1993, the Company completed the sale of one of its Canadian operations, H. Belanger Plumbing Accessories, Ltd. (Belanger). The Company sold all of the capital stock of Belanger in exchange for approximately U.S. $3 million in cash and a U.S. $0.3 million promissory note. The promissory note, which matures on October 14, 1996, provides for three equal consecutive annual payments. Interest is payable annually at a rate of 7%. The loss on the sale of Belanger was approximately $3 million.

The Company was unable to come to terms with the prospective buyer of the other two entities. At the present time, the Company is not engaged in any other negotiations with respect to the sale of these entities. As such, the consummation of a sale of these businesses is not expected to occur in the foreseeable future, if at all. Accordingly, these businesses are no longer reflected as net assets held for sale in the consolidated balance sheet at March 31, 1994.

9. Subsequent Events - Debt Restructuring and Extraordinary Charge

A. Debt Restructuring

On May 20, 1994, the Company completed a restructuring of its debt which included a refinancing of $50 million of its Subordinated Notes as well as all borrowings under its existing domestic bank credit facilities. As part of the restructuring, the Company exchanged $50 million of its Subordinated Notes for $50 million initial accreted value of 12.75% Senior Secured Deferred Coupon Notes due 2004 (the Deferred Coupon Notes) along with detachable warrants to purchase 2.95 million shares of the Company's common stock. The Deferred Coupon Notes have no cash interest requirements until 1999. In addition, the Operating Companies (as defined below) entered into a new $55 million, four year, secured credit facility with an affiliate of Citibank, N.A., as agent, which includes a $20 million letter of credit subfacility. The domestic credit facility, which has an initial term of three years will be extended for an additional year if the Senior Secured Notes have been redeemed within 33 months after the initial borrowing under the domestic credit facility. The domestic credit facility will be subject to borrowing base formulas. Borrowings under the domestic credit facility will bear interest at (i) the per annum rate of 1.5% plus the highest of (a) the prime rate of Citibank, N.A., (b) the federal funds rate plus 0.5% and (c) a formula with respect to three month certificates of deposit of major United States money market banks or (ii) LIBOR plus 3.0%. These rates will be increased by 0.5% until such time as the domestic term loan, discussed below, has been repaid in full. These rates will be decreased by 0.5% if Waxman USA achieves certain performance criteria based on the ratio of EBITDA to fixed charged. The facility will include a letter of credit subfacility of $20 million. The domestic credit facility will be secured by the accounts receivable, inventory, certain general intangibles and unencumbered fixed assets of the Operating Companies and 65% of the capital stock of one subsidiary of TWI. The Operating Companies also entered into a $15.0 million three-year term loan with Citibank, N.A., as agent. The domestic term loan will bear interest at a rate per annum equal to 1.5% over the interest rate under the domestic credit facility and will be secured by a junior lien on the collateral under the domestic credit facility. A one-time fee of 1.0% of the principal amount outstanding under the domestic term loan will be payable if such loan is not repaid within 6 months after May 20, 1994. Principal payments on the domestic term loan of $1.0 million each will be required quarterly commencing at the end of the third quarter following May 20, 1994. The domestic term loan will be required to be prepaid if Waxman USA completes a financing sufficient to retire the Subordinated Notes, the Senior Secured Notes





and the domestic term loan. The domestic term loan will contain negative, affirmative and financial covenants, conditions and events of default substantially the same as those under the domestic credit facility. The initial borrowings under the revolving credit facility (which totaled approximately $27.2 million) along with proceeds from the domestic term loan were used to repay all borrowings under the Company's existing domestic bank credit facilities as well as fees and expenses associated with the restructuring.

B. Corporate Restructuring

The Company has restructured (the "Corporate Restructuring") its domestic operations such that the Company will be a holding company whose only material assets will be the capital stock of its subsidiaries. As part of the Corporate Restructuring, the Company has formed (a) Waxman USA Inc. ("Waxman USA"), as a holding company for the subsidiaries that comprise and support the Company's domestic operations, (b) Waxman Consumer Products Group Inc., a wholly owned subsidiary of Waxman USA, to own and operate Waxman Industries' Consumer Products Group Division, and (c) WOC Inc. ("WOC"), a wholly owned subsidiary of Waxman USA, to own and operate Waxman USA's domestic subsidiaries, other than Barnett and Consumer Products. On May 20, 1994, the Company restructured its operation by (i) contributing the capital stock of Barnett to Waxman USA, (ii) contributing the assets and liabilities of the Consumer Products Division to Consumer Products, (iii) contributing the assets and liabilities of its Madison Equipment Division to WOC, (iv) contributing the assets and liabilities of its Medal Distributing Division to WOC, (v) merging U.S. Lock Corporation ("U.S. Lock") and LeRan Copper & Brass, Inc. ("LeRan"), each a wholly owned subsidiary of the Company, into WOC, (vi) contributing the capital stock of TWI, International, Inc. ("TWI") to Waxman USA and (vii) contributing the capital stock of Western American Manufacturing, Inc. ("WAMI") to TWI. The Operating Companies consist of Barnett, Consumer Products and WOC.

C. Extraordinary Charge

As a result of the refinancing of the $50 million of Subordinated Notes as well as borrowings under the domestic bank credit facilities, the Company incurred an extraordinary charge which totaled $6.6 million, without tax benefit, and included the fees paid upon the exchange of the Subordinated Notes along with the accelerated amortization of unamortized debt discount and issuance costs. The Company has accrued for the extraordinary charge at March 31, 1994. The $6.6 million extraordinary charge is included in accrued liabilities in the accompanying balance sheet at March 31, 1994.





REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of Waxman Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Waxman Industries, Inc. (a Delaware corporation) and Subsidiaries (the Company) as of June 30, 1993 and 1992, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended June 30, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waxman Industries, Inc. and Subsidiaries as of June 30, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1993, in conformity with generally accepted accounting principles.

As explained in Note 3 to the consolidated financial statements, effective July 1, 1992, the Company changed its method of accounting for certain warehousing and catalog costs.

Arthur Andersen & Co.

Cleveland, Ohio,
May 20, 1994.

<TABLE>

WAXMAN INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 1993 AND 1992

ASSETS

<CAPTION>

| <S> | 1993 <C> | 1992 <C> |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash | $ 406,000 | $ 194,000 |
| Accounts receivable, net | 32,432,000 | 36,235,000 |
| Inventories | 69,728,000 | 80,326,000 |
| Prepaid expenses | 4,844,000 | 7,810,000 |
| Net assets of discontinued operations | 29,156,000 | 50,632,000 |
| Net assets held for sale | 10,266,000 | -- |
| Total current assets | 146,832,000 | 175,197,000 |
| PROPERTY AND EQUIPMENT: | | |
| Land | 1,420,000 | 1,441,000 |
| Buildings | 11,172,000 | 10,808,000 |
| Equipment | 18,229,000 | 19,848,000 |
| | 30,821,000 | 32,097,000 |
| Less accumulated depreciation and amortization | (14,361,000) | (13,321,000) |
| Property and equipment, net | 16,460,000 | 18,776,000 |
| COST OF BUSINESSES IN EXCESS OF NET ASSETS ACQUIRED, NET | 24,448,000 | 28,199,000 |
| OTHER ASSETS | 9,311,000 | 15,309,000 |
| | $197,051,000 | $237,481,000 |

<FN>

The accompanying Notes to Consolidated Financial Statements are an integral part of these balance sheets.

</TABLE>





<TABLE>

WAXMAN INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 1993 AND 1992

LIABILITIES AND STOCKHOLDERS' EQUITY

<CAPTION>

| <S> | 1993 <C> | 1992 <C> |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Current portion of long-term debt | $ 2,493,000 | $ 2,107,000 |
| Accounts payable | 18,604,000 | 28,912,000 |
| Accrued liabilities | 6,548,000 | 8,292,000 |

| | | |
|---|---|---|
| Total current liabilities | 27,645,000 | 39,311,000 |
| LONG-TERM DEBT, NET OF CURRENT PORTION | 22,567,000 | 9,663,000 |
| SENIOR SECURED NOTES | 38,563,000 | 38,451,000 |
| SUBORDINATED DEBT | 100,780,000 | 100,780,000 |
| NET LONG-TERM LIABILITIES OF DISCONTINUED OPERATIONS | -- | 8,449,000 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, $.01 par value per share: Authorized and unissued 2,000,000 shares | -- | -- |
| Common stock, $.01 par value per share: Authorized 22,000,000 shares; Issued 9,424,000 in 1993 and 9,411,000 in 1992 | 94,000 | 94,000 |
| Class B common stock, $.01 par value per share: Authorized 6,000,000 shares; Issued 2,238,000 in 1993 and 2,251,000 in 1992 | 23,000 | 23,000 |
| Paid-in capital | 18,467,000 | 18,467,000 |
| Retained earnings (deficit) | (6,437,000) | 23,735,000 |
| | 12,147,000 | 42,319,000 |
| Cumulative currency translation adjustments | (4,651,000) | (1,492,000) |
| Total stockholders' equity | 7,496,000 | 40,827,000 |
| | $197,051,000 | $237,481,000 |

<FN>

The accompanying Notes to Consolidated Financial Statements are an integral part of these balance sheets.

</TABLE>





<TABLE>

WAXMAN INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED JUNE 30, 1993, 1992 AND 1991

<CAPTION>

| <S> | 1993 <C> | 1992 <C> | 1991 <C> |
|---|---|---|---|
| Net sales | $ 204,778,000 | $197,738,000 | $186,327,000 |
| Cost of sales | 137,244,000 | 127,115,000 | 121,397,000 |
| Gross profit | 67,534,000 | 70,623,000 | 64,930,000 |
| Selling, general and administrative expenses | 56,081,000 | 51,824,000 | 50,263,000 |
| Restructuring and other nonrecurring charges | 6,762,000 | 3,900,000 | -- |
| Operating income | 4,691,000 | 14,899,000 | 14,667,000 |
| Interest expense (net of interest income of $5,000, $978,000 and $1,335,000) | 20,365,000 | 20,025,000 | 17,462,000 |
| Loss from continuing operations before income taxes, extraordinary charge and cumulative effect of accounting change | (15,674,000) | (5,126,000) | (2,795,000) |
| Provision (benefit) for income taxes | 216,000 | (768,000) | (680,000) |
| Loss from continuing operations before | | | |

| | | | |
|---|---|---|---|
| extraordinary charge and cumulative effect of accounting change | (15,890,000) | (4,358,000) | (2,115,000) |
| Income (loss) from discontinued operations of Ideal, net of taxes | (11,240,000) | 1,146,000 | 4,343,000 |
| Income (loss) before extraordinary charge and cumulative effect of accounting change | (27,130,000) | (3,212,000) | 2,228,000 |
| Extraordinary charge, early retirement of debt, net of tax benefit | -- | (1,186,000) | -- |
| Cumulative effect of change in accounting for warehouse and catalog costs, without tax benefit | (2,110,000) | -- | -- |
| Net income (loss) | $(29,240,000) | $(4,398,000) | $2,228,000 |
| Primary and fully diluted earnings (loss) per share: | | | |
| From continuing operations | (1.36) | (.44) | (.22) |
| Income (loss) from discontinued operations | (.97) | .11 | .45 |
| Extraordinary charge | -- | (.12) | -- |
| Cumulative effect of accounting change | (.18) | -- | -- |
| Net income (loss) | $ (2.51) | $ (.45) | $ .23 |

<FN>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements

</TABLE>





<TABLE>

WAXMAN INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 1993, 1992 AND 1991

<CAPTION>

| | COMMON STOCK | CLASS B COMMON STOCK | PAID-IN CAPITAL | RETAINED EARNINGS | CUMULATIVE CURRENCY TRANSLATION ADJUSTMENTS |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| BALANCE, JUNE 30, 1990 | $ 76,000 | $ 23,000 | $ 9,590,000 | $28,255,000 | $ 1,298,000 |
| Net income | | | | 2,228,000 | |
| Cash dividends: | | | | | |
| -- $.12 per common share and Class B share | | | | (1,149,000) | |
| Common stock repurchase | (4,000) | | (1,906,000) | | |
| Currency translation adjustments | | | | | (345,000) |
| BALANCE, JUNE 30, 1991 | $ 72,000 | $ 23,000 | $ 7,684,000 | $29,334,000 | $ 953,000 |
| Net loss | | | | (4,398,000) | |
| Cash dividends: | | | | | |
| -- $.12 per common share and Class B share | | | | (1,201,000) | |
| Issuance of common stock | 22,000 | | 9,763,000 | | |
| Stock options exercised | | | 20,000 | | |
| Stock warrants issued | | | 1,000,000 | | |
| Currency translation adjustments | | | | | (2,445,000) |
| BALANCE, JUNE 30, 1992 | $ 94,000 | $ 23,000 | $18,467,000 | $23,735,000 | $(1,492,000) |
| Net loss | | | | (29,240,000) | |

| | | | | | |
|---|---|---|---|---|---|
| Cash dividends: | | | | | |
| -- $.08 per common share and Class B share | | | | (932,000) | |
| Currency translation adjustments | | | | | (3,159,000) |
| BALANCE, JUNE 30, 1993 | $ 94,000 | $ 23,000 | $18,467,000 | $(6,437,000) | $(4,651,000) |

<FN>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

</TABLE>





<TABLE>

WAXMAN INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1993, 1992 AND 1991

<CAPTION>

| <S> | 1993 <C> | 1992 <C> | 1991 <C> |
|---|---|---|---|
| CASH FROM (USED FOR): | | | |
| OPERATIONS: | | | |
| Loss from continuing operations | $(15,890,000) | $ (4,358,000) | $ (2,115,000) |
| Adjustments to reconcile loss from continuing operations to net cash used for continuing operations: | | | |
| Restructuring costs | 6,762,000 | -- | -- |
| Loss on sale of investments | -- | 3,900,000 | -- |
| Depreciation and amortization | 8,932,000 | 6,525,000 | 5,160,000 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | (1,666,000) | (1,841,000) | (1,651,000) |
| Inventories | 82,000 | (15,664,000) | 5,305,000 |
| Prepaid expenses | 2,276,000 | (2,285,000) | (1,754,000) |
| Accounts payable | (8,337,000) | 11,050,000 | (6,503,000) |
| Accrued liabilities | (1,691,000) | (878,000) | (1,250,000) |
| Net cash used for continuing operations | (9,532,000) | (3,551,000) | (2,808,000) |
| Earnings (loss) from discontinued operations | (11,240,000) | 1,146,000 | 4,343,000 |
| Other, net | (3,159,000) | (2,444,000) | (346,000) |
| Change in net assets of discontinued operations | 13,027,000 | 6,646,000 | 21,885,000 |
| Net cash provided by (used for) operating activities | (10,904,000) | 1,797,000 | 23,074,000 |
| INVESTMENTS: | | | |
| Capital expenditures | (1,336,000) | (3,193,000) | (1,110,000) |
| Change in other assets | (1,826,000) | (5,922,000) | (1,886,000) |
| Proceeds from sale of investments | -- | 4,386,000 | 4,500,000 |
| Business acquisitions | -- | -- | (1,773,000) |
| Net cash used for investments | (3,162,000) | (4,729,000) | (269,000) |
| FINANCING: | | | |
| Net borrowings (repayments) under credit agreements | 15,770,000 | 6,393,000 | (9,311,000) |
| Repayments of long-term debt | (560,000) | (508,000) | (537,000) |
| Repayment of domestic term loan | -- | (60,000,000) | -- |
| Proceeds from issuance of debt, net | -- | 48,500,000 | -- |
| Repurchase of debt | -- | (12,878,000) | -- |
| Proceeds from issuance of stock | -- | 9,805,000 | -- |
| Dividends paid | (932,000) | (1,201,000) | (1,149,000) |
| Common stock repurchase | -- | -- | (1,910,000) |

| | | | |
|---|---|---|---|
| Net cash provided by (used for) financing | 14,278,000 | (9,889,000) | (12,907,000) |
| NET INCREASE (DECREASE) IN CASH | 212,000 | (12,821,000) | 9,898,000 |
| BALANCE, BEGINNING OF PERIOD | 194,000 | 13,015,000 | 3,117,000 |
| BALANCE, END OF PERIOD | $ 406,000 | $ 194,000 | $ 13,015,000 |

<FN>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

</TABLE>





WAXMAN INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1993, 1992 AND 1991

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. CONSOLIDATION AND BASIS OF PRESENTATION

The financial statements include the accounts of Waxman Industries, Inc. and its wholly-owned subsidiaries (the Company). All significant intercompany transactions and balances are eliminated in consolidation. Certain 1992 and 1991 amounts have been reclassified to conform with the 1993 presentation.

The financial statements have been restated to reflect the discontinued operations discussed in Note 12.

The Company operates in a single business segment - the distribution of plumbing, electrical and hardware products. Substantially all of the Company's business is conducted in the United States.

B. ACCOUNTS RECEIVABLE

Accounts receivable are presented net of allowances for doubtful accounts of $1,124,000 and $1,112,000 at June 30, 1993 and 1992, respectively. Bad debt expense totaled $695,000 in 1993, $562,000 in 1992 and $441,000 in 1991.

The Company sells plumbing, electrical and hardware products throughout the United States to do-it-yourself retailers, mass merchandisers, smaller independent retailers and plumbing, electrical repair and remodeling contractors. The Company performs ongoing credit evaluations of its customers' financial condition. In fiscal years 1993, 1992 and 1991, the Company's largest customer accounted for approximately 12%, 11% and 8% of its net sales, respectively. The Company's ten largest customers accounted for approximately 23% of net sales in 1993, 22% in 1992 and 21% in 1991 and approximately 26% and 22% of accounts receivable at June 30, 1993 and 1992, respectively.

C. INVENTORIES

At June 30, 1993 and 1992, inventories, consisting primarily of finished goods, are carried at the lower of first-in, first-out (FIFO) cost or market. The Company regularly evaluates its inventory carrying value, with appropriate consideration given to any excess, slow-moving and/or nonsalable inventories.

D. PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. For financial reporting purposes, buildings and equipment are depreciated on a straight-line basis over their estimated useful lives at annual depreciation rates ranging from 2 1/2% to 30%. For income tax purposes, accelerated methods generally are used. Depreciation expense totaled $2,690,000 in 1993, $2,665,000 in 1992 and $2,524,000 in 1991.

E. COST OF BUSINESSES IN EXCESS OF NET ASSETS ACQUIRED

Cost of businesses in excess of the fair market value of net assets acquired is being amortized primarily over 40 years, using the straight-line method. Management has evaluated its accounting for goodwill, considering such factors as historical profitability and current operating cash flows and believes that the asset is realizable and the amortization period is appropriate. Goodwill amortization expense totaled $725,000 in 1993, $756,000 in 1992 and $680,000 in 1991. The accumulated amortization of excess cost at

June 30, 1993 and 1992 was $3,572,000 and $3,255,000, respectively.

F. PER SHARE DATA

Primary earnings per share have been computed based on the weighted average number of shares and share equivalents outstanding which totaled 11,662,000 in 1993,





9,794,000 in 1992 and 9,570,000 in 1991. Share equivalents include the Company's common stock purchase warrants (see Note 6). Fully diluted earnings per share have been computed assuming the conversion of the 6 1/4% Convertible Subordinated Debentures (the Debentures) into approximately 293,000 shares of common stock in 1991 (after elimination of related interest expense, net of income tax effect, which totaled $108,000 in 1991). The conversion of the Debentures was not assumed in computing fully diluted earnings per share for 1993 and 1992 as the effect would be anti-dilutive.

G. FOREIGN CURRENCY TRANSLATION

All balance sheet accounts of foreign subsidiaries are translated at the current exchange rate as of the end of the fiscal year. Income statement items are translated at the average currency exchange rates during the year. The resulting translation adjustment is recorded as a component of stockholders' equity. Foreign currency transaction gains or losses are included in the income statement as incurred and totaled $80,000 in 1993, $73,000 in 1992 and $305,000 in 1991.

H. IMPACT OF NEW ACCOUNTING STANDARDS

In February 1992, the Financial Accounting Standards Board (the FASB) issued SFAS No. 109, "Accounting for Income Taxes." The Company adopted SFAS No. 109 during the first quarter of its fiscal year ending June 30, 1994. SFAS No. 109 requires the Company to recognize income tax benefits for loss carryforwards which have not previously been recorded. The tax benefits recognized must be reduced by a valuation allowance in certain circumstances. The Company did not recognize a benefit and such adoption did not have a material impact on results of operations or financial position. However, to the extent that the Company is able to recognize tax benefits in the future, such recognition will favorably effect future results of operations. The FASB has also issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions" and SFAS No. 112, "Employers' Accounting for Postemployment Benefits." The Company does not currently maintain any postretirement or postemployment benefit plans or programs which would be subject to such accounting standards.

2. RESULTS OF OPERATIONS:

As a result of the 1993 operating results, the Company was not in compliance as of June 30, 1993, with certain financial covenants contained in its domestic bank credit agreements and in the indentures governing its Senior Subordinated Notes and Senior Secured Notes. In addition, the Company's consolidated net worth decreased to a level that is expected to obligate the Company to offer to repurchase a portion of its Senior Subordinated Notes commencing December 31, 1993 and its Senior Secured Notes commencing May 30, 1994. On October 1, 1993, the Company entered into an amendment to its domestic bank credit agreement which waived all covenant violations as of June 30, 1993, and amended certain of the financial covenants to provide that future compliance will not be negatively impacted by the Company's fiscal 1993 operating results. During November, 1993, the Company obtained consents from the holders of its Senior Subordinated Notes and Senior Secured Notes which cured the financial covenant violations and relieved the Company of its repurchase obligations with respect to such indebtedness. Each of these situations is discussed in more detail in Notes 6 and 12.

Reference should be made to Note 12 which discusses the subsequent disposition of the Canadian subsidiary, debt restructuring, corporate restructuring and the sale of a business.

3. CHANGE IN ACCOUNTING:

During 1993, the Company accelerated its amortization of certain warehouse start-up costs and catalog costs. This change was made during the fourth quarter and was applied retroactively to July 1, 1992. The Company had historically amortized such costs over a period not to exceed five years which, in management's opinion, represented the period over which economic benefits were received. The acceleration of amortization was made to conform with prevailing industry practice. By accelerating amortization, certain costs associated with the opening of new warehouse operations are amortized over a period of twelve months commencing the month in which the warehouse opens. Costs associated with the development and introduction of new catalogs are amortized over the life of the catalog, not to exceed a period of one year.

The cumulative effect of this change on prior years totaled $2,110,000, or $.18 per share, and is reported separately in the 1993 consolidated income statement, without tax benefit. The effect of the change in 1993 was to increase both the loss from continuing operations before extraordinary charge and cumulative effect of accounting change and the net loss by $1,191,000. This is primarily the result of the introduction of a new catalog and, in management's opinion, is not necessarily indicative of the expected impact of accelerated amortization on future years.

The following pro forma information reflects the Company's results for fiscal years 1992 and 1991 as if the change had been retroactively applied:

| | 1992 | 1991 |
|---|---|---|
| Income (loss) from continuing operations before extraordinary charge | $(4,461,000) | $ (2,249,000) |
| Net income (loss) | (4,532,000) | 2,125,000 |
| Earnings (loss) per share: | | |
| Loss from continuing operations before extraordinary charge | $ (.45) | $ (.24) |
| Net income (loss) | (.46) | .22 |

4. RESTRUCTURING, NONRECURRING AND EXTRAORDINARY CHARGES:

During the fourth quarter of 1993, as a result of certain actions taken as part of its strategy to refocus and build on its existing core businesses in the U.S. the Company recorded an $6,762,000 restructuring charge. The provision for restructuring charge consists of an estimate of the loss to be incurred upon the sale of certain businesses, including anticipated operating results through the projected disposal dates, and the write-off of intangible assets. Below is a summary of components comprising the restructuring charges as of June 30, 1993:

| | |
|---|---|
| Estimated loss on disposal of businesses | $4,600,000 |
| Relocation and consolidation costs | 1,544,000 |
| Other | 618,000 |
| | $6,762,000 |

The disposal of businesses includes three operating entities in which the Company has entered into letters of intent with prospective buyers. The components of net assets held for sale included in the accompanying consolidated balance sheets is comprised primarily of working capital items and fixed assets, net of the reserve for the estimated loss on the disposals. All amounts are included at net realizable value. (See Note 12).

During the fourth quarter of 1992, the Company recorded a $3,900,000 nonrecurring charge which represents a capital loss realized upon the sale of the Company's portfolio of debt securities.

During 1992, the Company repurchased certain debt securities in open market purchases (see Note 6). As a result, the Company incurred an extraordinary charge which totaled $1,186,000 (net of applicable income tax benefit of $611,000) and included the market premium paid along with the accelerated amortization of unamortized debt discount and issuance costs.





5. INCOME TAXES:

The components of income (loss) from continuing operations before income taxes, extraordinary charges and cumulative effect of change in accounting are as follows (in thousands):

| | 1993 | 1992 | 1991 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Domestic | $(13,442) | $(6,179) | $(3,581) |
| Foreign | (2,232) | 1,053 | 786 |
| Total | $(15,674) | $(5,126) | $ (2,795) |

</TABLE>

The components of the provision (benefit) for income taxes are (in thousands):

<TABLE>
<CAPTION>

| <S> | 1993 <C> | 1992 <C> | 1991 <C> |
|---|---|---|---|
| Currently payable: | | | |
| Federal | $ -- | $(2,404) | $ (1,138) |
| Foreign and other | 216 | 572 | 404 |
| Total current | 216 | (1,832) | (734) |
| Deferred: Federal | -- | 1,064 | 54 |
| Total provision | $216 | $ (768) | $ (680) |

</TABLE>

Deferred income taxes relate to the following (in thousands):

<TABLE>
<CAPTION>

| <S> | 1993 <C> | 1992 <C> | 1991 <C> |
|---|---|---|---|
| Depreciation | $-- | $ 68 | $ 45 |
| Inventory valuation | -- | (84) | (279) |
| Bad debt expense | -- | 425 | (86) |
| Deferred costs | -- | 800 | 240 |
| Other, net | -- | (145) | 134 |
| Total | $-- | $1,064 | $ 54 |

</TABLE>

The following table reconciles the U.S. statutory rate to the Company's effective tax rate:

<TABLE>
<CAPTION>

| <S> | 1993 <C> | 1992 <C> | 1991 <C> |
|---|---|---|---|
| U.S. statutory rate | 34.0% | 34.0% | 34.0% |
| Domestic losses not benefited | (24.4) | -- | -- |
| Capital losses not benefited | (10.0) | (18.1) | -- |
| State taxes, net | (0.8) | (2.3) | (3.0) |
| Goodwill amortization | (1.6) | (4.5) | (4.3) |
| Effect of prior year purchase accounting adjustments | -- | 2.7 | -- |
| Other, net | 1.4 | 3.2 | (2.4) |
| Effective tax rate | (1.4)% | 15.0% | 24.3% |

</TABLE>

In 1992, the Company was able to carryback domestic net operating losses to prior years which resulted in refunds of previously paid taxes. Such refunds totaled $2,462,000 and were received in 1993. Tax benefits for 1992 domestic net operating losses which could not be carried back to prior years were recognized by reducing previously recorded deferred income taxes. At June 30, 1993, the Company had $11,547,000 of available domestic net operating loss carryforwards for financial reporting and income tax purposes which expire in 2008.

The Company made income tax payments of $926,000 in 1993, $1,358,000 in 1992 and $1,599,000 in 1991.





6. DEBT:

Total debt at June 30, 1993 and 1992 consisted of the following (in thousands):

| | JUNE 30, 1993 |
|---|---|
| Domestic revolving credit agreement | $ 20,400 |
| Other notes payable, maturing at various dates through 2000 and bearing interest at rates varying from 5.25% to 11.75% | 4,660 |
| Subtotal -- Long-term debt | 25,060 |
| Less: current portion | (2,493) |
| Long-term debt, net | 22,567 |
| Senior Secured Notes | 38,563 |
| Senior Subordinated Notes | 98,750 |
| Convertible Subordinated Debentures | 2,030 |
| Total long-term debt, net of current portion | $161,910 |

| | JUNE 30, 1992 |
|---|---|
| Domestic revolving credit agreement | $ 5,000 |
| Other notes payable, maturing at various dates through 2000 and bearing interest at rates varying from 5.25% to 11.75% | 6,770 |
| Subtotal -- Long-term debt | 11,770 |
| Less: current-portion | (2,107) |
| Long-term debt, net | 9,663 |
| Senior Secured Notes | 38,451 |
| Senior Subordinated Notes | 98,750 |
| Convertible Subordinated Debentures | 2,030 |
| Total long-term debt, net of current portion | $148,894 |

A. BANK DEBT

In September 1991, the Company entered into a secured revolving credit facility with a domestic bank. The credit facility, which was amended and restated effective April 1, 1993, provides for availability up to $30 million and expires on December 31, 1995. Borrowings under this agreement are secured by the inventories and accounts receivable of Waxman Industries, Inc. and certain of its domestic subsidiaries. Interest is based, at the Company's option, on either the bank's reference rate plus 1.5% or LIBOR plus 2.5%. The weighted average interest rate on borrowings outstanding under the credit facility was 6.34% during 1993. The Company is required to pay a commitment fee of 1/2% per annum on the unused commitment. The agreement also requires the Company to, among other things, maintain certain net worth and working capital levels and debt service ratios.

As a result of the 1993 operating results, the Company was not in compliance with several financial covenants contained in this agreement as of June 30, 1993. On October 1, 1993, the Company entered into an amendment to this agreement which waived all covenant violations as of June 30, 1993 and amended certain of the financial covenants to provide that future compliance will not be negatively impacted by the Company's fiscal 1993 operating results. Under the agreement, as amended, interest is based, at the Company's option, on either the bank's reference rate plus 1.5% or LIBOR plus 3.0%.

In May 1994, the domestic revolving credit facility was terminated by the Company, and borrowings thereunder were refinanced as part of the Company's debt restructuring. See Note 12.

B. SENIOR SECURED NOTES

In September 1991, the Company completed a private placement of $50 million of 7-year Senior Secured Notes (the Senior Notes), including detachable warrants to purchase 1 million shares of the Company's common stock (the Warrants). At the time of issuance, the Senior Notes included $42.5 million of 12.25% fixed rate notes and

$7.5 million of floating rate notes with interest at 300 basis points over the 90 day LIBOR rate. The Senior Notes are redeemable in whole or in part, at the option of the Company, after September 1, 1993 at a price of 107.35% for the fixed rate notes and 103% for the floating rate notes. The redemption prices decrease annually to 100% of the principal amounts at September 1, 1996. Annual mandatory redemption payments of $14.45 million for the fixed rate notes, and $2.55 million for the floating rate notes commence on September 1, 1996 and are calculated to retire 68% of the principal amount of the Senior Notes prior to maturity. The Senior Notes, which are secured by a pledge of all of the outstanding stock of the Company's wholly-owned subsidiary, Barnett Inc., are senior in right of payment to all subordinated indebtedness and pari passu with all other senior indebtedness of the Company.

The Warrants are exercisable through September 1, 1996, at a price of $4.60 per share. A portion of the proceeds of the private placement was allocated to the Warrants and, as a result, paid-in capital increased by $1 million in fiscal year 1992. The related $1 million reduction in the recorded principal amount of the Senior Notes is being amortized as interest expense over the life of the Senior Notes.

During June 1992, the Company repurchased $10,850,000 principal amount of the fixed rate notes in open market purchases.

The Senior Note indenture contains various covenants, including dividend restrictions and minimum operating cash flow requirements. As a result of its 1993 operating results, the Company was not in compliance with the operating cash flow covenant contained in the Senior Note Indenture as of June 30, 1993. The operating cash flow covenant requires a minimum ratio of operating cash flow to interest expense of 1.1 to 1.0 (the Company's actual ratio for fiscal 1993 was approximately 0.4 to 1.0). Under the terms of the indenture, the trustee or the holders of 25% of the Senior Notes may, at their discretion, declare the Company to be in default under the indenture as a result of the noncompliance and, after applicable grace periods, cause the amounts due under the Senior Notes to be subject to acceleration.

As a result of the Company's 1993 operating results as well as the unfavorable impact of the decline in the Canadian dollar on cumulative currency translation adjustment, the Company's consolidated stockholders' equity at June 30, 1993 was below the minimum net worth requirement under the Senior Note indenture. Minimum net worth of $35 million, adjusted for cumulative earnings as defined in the indenture, is required to be maintained (the Company's actual consolidated net worth at June 30, 1993 was $7.5 million). Under the terms of the Senior Note indenture, the Company would be required to offer to purchase $5 million of the Senior Notes at a price of 102% every six months if the Company's net worth falls below the minimum net worth requirement for two consecutive quarters. Such offers to purchase must continue until the Company's net worth exceeds the minimum net worth requirement. The Company's net worth continued to be below the minimum requirement at September 30, 1993, which obligated the Company to offer to purchase $5.0 million of the Senior Notes at May 30, 1994.

During November 1993, the Company completed a solicitation of consents from the holders of the Senior Secured Notes to waive noncompliance with the operating cash flow covenant and amend certain provisions of the Senior Secured Note indenture. Effectiveness of the waiver and amendments required the consent of holders of at least 66-2/3% of the outstanding principal amount of the securities. The effect of the consent was to cure the noncompliance with the operating cash flow covenant as well as amend the net worth and certain other financial covenants to relieve the Company of its obligation to offer to purchase $5 million of Senior Secured Notes on May 30, 1994 and provide that future compliance will not be negatively impacted by the Company's fiscal 1993 operating results or fluctuations in foreign currency on cumulative translation adjustments.

During May 1994, the Company received requisite consents from the holders of the Senior Secured Notes to, among other things, permit the completion of the Company's debt restructuring and eliminate any prospective defaults resulting from the adverse results and events relating to the Company's discontinued Canadian operations. See Note 12.





C. SENIOR SUBORDINATED NOTES

In June 1989, the Company issued $100 million principal amount of 13 3/4% Senior Subordinated Notes (Subordinated Notes) due June 1, 1999. The Subordinated Notes are redeemable in whole or in part, at the option of the Company, after June 1, 1994 at a price of 105.156% which decreases annually to 100% of the principal amount at the maturity date. Annual mandatory redemption payments of $20 million commencing June 1, 1996 are calculated to retire 60% of the issue prior to maturity. In case of a change in control, the noteholders have the right to require the Company to repurchase the Notes at established redemption prices. The Subordinated Notes, which are unsecured, are subordinate in right of payment to all senior debt and are senior in right of payment to the Company's 6 1/4% Convertible Subordinated Debentures. Under the terms of the indenture, the Company may not incur additional indebtedness which is subordinate to senior debt and senior to the Subordinated Notes. Additionally, the indenture agreement contains various other covenants, including dividend restrictions and minimum net worth requirements.

During 1992, the Company repurchased $1,250,000 principal amount of the Notes in an open market purchase.

As a result of the Company's 1993 operating results as well as the unfavorable impact of the decline in the Canadian dollar on cumulative currency translation adjustment, the Company's consolidated stockholders' equity at June 30, 1993 was below the $15 million minimum net worth requirement under the Note indenture. Under the terms of the Note indenture, the Company is required to offer to purchase $10 million of the Notes at a price of 100% every six months if the Company's net worth falls below the minimum net worth requirement for two consecutive quarters. Such offers to purchase must continue until the Company's net worth exceeds the minimum net worth requirement. The Company may credit against its purchase obligation the principal amount of any notes previously acquired by the Company. The Company's net worth continued to be below the minimum requirement at September 30, 1993, which obligated the Company to offer to purchase $8.8 million of Notes at December 31, 1993 and $10.0 million of Notes at June 30, 1994.

During November 1993, the Company completed a solicitation of consents from the holders of the Subordinated Notes to waive the Company's obligation to offer to purchase on December 31, 1993 $10 million principal amount of the Subordinated Notes as well as amend certain provisions of the Subordinated Notes indenture. Effectiveness of the waiver and amendments required the consent of holders of at least 66-2/3% of the outstanding principal amount of the Subordinated Notes. The effect of the consent was to relieve the Company of its Obligation to offer to purchase $10 million Subordinated Notes on December 31, 1993 as well as amend the minimum net worth covenant to provide that future compliance will not be negatively impacted by the Company's cumulative currency translation adjustments.

During May 1994, the Company refinanced $50 million of the Subordinated Notes. In addition, it received requisite consents from the holders of the Subordinated Notes to, among other things, permit the completion of the Company's debt restructuring and eliminate any prospective defaults which result from the adverse results and events relating to the Company's discontinued Canadian operations. See Note 12.

D. CONVERTIBLE SUBORDINATED DEBENTURES

In March 1987, the Company issued $25 million principal amount of 6 1/4% Convertible Subordinated Debentures (the Debentures) due March 15, 2007. The Debentures, which are unsecured, may be converted at any time prior to maturity, unless previously redeemed, into shares of the Company's common stock at a conversion price of $9.58 per share. The indenture agreement contains various covenants, including dividend restrictions and minimum net worth requirements.

During fiscal 1990, the Company called $12.5 million principal amount of the Debentures for redemption and subsequently $6.5 million principal amount was converted into 683,000 shares of common stock and the remaining $6.0 million principal amount was redeemed at the call price of 105%.





During fiscal years 1990 and 1992, the Company also purchased $9.7 million and $.8 million, respectively, of the principal amount of the Debentures in open market purchases at prices which approximated the par value of the Debentures.

As a result of the Company's 1993 operating results, as well as the unfavorable impact of the decline in the Canadian dollar on cumulative currency translation adjustment, the Company's consolidated stockholders' equity at June 30, 1993 was $7.5 million, below the $8.0 million minimum net worth requirement under the Debenture indenture. Under the terms of the Debenture indenture, if the Company's net worth falls below the minimum net worth requirement for two consecutive quarters, the Company is required to make a purchase offer for the Debentures. The Company's consolidated stockholders' equity continued to be below the minimum net worth requirement as of September 30, 1993, which obligated the Company to make a purchase offer at December 31, 1993 for substantially all of the $2.0 million principal amount of Debentures currently outstanding. However, in December 1993, the Company commenced and successfully completed a solicitation of consents from the holders of the Debentures to defer until April 30, 1994 the Company's obligation to offer to purchase $1.9 million of the Debentures. In connection with the solicitation, the interest rate on the Debentures was adjusted to 9.5% and the conversion price was reduced from $9.58 to $3.25 per share.

E. MISCELLANEOUS

The Company made interest payments of $19,540,000 in 1993, $18,858,000 in 1992 and $18,622,000 in 1991. Accrued liabilities in the accompanying consolidated balance sheets include accrued interest of $2,609,000 and $2,600,000 at June 30, 1993 and 1992, respectively.

No quoted market prices are available for any of the Company's debt as the debt is not actively traded. Management, however, believes the carrying values of its bank loans approximate their fair values as they bear interest based upon the banks' prime lending rates. It was not practical to estimate the fair value of the Company's Senior Secured Notes and subordinated debt because of the inability to estimate fair value without incurring excessive costs.

7. STOCKHOLDERS' EQUITY:

In May 1992, the Company completed a public offering of 2,199,000 shares of common stock at a price of $5.00 per share. The net proceeds from the offering, after deducting all associated costs, were $9,785,000.

During fiscal 1991, the Company purchased approximately 452,000 shares of its common stock at an aggregate cost of approximately $1,910,000 through open market purchases. There were no common stock repurchases in 1993 or 1992.

Each share of common stock entitles the holder to one vote, while each share of Class B common stock entitles the holder to ten votes. Cash dividends on the Class B common stock may not exceed those on the common stock. Due to restricted transferability there is no trading market for the Class B common stock. However, the Class B common stock may be converted, at the stockholder's option, into common stock on a share-for-share basis at any time without cost to the stockholder.

Stockholders' equity includes cumulative currency translation adjustments of ($4,651,000) and ($1,492,000) at June 30, 1993 and 1992, respectively.





8. STOCK OPTIONS:

STOCK OPTION PLAN

Effective July 1, 1992, the Company's stockholders approved the 1992 Non-Qualified and Incentive Stock Option Plan (the 1992 Stock Option Plan) which replaced the existing stock option plan (the 1982 Plan) which terminated by its terms on April 30, 1992. The 1992 Stock Option Plan authorized the issuance of an aggregate of 1.1 million shares of common stock as incentive stock options to officers and key employees of the Company or its subsidiaries. Under the terms of the 1992 Stock Option Plan, all options granted are at an option price not less than the market value at the date of grant and may be exercised for a period not exceeding 10 years from the date of grant.

During fiscal year 1993, options were issued under the 1992 Stock Option Plan for 1,045,000 shares at option prices ranging from $4.25 to $5.00 per share, and options for 55,000 shares with an exercise price of $5.00 per share were cancelled. At June 30, 1993, options for 990,000 shares were outstanding, of which none were exercisable.

At June 30, 1992, there were options for 773,500 shares outstanding under the 1982 Plan. During fiscal year 1993, options for 462,750 shares with exercise prices of $4.75 to $7.29 per share were cancelled. At June 30, 1993, options for 270,750 shares remained outstanding at option prices of $4.75 to $6.00 per share, of which 153,710 options were exercisable.

OTHER STOCK OPTIONS

The Company has granted non-qualified stock options not under the Plan to its Co-Chief Executive Officers, outside directors and to a consultant. At June 30, 1993, a total of 170,000 shares, with exercise prices ranging from $4.25 to $6.00, were outstanding under the non-qualified options, 88,000 of which were exercisable. At June 30, 1992, options for 140,000 shares were outstanding. During fiscal year 1993, options for 30,000 shares with an exercise price of $4.25 per share were issued and no options were cancelled.

9. LEASE COMMITMENTS:

The Company leases certain of its warehouse and office facilities and equipment under operating lease agreements which expire at various dates through 2003.

Future minimum rental payments are as follows: $3,458,000 in 1994,

$3,055,000 in 1995, $2,665,000 in 1996, $2,342,000 in 1997, $1,880,000 in 1998 and $3,789,000 after 1998, with a cumulative total of $17,189,000.

Total rent expense charged to operations was $3,758,000 in 1993, $3,398,000 in 1992 and $2,909,000 in 1991.

10. PROFIT SHARING PLAN:

The Company has a trusteed profit sharing retirement plan for employees of certain of its divisions and subsidiaries. In fiscal 1989, the plan was amended to qualify under Section 401(K) of the Internal Revenue Code. Company contributions are determined by the Board of Directors. The charges to operations for Company contributions totaled $132,000 in 1993, $123,000 in 1992 and $108,000 in 1991.

11. CONTINGENCIES:

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of any ultimate liability with respect to these actions will not materially affect the Company's financial statements.





12. SUBSEQUENT EVENTS - DISCONTINUED OPERATIONS, DEBT RESTRUCTURING AND SALE OF A BUSINESS

A. DISCONTINUED OPERATIONS - IDEAL

Effective March 31, 1994, the Company adopted a plan to dispose of its Canadian subsidiary, Ideal Plumbing Group, Inc. (Ideal). Unlike the Company's U.S. operations which supply products to customers in the home repair and remodeling market through mass retailers, Ideal primarily serves customers in the Canadian new construction market through independent contractors. Accordingly, Ideal is reported as a discontinued operation and the consolidated financial statements have been reclassified to report separately Ideal's net assets and results of operations.

At the time the plan of disposition was adopted, the Company expected that the disposition would be accomplished through a sale of the business to a group which included members of Ideal's management. Such transaction would have required the consent of Ideal's Canadian bank as borrowings under its bank credit agreements were collateralized by all of the assets and capital stock of Ideal. The bank reviewed the management group's acquisition proposal, however the proposal was subsequently rejected. On May 5, 1994, without advance notice, the bank filed an involuntary bankruptcy petition against Ideal citing defaults under the bank credit agreements. (Borrowings under these agreements are non-recourse to Waxman Industries, Inc.) As a result of this action, the Company's control and ownership of Ideal is likely to cease prior to June 30, 1994.

The estimated loss on disposal, which was recorded by the Company in its consolidated financial statements as of March 31, 1994, totals $38.2 million, without tax benefit, and represents a complete write-off of the Company's investment in Ideal. The loss includes the estimated loss on disposal, a provision for anticipated operating losses until disposal and provisions for other estimated costs to be incurred in connection with the disposal, as well as a $6.4 million foreign currency exchange loss which results from the elimination of the currency translation adjustments relating to Ideal. In accordance with SFAS No. 109, "Accounting for Income Taxes", any tax benefits relating to the loss on disposal have been reduced 100% by a valuation allowance. The Company will continue to evaluate the valuation allowance and to the extent it is determined that such allowance is no longer required, the tax benefit of such loss on disposal may be recognized in the future.

Net assets of the discontinued operation at June 30, 1993 consisted of working capital of $29,878,000, net plant, property and equipment of $15,171,000, other assets of $40,561,000 and bank debt of $56,455,000 without any allowance for the estimated loss on disposal.

Summary operating results of the discontinued operation for the periods presented are as follows:

<TABLE>
<CAPTION>

| | 1993 | 1992 | 1991 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Net sales | $153,875 | $181,305 | $197,968 |
| Costs and expenses | 164,684 | 178,540 | 191,551 |
| Income (loss) before | | | |

| | | | |
|---|---|---|---|
| income taxes | (10,809) | 2,765 | 6,417 |
| Income taxes | 431 | 1,619 | 2,074 |
| Net income (loss) | $(11,240) | $ 1,146 | $ 4,343 |

</TABLE>





B. DEBT RESTRUCTURING

On May 20, 1994, the Company completed a restructuring of its debt which included a refinancing of $50 million of its Subordinated Notes as well as all borrowings under its existing domestic bank credit facilities. As part of the restructuring, the Company exchanged $50 million of its Subordinated Notes for $50 million initial accreted value of 12.75% Senior Secured Deferred Coupon Notes due 2004 (the Deferred Coupon Notes) along with detachable warrants to purchase 2.95 million shares of the Company's common stock. The Deferred Coupon Notes have no cash interest requirements until 1999. In addition, the Operating Companies (as defined below) entered into a new $55 million secured credit facility with an affiliate of Citibank, N.A., as agent, which includes a $20 million letter of credit subfacility. The domestic credit facility, which has an initial term of three years, will be extended for an additional year if the Senior Secured Notes have been redeemed within 33 months after the initial borrowing under the domestic credit facility. The domestic credit facility will be subject to borrowing base formulas. Borrowings under the domestic credit facility will bear interest at (i) the per annum rate of 1.5% plus the highest of (a) the prime rate of Citibank, N.A., (b) the federal funds rate plus 0.5% and (c) a formula with respect to three month certificates of deposit of major United States money market banks or (ii) LIBOR plus 3.0%. These rates will be increased by 0.5% until such time as the domestic term loan, discussed below, has been repaid in full. These rates will be reduced by 0.5% if Waxman USA (as defined below) achieves certain performance criteria based on the ratio of EBITDA to fixed charges. The domestic credit facility will be secured by the accounts receivable, inventory, certain general intangibles and unencumbered fixed assets of the Operating Companies and 65% of the capital stock of one subsidiary of TWI. The Operating Companies also entered into a $15.0 million three-year term loan with Citibank, N.A., as agent. The domestic term loan will bear interest at a rate per annum equal to 1.5% over the interest rate under the domestic credit facility and will be secured by a junior lien on the collateral under the domestic credit facility. A one-time fee of 1.0% of the principal amount outstanding under the domestic term loan will be payable if such loan is not repaid within 6 months after May 20, 1994. Principal payments on the domestic term loan of $1.0 million each will be required quarterly commencing at the end of the third quarter following May 20, 1994. The domestic term loan will be required to be prepaid if Waxman USA completes a financing sufficient to retire the Subordinated Notes, the Senior Secured Notes and the domestic term loan. The initial borrowings under the revolving credit facility (which totaled approximately $27.2 million) along with proceeds from the domestic term loan were used to repay all borrowings under the Company's existing domestic bank credit facilities as well as fees and expenses associated with the restructuring.

C. CORPORATE RESTRUCTURING

The Company has restructured (the "Corporate Restructuring") its domestic operations such that the Company will be a holding company whose only material assets will be the capital stock of its subsidiaries. As part of the Corporate Restructuring, the Company has formed (a) Waxman USA, Inc. ("Waxman USA"), as a holding company for the subsidiaries that comprise and support the Company's domestic operations, (b) Waxman Consumer Products Group Inc.(Consumer Products), a wholly owned subsidiary of Waxman USA, to own and operate Waxman Industries' Consumer Products Group Division, and (c) WOC Inc. ("WOC"), a wholly owned subsidiary of Waxman USA, to own and operate Waxman USA"s domestic subsidiaries, other than Barnett and Consumer Products. On May 20, 1994, the Company restructured its operation by (i) contributing the capital stock of Barnett to Waxman USA, (ii) contributing the assets and liabilities of the Consumer Products Group Division to Consumer Products, (iii) contributing the assets and liabilities of its Madison Equipment Division to WOC, (iv) contributing the assets and liabilities of its Medal Distributing Division to WOC, (v) merging U.S. Lock Corporation ("U.S. Lock") and LeRan Copper & Brass, Inc. ("LeRan"), each a wholly owned subsidiary of the Company, into WOC, (vi) contributing the capital stock of TWI, International, Inc. ("TWI") to Waxman USA and (vii) contributing the capital stock of Western American Manufacturing, Inc. ("WAMI") to TWI. The Operating Companies consist of Barnett, Consumer Products and WOC.





D. SALE OF A BUSINESS

At June 30, 1993, net assets held for sale in the accompanying consolidated balance sheets related to the proposed disposal of three operating entities in which the Company had entered into letters of intent with prospective buyers.

During October 1993, the Company completed the sale of one of its Canadian operations, H. Belanger Plumbing Accessories, Ltd. (Belanger). The Company sold all of the capital stock of Belanger in exchange for approximately U.S. $3 million in cash and a U.S. $0.3 million promissory note. The promissory note, which matures on October 14, 1996, provides for three equal consecutive annual payments. Interest is payable annually at a rate of 7%. The loss on the sale of Belanger was approximately $3 million.

The Company was unable to come to terms with the prospective buyer of the other two entities. At the present time, the Company is not engaged in any other negotiations with respect to the sale of these entities. As such, the consummation of a sale of these businesses is not expected to occur in the foreseeable future, if at all. At June 30, 1993, assets and liabilities included in net assets held for sale of these entities are as follows:

| | |
|---|---|
| Accounts receivable, net | $3,840,000 |
| Inventory | 3,214,000 |
| Prepaids | 143,000 |
| Property and equipment, net | 214,000 |
| Cost of business in excess of net assets acquired, net | 1,050,000 |
| Other assets | 195,000 |
| Accounts payable | (1,331,000) |
| Accrued liabilities | (144,000) |
| | $7,181,000 |





SUPPLEMENTARY FINANCIAL INFORMATION

QUARTERLY RESULTS OF OPERATIONS:

The following is a summary of the unaudited quarterly results of operations for the years ended June 30, 1993 and 1992 (in thousands, except per share amounts):

| FISCAL 1993 | 1ST QTR. | 2ND QTR. | 3RD QTR. | 4TH QTR. | TOTAL |
|---|---|---|---|---|---|
| Net sales | $54,405 | $50,969 | $48,583 | $ 50,821 | $204,778 |
| Gross profit | 18,197 | 16,952 | 16,773 | 15,612 | 67,534 |
| Operating income (loss) | 4,303 | 3,985 | 3,905 | (7,502) | 4,691 |
| Loss from continuing operations before cumulative effect of accounting change | (363) | (547) | (710) | (14,270) | (15,890) |
| Income (loss) from discontinued operations | 785 | 733 | (218) | (12,540) | (11,240) |
| Cumulative effect of accounting change | (2,110) | -- | -- | -- | (2,110) |
| Net income (loss) | (1,688) | 186 | (928) | (26,810) | (29,240) |
| Primary and fully diluted earnings per share: | | | | | |
| Loss from continuing operations before cumulative effect of accounting change | (.03) | (.05) | (.06) | (1.22) | (1.36) |
| Income (loss) from discontinued operations | .07 | .07 | (.02) | (1.08) | (.97) |
| Net income (loss) | (.14) | .02 | (.08) | (2.30) | (2.51) |
| As Previously Reported (1): | | | | | |
| Net Income | 422 | | | | |
| Earnings per share | .04 | | | | |

</TABLE>

| FISCAL 1992 | 1ST QTR. | 2ND QTR. | 3RD QTR. | 4TH QTR. | TOTAL |
|---|---|---|---|---|---|
| Net sales | $48,669 | $47,269 | $47,628 | $54,172 | $197,738 |
| Gross profit | 16,980 | 16,585 | 17,179 | 19,879 | 70,623 |
| Operating income | 3,789 | 4,289 | 5,374 | 1,447 | 14,899 |
| Income (loss) from continuing operations before extraordinary charge | (356) | (335) | 165 | (3,832) | (4,358) |
| Income (loss) from discontinued operations | 980 | 805 | 96 | (735) | 1,146 |
| Net income (loss) | 625 | 470 | 261 | (5,754) | (4,398) |
| Primary and fully diluted earnings per share: | | | | | |
| Income (loss) from continuing operations before extraordinary charge | (.04) | (.03) | .02 | (.36) | (.44) |
| Income (loss) from discontinued operations | .11 | .08 | .01 | (.07) | .11 |
| Net income (loss) | .07 | .05 | .03 | (.54) | (.45) |

(1) First quarter results of fiscal 1993 have been restated for the cumulative effect of the accounting change for warehouse and catalog costs. The effect of the change on 1993 operating income has been included in results for the fourth quarter.

</TABLE>





NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE HEREIN, IN CONNECTION WITH THIS OFFER AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY OF THESE SECURITIES IN ANY WAXMAN INDUSTRIES, INC. JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. THE DELIVERY OF THIS PROSPECTUS AT ANY TIME DOES NOT IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

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WAXMAN INDUSTRIES, INC.

$12,500,000 12.25% FIXED RATE SENIOR SECURED NOTES DUE SEPTEMBER 1, 1998

$7,500,000 FLOATING RATE SENIOR SECURED NOTES DUE SEPTEMBER 1, 1998

960,000 COMMON STOCK PURCHASE WARRANTS

960,000 SHARES OF COMMON STOCK

_____________

PROSPECTUS

_____________

JULY __, 1994

</TABLE>

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<TABLE>

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14 OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following expenses incurred in connection with this Registration Statement will be paid by the Company. The Selling Security Holders will not bear any of such expenses.

| <S> | <C> |
|---|---|
| Filing Fee -- Securities and Exchange Commission | $ 17,063 |
| Accounting Fees and Expenses | 25,000 |
| Legal Fees and Expenses | 95,000 |
| Printing Fees and Expenses | 10,000 |
| Miscellaneous Expenses | 25,000 |
| | --------- |
| Total | $172,063 |
| | ======== |

</TABLE>

ITEM 15 INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Certificate of Incorporation of the Company provides that each person who is a party to or involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she was a director or officer of the Company, shall be indemnified and held harmless by the Company to the fullest extent authorized by the Delaware General Corporation Law against all expense, liability and loss reasonably incurred by such person in connection therewith. The Certificate of Incorporation provides that the right to indemnification contained therein is a contract right and includes the right to be paid by the Company the expenses incurred in defending any such proceeding in advance of its final disposition; PROVIDED, HOWEVER, that if the Delaware General Corporation Law requires, the payment of such expenses incurred in advance of the final disposition of a proceeding shall be made only upon delivery to the Company of an undertaking to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified. The Company maintains directors' and officers' liability insurance covering certain liabilities incurred by the directors and officers of the Company in connection with the performance of their duties.

ITEM 16 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits.

EXHIBIT NUMBER

3.1* Certificate of Incorporation of the Company dated October 27, 1989 (Exhibit 3(a) to the Company's Form 8-B filed December 4, 1989, File No. 0-5888, incorporated herein by reference).

3.2* By-laws of the Company (Exhibit 3.2 to Annual Report on Form 10-K for the year ended June 30, 1990, File No. 0-5888, incorporated herein by reference).





<TABLE>

<S> <C>

4.1* Indenture dated as of June 1, 1989 (the "Ameritrust Indenture") between the Company and Ameritrust Company National Association (Exhibit 4.1 to Annual Report on Form 10-K for the year ended June 30, 1989, File No. 0-5888, incorporated herein by reference).

| | |
|---|---|
| 4.2* | First Supplemental Indenture to the Ameritrust Indenture dated November 29, 1989 (Exhibit 4.2 to Annual Report on Form 10-K for the year ended June 30, 1990, File No. 0-5888, incorporated herein by reference). |
| 4.3** | Second Supplemental Indenture to the Ameritrust Indenture dated November 23, 1993. |
| 4.4 | Third Supplemental Indenture to the Ameritrust Indenture dated May 20, 1994. |
| 4.5* | Form of the Company's 13-3/4% Senior Subordinated Note due June 1, 1999 (Exhibit 4.2 to Annual Report on Form 10-K for the year ended June 30, 1989, File No. 0-5888, incorporated herein by reference). |
| 4.6* | Securities Purchase Agreement for Notes and Warrants dated as of September 17, 1991, among the Company and each of the Purchasers referred to therein (Exhibit 4.4 to Annual Report on Form 10-K for the year ended June 30, 1991, File No. 0- 5888, incorporated herein by reference). |
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| 4.15* | Registration Rights Agreement for Senior Notes, Warrants and Warrant Shares dated as of September 17, 1991, among the Company and each of the Purchasers signatory thereto (Exhibit |

</TABLE>





| | |
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23.2** Consent of Benesch, Friedlander, Coplan & Aronoff (contained in its opinion filed as Exhibit 5.1 to this Registration Statement).

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24.1** Power of Attorney (included in Part II of Registration Statement).

25.1** Statement of eligibility and qualification on Form T-1 of United States Trust Company of New York, as trustee (bound separately).

99.1* Form 11-K Annual Report for the Amended and Restated Profit Sharing Retirement Plan of the Company for the year ended June 30, 1993, File No. 0-5888, incorporated herein by reference.

<FN>

Pursuant to paragraph (b)(4)(iii)(A) of Item 601 of Regulation S-K, the Company has not filed certain instruments with respect to long-term debt because the total amount of securities authorized thereunder does not exceed ten percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company hereby agrees to furnish copies of such agreements to the Commission upon request.

* Incorporated herein by reference as indicated.
** Previously filed.
*** To be filed by amendment.

</TABLE>

(b) Financial Statement Schedules.

All schedules have been omitted because the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements including notes thereto.

ITEM 17 UNDERTAKINGS.

A. The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement;

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;





(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

B. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.





SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Waxman Industries, Inc. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-2 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Cleveland, State of Ohio on the 8th day of July, 1994.

WAXMAN INDUSTRIES, INC.

By:/s/ Armond Waxman
------------------------------
Armond Waxman, President, Co-Chief Executive Officer, Treasurer and Director

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| NAME | TITLE | DATE |
| --- | --- | --- |
| /s/ * <br> Melvin Waxman | Chairman of the Board, Co-Chief Executive Officer and Director | July 8, 1994 |

| | | |
|---|---|---|
| /s/Armond Waxman<br>---------------------<br>Armond Waxman | President, Co-Chief Executive Officer, Treasurer and Director | July 8, 1994 |
| /s/ *<br>---------------------<br>Neal R. Restivo | Vice President and Chief Financial Officer (principal and accounting officer) | July 8, 1994 |
| /s/ *<br>---------------------<br>Samuel J. Krasney | Director | July 8, 1994 |
| /s/ *<br>---------------------<br>Irving Z. Friedman | Director | July 8, 1994 |
| /s/ *<br>---------------------<br>Judy Robins | Director | July 8, 1994 |

*By:/s/Armond Waxman July 8, 1994
-----------------
Armond Waxman





<TABLE>

EXHIBIT INDEX

<CAPTION>

| EXHIBIT NUMBER | DESCRIPTION OF EXHIBIT | PAGE NUMBER |
|---|---|---|
| <S> | <C> | <C> |
| 3.1* | Certificate of Incorporation of the Company dated October 27, 1989 (Exhibit 3(a) to the Company's Form 8-B filed December 4, 1989, File No. 0-5888, incorporated herein by reference). | |
| 3.2* | By-laws of the Company (Exhibit 3.2 to Annual Report on Form 10-K for the year ended June 30, 1990, File No. 0-5888, incorporated herein by reference). | |
| 4.1* | Indenture dated as June 1, 1989 (the "Ameritrust Indenture") between the Company and Ameritrust Company National Association (Exhibit 4.1 to Annual Report on Form 10-K for the year ended June 30, 1989, File No. 0-5888, incorporated herein by reference). | |
| 4.2* | First Supplemental Indenture to the Ameritrust Indenture dated November 29, 1989 (Exhibit 4.2 to Annual Report on Form 10-K for the year ended June 30, 1990, File No. 0-5888, incorporated herein by reference). | |
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Pursuant to paragraph (b)(4)(iii)(A) of Item 601 of Regulations S-K, the Company has not filed certain instruments with respect to long-term debt because the total amount of securities authorized thereunder does not exceed ten percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company hereby agrees to furnish copies of such agreements to the Commission upon request.

* Incorporated herein by reference as indicated.

** Previously filed.

*** To be filed by amendment.

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Exhibit 4.4

# THIRD SUPPLEMENTAL INDENTURE

Third Supplemental Indenture, dated as of May 20, 1994, to the Indenture dated as of June 1, 1989, between Waxman Industries, Inc., a Delaware corporation (the "Company"), and Society National Bank (formerly known as Ameritrust Company National Association), as trustee (the "Trustee"), as amended by a First Supplemental Indenture dated as of November 29, 1989 between the Company and the Trustee and a Second Supplemental Indenture dated as of November 23, 1993 between the Company and the Trustee (as so amended, the "Indenture").

## RECITAL

The Indenture provides that the Company and the Trustee may, with the consent of the Holders of at least 66 2/3% of the outstanding principal amount of the Company's 13 3/4% Senior Subordinated Notes dues June 1, 1999 (the "Securities"), enter into a Supplemental Indenture for the purpose of amending any provision (with certain exceptions not relevant hereto) of the Indenture with respect to the Securities. The Company has received signed consents of the Holders of at least 66 2/3% of the outstanding principal amount of the Securities approving the substance of this Third Supplemental Indenture.

NOW, THEREFORE, the parties agree as follows for their mutual benefit and for the equal and ratable benefit of the Holders of the Securities:

1. Capitalized terms not defined herein shall have the meanings given to them in the Indenture.

2. Section 1.01 of the Indenture, DEFINITIONS, is hereby amended by deleting the definition of "Consolidated Net Worth" therein in its entirety and replacing it with the following:

> "'CONSOLIDATED NET WORTH' of the Company at any date means consolidated shareholders' equity, excluding (i) Disqualified Capital Stock, (ii) cumulative currency translation adjustments as of the date of determination, (iii) the effect of any item of income, gain, loss or charge or any other effect of or related to Ideal Holding Group, Inc., a wholly owned subsidiary of the Company, or any subsidiary thereof (the "Ideal Group"), and (iv) charges relating to non-cash interest on the 12 3/4% Senior Secured Deferred Coupon Notes Due 2004 of the Company offered pursuant to the Company's Offer to Exchange and Consent Solicitation dated April 21, 1994 (the "Offer to Exchange") and/or amortization of the warrants to purchase common stock of the Company offered pursuant to the Offer to Exchange from and after June 30, 1994, each

determined in accordance with GAAP."



3. Section 5.02 of the Indenture, RESTRICTED PAYMENTS, is hereby amended by adding the following at the end thereof:

> "Notwithstanding anything to the contrary herein, the provisions of this Section 5.02 shall not be violated by the purchase, redemption or other acquisition or retirement for value by the Company of any or all of is outstanding 9 1/2% Convertible Subordinated Debentures due March 15, 2007."

4. Subsection (a) of Section 5.03 of the Indenture, MAINTENANCE OF CONSOLIDATED NET WORTH, is hereby amended by deleting the definition of "Minimum Net Worth" in the fifth sentence therein in its entirety and replacing it with the following:

> "For purposes of this Section 5.03(a), 'Minimum Net Worth' of the Company shall equal the Consolidated Net Worth of the Company at June 30, 1994 minus $5,000,000."

5. (a) Subsection (a) of Section 5.06 of the Indenture, LIMITATION ON ADDITIONAL INDEBTEDNESS, is hereby amended by adding the following at the end thereof:

> "Notwithstanding the foregoing, the calculation of the Company's Consolidated Operating Cash Flow/Interest Expense Ratio shall exclude the effect of any item of income, gain, loss or charge or any other effect of or related to the Ideal Group on the Company's Consolidated Operating Cash Flow and Consolidated Interest Expense."

(b) Subsection (b), clauses (ii) and (iii), of Section 5.06 of the Indenture, LIMITATION ON ADDITIONAL INDEBTEDNESS, are hereby amended and restated in their entirety to read as follows:

> "(b) Notwithstanding the foregoing, additional Indebtedness may be incurred as follows:
>
> o o o
>
> (ii) Indebtedness of the Company and its Subsidiaries outstanding on the date of this Indenture, after giving effect to the application of the proceeds of the Securities; Indebtedness of the Company pursuant to the 12 3/4% Senior Secured Deferred Coupon Notes Due 2004 offered pursuant to the

Offer to Exchange; and Indebtedness of Waxman USA Inc. ("Waxman USA") incurred in connection with the guarantee of the Company's obligations under the 12 1/4% Fixed Rate Senior Secured Notes due September 1, 1998 and Floating Rate Secured Notes due September 1, 1998;





(iii) Indebtedness of the Company and its Subsidiaries in an amount up to $70,000,000 the proceeds of which are used for general corporate purposes;"

6. Section 6.01 of the Indenture, WHEN COMPANY MAY MERGE, ETC., is hereby amended by adding the following at the end thereof:

"Notwithstanding the foregoing, the Company and its Subsidiaries shall be permitted to effect the Corporate Restructuring without being required to make a Special Mandatory Offer. The "Corporate Restructuring" means (i) the formation by the Company of (a) Waxman USA, as a holding company for the subsidiaries that comprise and support the Company's domestic operations, (b) Consumer Products, a wholly owned subsidiary of Waxman USA, to own and operate the Company's Consumer Products Group Division (the "Consumer Products Division"), and (c) WOC Inc. ("WOC"), a wholly owned subsidiary of Waxman USA, to own and operate the Company's domestic operations, other than those of Barnett and Consumer Products, (ii) the contribution of the capital stock of Barnett from the Company to Waxman USA, (iii) the contribution of the assets and liabilities of the Consumer Products Division from the Company to Consumer Products, (iv) the contribution of the assets and liabilities of the Company's Madison Equipment Division from the Company to WOC, (v) the contribution of the assets and liabilities of the Company's Medal Distributing Division from the Company to WOC, (vi) the merger of U.S. Lock Corporation ("U.S. Lock") and LeRan Copper & Brass, Inc. ("LeRan"), each a wholly owned subsidiary of the Company, into WOC, (vii) the contribution of the capital stock of TWI, International, Inc. ("TWI") from the Company to Waxman USA and (viii) the contribution of the capital stock of Western American Manufacturing, Inc. ("WAMI") from the Company to TWI."

7. (a) Clause (5) of Section 7.01 of the Indenture, EVENTS OF DEFAULT, is hereby amended by replacing "$1,000,000" therein with "$2,500,000".

(b) Clause (8) of Section 7.01 of the Indenture, EVENTS OF DEFAULT, is hereby amended by replacing "$500,000" therein with "$2,500,000".

(c) Section 7.01 of the Indenture, EVENTS OF DEFAULT, is hereby amended by adding the following at the end thereof:

> "Notwithstanding the foregoing, for purposes of this Section 7.01, the term "Subsidiary" shall not include any members of the Ideal Group."

8. This Third Supplemental Indenture is an indenture to and in implementation of the Indenture, and the Indenture and this Third Supplemental Indenture shall henceforth be read together.





9. The Trustee accepts the trusts created by the Indenture, as supplemented by this Third Supplemental Indenture, and agrees to perform the same upon the terms and conditions in the Indenture, as supplemented by this Third Supplemental Indenture.

10. The Indenture as amended and supplemented by this Third Supplemental Indenture is in all respects confirmed and preserved.

11. This Third Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

12. The provisions of this Third Supplemental Indenture will take effect immediately upon its execution and delivery by the Trustee.

13. This Third Supplemental Indenture shall be governed by the internal laws of the State of New York.

14. If any provision of this Third Supplemental Indenture shall be declared by a court of competent jurisdiction to be unenforceable, invalid or void, the same shall not impair any of the other provisions of this Third Supplemental Indenture, nor shall any party have liability to the other parties as a result of such unenforceable, invalid or void provision.

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed as of the day and year first above written.

WAXMAN INDUSTRIES, INC.,

By:______________________
Name:
Title:

Attest:__________________________
Name:
Title:

SOCIETY NATIONAL BANK,
as Trustee,

By:______________________
Name:
Title:

Attest:__________________________
Name:
Title:

Exhibit 4.9

# SECOND SUPPLEMENTAL INDENTURE

Second Supplemental Indenture, dated as of March 25, 1994, to the Indenture dated as of September 1, 1991, between Waxman Industries, Inc., a Delaware corporation (the "Company"), and United States Trust Company of New York, created and existing under the laws of the United States, as trustee (the "Trustee"), as amended by a First Supplemental Indenture dated as of November 15, 1993 between the Company and the Trustee (as so amended, the "Indenture").

## RECITAL

The Indenture provides that the Company and the Trustee may, without notice to or the consent of any Holder of the Company's 12.25% Fixed Rate Senior Secured Notes due September 1, 1998 and Floating Rate Senior Secured Notes due September 1, 1998 (collectively, the "Securities"), enter into a Supplemental Indenture for the purpose of amending any provision to the Indenture that does not adversely affect the rights of any Holders of the Securities.

NOW, THEREFORE, the parties agree as follows for their mutual benefit and for the equal and ratable benefit of the Holders of the Securities:

1. Capitalized terms not defined herein shall have the meaning given to them in the Indenture.

2. Section 2.16 of the Indenture is hereby amended by adding the following at the end thereof:

> "The Company's pledge of the Pledged Stock shall terminate (and the Pledge Agreement shall terminate in accordance with Section 25 therein) and the Collateral Agent shall release the Pledged Stock to or upon the order of the Company if (a) the Company is deemed to have paid and discharged the entire Indebtedness on the Securities and the provisions of this Indenture pursuant to Section 9.01 or (b) the Company has terminated all of its obligations under this Indenture pursuant to Section 9.02 and is deemed to have paid and discharged the entire Indebtedness on the Securities and the provisions of this Indenture pursuant to Section 9.02."



3. Clause (1) of Section 9.02 is hereby amended and restated in its entirety as follows:

"all Securities theretofore authenticated and delivered (other than Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.07 hereof) have either been delivered to the Trustee for cancellation or the Company has paid, or the Company has made provision for the payment of (by irrevocably depositing in trust with the Trustee, pursuant to an irrevocable trust or escrow agreement in form and substance reasonably satisfactory to the Trustee, U.S. legal tender in such amount sufficient for the payment of), the principal of and interest on such outstanding Securities on the dates on which any such payments are due and payable (whether at maturity or, in the event that a notice of redemption has been given by the Company pursuant to Section 3.01, the Redemption Date set forth in such notice) in accordance with the terms of the Indenture and the Securities;"

4. Section 9.02 of the Indenture is hereby amended by adding the following sentence at the end thereof:

"Upon the termination of all of the Company's obligations under this Indenture pursuant to this Section 9.02, the Company shall be deemed to have paid and discharged the entire Indebtedness on the Securities and the provisions of this Indenture (subject to Section 9.03 hereof)."

5. This Second Supplemental Indenture is an indenture to and in implementation of the Indenture, and the Indenture and this Second Supplemental Indenture shall henceforth be read together.

6. The Trustee accepts the trusts created by the Indenture, as supplemented by this Second Supplemental Indenture, and agrees to perform the same upon the terms and conditions in the Indenture, as supplemented by this Second Supplemental Indenture.

7. The Indenture as amended and supplemented by this Second Supplemental Indenture is in all respects confirmed and preserved.

8. This Second Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.





9. The provisions of this Second Supplemental Indenture will take

effect immediately upon its execution and delivery by the Trustee.

10. This Second Supplemental Indenture shall be governed by the internal laws of the State of New York.

11. If any provision of this Second Supplemental Indenture shall be declared by a court of competent jurisdiction to be unenforceable, invalid or void, the same shall not impair any of the other provisions of this Second Supplemental Indenture, nor shall any party have liability to the other parties as a result of such unenforceable, invalid or void provision.

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the day and year first above written.

WAXMAN INDUSTRIES, INC.,

By:______________________
Name:
Title:

Attest:___________________________
Name:
Title:

UNITED STATES TRUST COMPANY
OF NEW YORK, as Trustee,

By:______________________
Name:
Title:

Attest:___________________________
Name:
Title:

Exhibit 4.10

THIRD SUPPLEMENTAL INDENTURE

Third Supplemental Indenture, dated as of May 20, 1994, to the Indenture dated as of September 1, 1991, between Waxman Industries, Inc., a Delaware corporation (the "Company"), and United States Trust Company of New York, created and existing under the laws of the United States, as trustee (the "Trustee"), as amended by a First Supplemental Indenture dated as of November 15, 1993 between the Company and the Trustee and a Second Supplemental Indenture dated as of March 25, 1994 between the Company and the Trustee (as so amended, the "Indenture").

RECITAL

The Indenture provides that the Company and the Trustee may, with the consent of the Holders of at least 66 2/3% of the outstanding principal amount of the Company's 12.25% Fixed Rate Senior Secured Notes due September 1, 1998 and Floating Rate Senior Secured Notes due September 1, 1998 (collectively, the "Securities"), enter into a Supplemental Indenture for the purpose of amending any provision (with certain exceptions not relevant hereto) of the Indenture with respect to the Securities. The Company has received signed consents of the Holders of at least 66 2/3% of the outstanding principal amount of the Securities approving the substance of this Third Supplemental Indenture.

NOW, THEREFORE, the parties agree as follows for their mutual benefit and for the equal and ratable benefit of the Holders of the Securities:

1. Capitalized terms not defined herein shall have the meanings given to them in the Indenture.

2. (a) Section 1.01 of the Indenture, DEFINITIONS, is hereby amended by adding the following at the end of the definition of "Consolidated Operating Cash Flow Coverage Ratio" therein:

> "Notwithstanding the foregoing, the calculation of the Company's Consolidated Operating Cash Flow Coverage Ratio for all purposes of the Indenture (including for purposes of Sections 5.10(b) and 5.12) shall exclude (i) the effect of any item of income, gain, loss or charge or any other effect of or related to Ideal Holding Group, Inc., a wholly owned subsidiary of the Company, and any subsidiary thereof (the "Ideal Group") on the Company's Consolidated Operating Cash Flow, consolidated net interest expense and consolidated preferred stock

dividend expense and (ii) from consolidated net interest expense any charges relating to non-cash interest on the 12 3/4% Senior Secured Deferred Coupon Notes of the Company Due 2004 offered pursuant to the Company's Offer to Exchange and Consent Solicitation dated April 21, 1994 (the "Offer to Exchange") and/or amortization of the warrants to purchase common stock of the Company offered pursuant to the Offer to Exchange from and after June 30, 1994."

(b) Section 1.01 of the Indenture, DEFINITIONS, is hereby amended by adding thereto the definition of "Guarantee" as follows:

"'Guarantee' shall mean the Guarantee dated as of May 20, 1994, whereby Waxman USA is guaranteeing the payment of the Company's obligations under the Securities and the performance of the Company's obligations under this Indenture."

(c) Section 1.01 of the Indenture, DEFINITIONS, is hereby amended by deleting the definition of "Net Worth" therein in its entirety and replacing it with the following:

"'Net Worth' of any person as of any date shall mean the stockholders' equity of such person and its consolidated subsidiaries determined as of the end of the immediately preceding fiscal quarter, excluding, in the case of the Company (i) cumulative currency translation adjustments as of the date of determination, (ii) the effect of any item of income, gain, loss or charge or any other effect of or related to the Ideal Group and (iii) charges relating to non-cash interest on the 12 3/4% Senior Secured Deferred Coupon Notes Due 2004 of the Company offered pursuant to the Offer to Exchange and/or amortization of the warrants to purchase common stock of the Company offered pursuant to the Offer to Exchange from and after June 30, 1994, each determined in accordance with GAAP."

3. Section 2.16 of the Indenture, PLEDGE OF BARNETT CAPITAL STOCK, is hereby amended and restated in its entirety to read as follows:

"GUARANTEE AND PLEDGE OF CAPITAL STOCK. The payment of the Company's obligations under the Securities and the performance of the Company's obligations under this Indenture are guaranteed, pursuant to the Guarantee, by Waxman USA Inc., a wholly owned subsidiary of the Company ("Waxman USA"). The Guarantee is secured by Waxman USA's pledge pursuant to the Pledge Agreement of all of its right, title and interest in and to all of the Capital Stock of Barnett, Waxman Consumer Products Group Inc. ("Consumer Products"), and

WOC Inc. ("WOC") now or hereafter owned by Waxman USA (the "Pledged Stock"). The Pledged Stock shall be held for the equal and ratable benefit and security of the Securities without preference, priority or distinction by reason, or difference in time, of issuance or sale of the Securities or otherwise. The Collateral Agent shall exercise all of its rights and duties with respect to the Pledged Stock in accordance with the terms of the Pledge Agreement."

4. Subsection (a) of Section 4.01 of the Indenture, MAINTENANCE OF NET WORTH, is hereby amended by deleting the definition of "Minimum Net Worth" in the second sentence therein in its entirety and replacing it with the following:

"For purposes of this Section 4.01(a), 'Minimum Net Worth' shall equal the Net Worth of the Company at June 30, 1994 minus $5,000,000."

5. Subsection (b) of Section 4.01 of the Indenture, DISPOSITION OF ASSETS AND SUBSIDIARY STOCK, is hereby amended by adding the following at the end thereof:

"Notwithstanding the foregoing, the Company and its Subsidiaries shall be permitted to effect the Corporate Restructuring without being required to make a Special Mandatory Offer. The "Corporate Restructuring" means (i) the formation by the Company of (a) Waxman USA, as a holding company for the subsidiaries that comprise and support the Company's domestic operations, (b) Consumer Products, a wholly owned subsidiary of Waxman USA, to own and operate the Company's Consumer Products Group Division (the "Consumer Products Division"), and (c) WOC, a wholly owned subsidiary of Waxman USA, to own and operate the Company's domestic operations, other than those of Barnett and Consumer Products, (ii) the contribution of the capital stock of Barnett from the Company to Waxman USA, (iii) the contribution of the assets and liabilities of the Consumer Products Division from the Company to Consumer Products, (iv) the contribution of the assets and liabilities of the Company's Madison Equipment Division from the Company to WOC, (v) the contribution of the assets and liabilities of the Company's Medal Distributing Division from the Company to WOC, (vi) the merger of U.S. Lock Corporation ("U.S. Lock") and LeRan Copper & Brass, Inc. ("LeRan"), each a wholly owned subsidiary of the Company, into WOC, (vii) the contribution of the capital stock of TWI, International, Inc. ("TWI") from the Company to Waxman USA and (viii) the contribution of the capital stock of Western American Manufacturing, Inc. ("WAMI") from the Company to TWI."

6. Article Four of the Indenture, SPECIAL MANDATORY REDEMPTIONS, is hereby amended by adding the following Section 4.09:

"Section 4.09. SPECIAL PAYMENT. Unless on or prior to December 31, 1994, the Company shall have satisfied and discharged its obligations under the Indenture in accordance with Section 9.02 hereof, then on December 31, 1994, the Company shall irrevocably deposit with the Trustee for the ratable benefit of the holders of the Securities an amount in cash equal to 1.0% of the aggregate principal amount of Securities outstanding on such date."

7. Section 5.03 of the Indenture, LIMITATION ON DIVIDENDS AND ACQUISITIONS OF CAPITAL STOCK AND INVESTMENTS IN SUBSIDIARIES, is hereby amended by adding the following at the end thereof:

"Notwithstanding the foregoing, the Company shall permit (i) Barnett, Consumer Products and WOC (collectively, the "Operating Companies") to declare or pay dividends on or make distributions, in cash or otherwise, in each case without duplication, to Waxman USA and Waxman USA to declare or pay dividends on or make distributions, in cash or otherwise, in amounts required by the Company to pay, and the Company may pay, interest on the Securities and on the Company's 13 3/4% Senior Subordinated Notes dues June 1, 1999, (ii) Waxman USA, Barnett, Consumer Products, WOC, TWI and WAMI to make cash payments to the Company pursuant to (x) that certain Intercorporate Agreement dated as of the date hereof among the Company, Waxman USA, Consumer Products, Barnett and WOC (the "Intercorporate Agreement") and, (y) so long as such Subsidiary of the Company is included in the Company's consolidated federal income tax return, that certain Tax Sharing Agreement dated as of the date hereof among the Company, Waxman USA, Consumer Products, Barnett, WOC, TWI and WAMI (the "Tax Sharing Agreement), and (iii) Waxman USA to guarantee the obligations of the Company under the Securities and this Indenture pursuant to the Guarantee. Any amounts expended pursuant to the preceding sentence shall not be Restricted Payments for purposes of this Indenture."

8. Clause (a)(v) of the definition of Qualified Investments in Section 5.04 of the Indenture, LIMITATION ON INVESTMENTS, is hereby amended by adding after the phrase "$10,000,000 in the aggregate" the phrase "but in any event not in excess of Cdn. $450,000 in the aggregate following May 20, 1994".

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9. Subsection (a) of Section 5.10 of the Indenture, LIMITATION ON INCURRENCE OF INDEBTEDNESS, is hereby amended and restated in its entirety to read as follows:

"(a) Indebtedness of the Company pursuant to the 12 3/4% Senior Secured Deferred Coupon Notes Due 2004 offered pursuant to the Offer to Exchange and additional Indebtedness in an amount up to $5,000,000, the proceeds of which are applied for working capital purposes, provided that no such working capital Indebtedness may be incurred if, after giving effect thereto, the total Indebtedness incurred and outstanding under this subsection would exceed the Company Borrowing Base; and provided, further, that no such Indebtedness may be created, incurred, assumed or suffered to exist if all or any portion of the proceeds therefrom are (or are to be) applied in connection with the manufacture or distribution of, or entry into any line of business (through merger, consolidation, acquisition, purchase of all or substantially all of the assets of any person or business or otherwise) relating to, product lines (i) which are not similar or complementary to product lines presently manufactured or distributed by the Company or its Subsidiaries and (ii) which would not be distributed or marketed to the same types of customers as presently served by the Company or its Subsidiaries;"

10. Subsection (a) of Section 5.11 of the Indenture, LIMITATION ON INDEBTEDNESS AND PREFERRED STOCK OF SUBSIDIARIES, is hereby amended and restated in its entirety to read as follows:

"(a) the Company shall not permit any Subsidiary to issue any preferred stock or to create, incur, guarantee or assume Indebtedness except for the following:

(i) Indebtedness owed to the Company;

(ii) Subsidiary Indebtedness existing at the date of the initial issuance of the Securities;

(iii) Indebtedness that is non-recourse to the Company outstanding at the time a Subsidiary becomes a Subsidiary;

(iv) Indebtedness of the Operating Companies in an amount up to $70,000,000, the proceeds of which are used for general (the corporate purposes "Permitted Operating Companies Indebtedness");

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(v) Indebtedness of Waxman USA incurred to refinance Indebtedness of the of the Company and any fees, expenses and premiums incurred in connection with such refinancing (the "Permitted Waxman USA Indebtedness");

(vi) Indebtedness of Waxman USA incurred pursuant to the Guarantee; and

(vii) extensions, renewals and refundings of (ii), (iii), (iv), (v) and (vi), so long as principal amounts are not increased, and, in the case of clauses (ii) and (iii) above, the weighted average life of any such Indebtedness is not decreased and the extended, renewed or refunded Indebtedness does not have a more senior priority ranking."

11. Section 5.17 of the Indenture, LIMITATION ON SUBSIDIARY PAYMENT RESTRICTIONS, is hereby amended and restated in its entirety to read as follows:

The Company will not, and will not permit any Subsidiary to, create or otherwise cause or suffer to exist or become effective any consensual restriction or encumbrance on the ability of any Subsidiary (a) to pay dividends or make any other distributions on such Subsidiary's Capital Stock to, or pay any Indebtedness owing to, or repurchase or redeem any of such Subsidiary's Capital Stock from, the Company or any other Subsidiary, (b) to make any loans or advances to the Company or any other Subsidiary, or (c) to transfer any of its property or assets to the Company or any other Subsidiary, except for (i) the restrictions contained herein and in the Ideal Credit Agreement, (ii) the restrictions contained in any agreement or instrument relating to Indebtedness incurred by Ideal in accordance with Section 5.11(b) or Indebtedness in existence on the date of the initial issuance of the Notes, provided that the terms and conditions of such agreement or instrument relating to the limitations referred to in (a), (b) and (c) above are no more restrictive on any Subsidiary than the terms and conditions of the Ideal Credit Agreement, and (iii) restrictions, agreed to by Waxman USA or the Operating Companies, in any agreement or instrument relating to Permitted Waxman USA Indebtedness and Permitted Operating Companies Indebtedness, respectively; provided, however, that such restrictions do not materially impair the ability of Waxman USA or the Operating Companies to declare and pay dividends or make distributions of up to 100% of their respective net income to permit the Company to meet its debt service obligations on the Securities in the absence of a default under any such agreement or instrument and provided, further, that such restrictions do not materially impair the ability of Waxman USA or the Operating Companies to make cash payments to the Company, in addition to such dividends and distributions, in the absence of a default under any such agreement or instrument, pursuant to (i) the Intercorporate Agreement and, (ii) so long as such Subsidiary is included in the Company's consolidated federal income tax returns, the Tax Sharing Agreement.

12. Section 5.20 of the Indenture, SUBORDINATED DEBT REPURCHASES, is hereby amended by adding the following at the end thereof:

"Notwithstanding anything to the contrary herein, the provisions of this Section 5.20 shall not be violated by the purchase, redemption or other acquisition or retirement by the Company of any or all of its (i) outstanding 13 3/4% Senior Subordinated Notes due June 1, 1999 pursuant to the Offer to Exchange and (ii) outstanding 9 1/2% Convertible Subordinated Debentures due March 15, 2007."

13. Clause (i) of Section 5.21 of the Indenture, RESTRICTION ON LIENS, is hereby amended and restated in its entirety to read as follows:

"(i) Liens existing at the date of the initial issuance of the Securities, Liens granted by the Operating Companies on their respective assets to secure Permitted Operating Companies Indebtedness, Liens granted by Waxman USA on the Capital Stock of its Subsidiaries to secure the Guarantee and/or Permitted Waxman USA Indebtedness and Liens granted by the Company on the Capital Stock of its Subsidiaries (other than the Ideal Group) to secure its 12 3/4% Senior Secured Deferred Coupon Notes Due 2004 offered pursuant to the Offer to Exchange;

14. Section 6.01 of the Indenture, WHEN COMPANY MAY MERGE, ETC., is hereby amended by adding the following at the end thereof:

"Notwithstanding the foregoing, the Company and its Subsidiaries shall be permitted to effect the Corporate Restructuring."

15. (a) Subsection (a)(9) of Section 7.01 of the Indenture, EVENTS OF DEFAULT, is hereby amended by replacing "$500,000" therein with "$2,500,000".

(b) Subsection (a) of Section 7.01 of the Indenture, EVENTS OF DEFAULT, is hereby amended by adding the following at the end thereof:

"Notwithstanding the foregoing, for purposes of this Section 7.01, the terms 'Subsidiary' and 'Material Subsidiary' shall not include any members of the Ideal Group and in no event shall any event of default

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exist as a result of any action or inaction of or relating to any member of the Ideal Group or of the Company with respect to the Ideal Group or any member thereof."

16. This Third Supplemental Indenture is an indenture to and in implementation of the Indenture, and the Indenture and this Third Supplemental Indenture shall henceforth be read together.

17. The Trustee accepts the trusts created by the Indenture, as supplemented by this Third Supplemental Indenture, and agrees to perform the same upon the terms and conditions in the Indenture, as supplemented by this Third Supplemental Indenture.

18. The Indenture as amended and supplemented by this Third Supplemental Indenture is in all respects confirmed and preserved.

19. This Third Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

20. The provisions of this Third Supplemental Indenture will take effect immediately upon its execution and delivery by the Trustee.

21. This Third Supplemental Indenture shall be governed by the internal laws of the State of New York.

22. If any provision of this Third Supplemental Indenture shall be declared by a court of competent jurisdiction to be unenforceable, invalid or void, the same shall not impair any of the other provisions of this Third Supplemental Indenture, nor shall any party have liability to the other parties as a result of such unenforceable, invalid or void provision.

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed as of the day and year first above written.

WAXMAN INDUSTRIES, INC.,

By:______________________
Name:

Title:

Attest:__________________________
Name:
Title:

<TABLE>

WAXMAN INDUSTRIES, INC.

EXHIBIT 12.1

RATIO OF EARNINGS TO FIXED CHARGES
(DOLLARS IN THOUSANDS)

<CAPTION>

| | YEARS ENDED JUNE 30, | | | | | NINE MONTHS ENDED MARCH 31, | |
|---|---|---|---|---|---|---|---|
| | 1993 | 1992 | 1991 | 1990 | 1989 | 1994 | 1993 |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Fixed charges: | | | | | | | |
| Interest expense | $ 20,370 | $21,003 | $18,797 | $14,759 | $ 9,028 | $15,643 | $15,274 |
| Interest element of rents | 1,252 | 1,133 | 970 | 1,058 | 826 | 1,143 | 911 |
| | $ 21,622 | $22,136 | $19,767 | $15,817 | $ 9,854 | $16,786 | $16,185 |
| Earnings: | | | | | | | |
| Income (loss) before taxes | ($15,674) | ($5,126) | ($2,795) | $ 3,090 | $ 9,932 | ($ 1,339) | ($3,049) |
| Fixed charges | 21,622 | 22,136 | 19,767 | 15,817 | 9,854 | 16,786 | 16,185 |
| | $ 5,948 | $17,010 | $16,972 | $18,907 | $19,786 | $15,447 | $13,136 |
| Ratio of earnings to fixed charges(1) | -- | -- | -- | 1.2 | 2.0 | -- | -- |

<FN>

(1) As a result of restructuring and nonrecurring charges recorded for the nine months ended March 31, 1994 and 1993 and in fiscal years 1993, 1992 and 1991, as well as other non-cash charges and expenses incurred during the fourth quarter of fiscal year 1993, earnings were insufficient to cover fixed charges by $1,339, $3,049, $15,674, $5,126 and $2,795 for the nine months ended March 31, 1994 and 1993 and in fiscal years 1993, 1992 and 1991, respectively. See Note 4 to the Notes to Consolidated Financial Statements as of June 30, 1993.

</TABLE>

EXHIBIT 21.1

# LIST OF SUBSIDIARIES

SUBSIDIARIES OF WAXMAN INDUSTRIES, INC.

Waxman USA Inc., a Delaware corporation

Exhibit 23.1

Consent of Independent Public Accountants

As independent public accountants, we hereby consent to the use of our reports (and to all references to our Firm) included in or made a part of this Registration Statement File No. 33-44511.

Cleveland, Ohio
July 7, 1994