SECURITIES AND EXCHANGE COMMISSION

FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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FILER

SALTON INC CIK:**878280**| IRS No.: **363777824** | State of Incorp.:**DE** | Fiscal Year End: **0626** Type: **10-K405** | Act: **34** | File No.: **001-14857** | Film No.: **731527** SIC: **3634** Electric housewares & fans	Mailing Address *550 BUSINESS CENTER DRIVE* *MT PROSPECT IL 60056*	Business Address *550 BUSINESS CENTER DR* *C/O KENSINGTON CENTER* *MOUNT PROSPECT IL 60056* *7088034600*

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Fiscal Year Ended July 1, 2000 Or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Transition Period From ________ To ________

Commission File Number 0-19557

SALTON, INC.

(Exact Name Of Registrant As Specified In Its Charter)

<TABLE>

<S>	<C>
DELAWARE	36-3777824
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification Number)
MOUNT PROSPECT, ILLINOIS	60056
(Address of Principal Executive Offices)	(Zip Code)

</TABLE>

(847) 803-4600

(Registrant's Telephone Number, Including Area Code)

Securities Registered Pursuant To Section 12(b) Of The Act:
None

Securities Registered Pursuant To Section 12(g) Of The Act:
Common Stock, $.01 Par Value
(Title Of Class)

Indicate by check mark whether this registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

The aggregate market value of the Common Stock held by non-affiliates of the Registrant as of September 26, 2000 was approximately $365,400,000 computed on the basis of the last reported sale price per share ($31 9/16) of such stock on the NYSE. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [X]

The number of shares of the Registrant's Common Stock outstanding as of September 21, 2000 was 12,175,778.

DOCUMENTS INCORPORATED BY REFERENCE:

PART OF FORM 10-K	DOCUMENT INCORPORATED BY REFERENCE
Part III (Items 10, 11, 12 and 13)	Portions of the Registrant's Definitive Proxy Statement to be used in connection with its 2000 Annual Meeting of Stockholders.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included in this annual report on Form 10-K, including without limitation the statements under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" are, or may be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Without limiting the foregoing, (1) the words "believes," "anticipates," "plans," "expects," "intends," "estimates" and similar expressions are intended to identify forward-looking statements and (2) forward-looking statements include any statements with respect to the possible future results of the company or Toastmaster (as defined), including any projections or descriptions of anticipated revenue enhancements or cost savings. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: the company's degree of leverage; economic conditions and the retail environment; the timely development, introduction and customer acceptance of the company's products; competitive products and pricing; dependence on foreign suppliers and supply and manufacturing constraints; the company's relationship and contractual arrangements with key customers, suppliers and licensors; cancellation or reduction of orders; the integration of Toastmaster, including the failure to realize anticipated revenue enhancements and cost savings; the availability and success of future acquisitions; the risks relating to pending legal proceedings; the risks relating to intellectual property rights; the risks relating to regulatory matters; and other factors both referenced and not referenced in this annual report on Form 10-K, including those set forth under "Risk Factors." All subsequent written and oral forward-looking statements attributable to the company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements contained throughout this annual report on Form 10-K.

PART I

ITEM 1. BUSINESS

As used in this Annual Report on Form 10-K, "we," "our," "us", "the Company", and "Salton" refer to Salton and our subsidiaries, unless the context otherwise requires.

OVERVIEW

We are a leading domestic designer, marketer and distributor of a broad range of branded, high quality small appliances, tabletop products, and personal care and time products. We act as a marketing service provider by managing our brands and product lines in a manner that allows our retail customers to differentiate themselves to consumers. We believe we have the leading domestic market share in toasters, juice extractors, indoor grills, bread bakers, griddles, waffle makers and buffet ranges/hotplates and a significant market share in other product categories. We believe that our strong market share results from our well-known brand names, the breadth, quality and innovation of our product offerings and our strong relationships with retailers and suppliers. We outsource most of our production to independent manufacturers, primarily in the Far East.

Our portfolio of well-recognized owned and licensed brand names includes Salton(R), Toastmaster(R), Maxim(R), Breadman(R), Juiceman(R), Juicelady(R), George Foreman Grills(R), White-Westinghouse(R), Farberware(R), Melitta(R), Block(R), Atlantis(R), Sasaki(R), Rejuvenique(R), Ingraham(R), Timex(R), Indiglo(R), Calvin Klein(R), Sonex(R), Stiffel(R) and Relaxor(R). We are also a leading designer and distributor of small appliances in the U.S. under such well-known names as Kenmore(R) and Magic Chef(R).

We predominantly sell our products to mass merchandisers, department stores, specialty stores and mail order catalogs. We also sell certain of our products directly to consumers through infomercials and our Internet website. Salton's customers include many premier domestic retailers, including Kmart, Target Corporation, Sears, Wal-Mart, Federated Department Stores, May Company Department Stores, QVC, Service Merchandise, Kohls Department Stores and Bed Bath & Beyond. We market and sell our products primarily in the U.S. through our own sales force and a network of independent commissioned sales representatives.

Our primary business objective is to increase sales and profits by acting as a marketing and distribution service provider to our customers. We believe we can accomplish this through active brand and product management. The key elements of our growth strategy include:

INTRODUCE NEW PRODUCTS AND PRODUCT LINE EXTENSIONS. We plan to manage our existing and new brands through strong product development initiatives, including introducing new products, modifying existing products and extending existing product lines. Our product designers strive to develop new products and product line extensions which offer added value to consumers through enhanced functionality and improved aesthetics. During fiscal 2000, we introduced approximately 305 new stock keeping units, or SKUs, in the small appliance category, 952 new SKUs in the tabletop products category and 350 new SKUs in the personal care/time products category.

INCREASE SALES TO NEW AND EXISTING CUSTOMERS. We believe that retail merchants will continue to consolidate their vendor bases and focus on a smaller number of suppliers that can (1) provide a broad array of differentiated, quality products, (2) efficiently and consistently fulfill logistical requirements and volume demands and (3) provide comprehensive product and marketing support. We believe that we can increase sales to our existing customers by continuing to introduce new products and new product categories. While we currently sell to a diversified base of premier retail customers, we believe that we can penetrate additional channels of distribution. For example, we recently expanded our product offerings to specialty retailing, mail order catalog, home center, drug store and grocery store channels.

PURSUE LICENSING AGREEMENTS AND STRATEGIC ALLIANCES. We have entered into licensing agreements and strategic alliances to further differentiate our products and to accelerate our growth. For example, we supply products to Kmart, Sears and Wal-Mart, which they sell under the White-Westinghouse(R), Kenmore(R) and Magic Chef(R) brand names, respectively. In addition, we have licensing rights to market certain products under the Calvin Klein(R), Sasaki(R), Marilyn Monroe(TM), LooneyTunes(TM) and Melitta(R) brands. We also recently entered into a worldwide exclusive licensing agreement to market and distribute the "Ultravection" oven and the "Spin Fryer" home appliance.

CONTINUE DEVELOPING ALTERNATIVE DISTRIBUTION CHANNELS. We expect to continue selling our products through infomercials and our Internet website. These alternative distribution channels increase our product sales and provide us with direct contact with consumers, assist us in creating and building brand and product awareness and stimulate traditional retail channel demand. We currently use these alternative channels to sell certain of our products, primarily George Foreman Grills(R), Juiceman(R) and JuiceLady(R) fresh juice machines and the Rejuvenique(R) facial toning system.

ENHANCE GROWTH AND PROFITABILITY THROUGH STRATEGIC ACQUISITIONS. We anticipate that the fragmented small household appliance industry will provide significant growth opportunities through strategic acquisitions. We will focus our acquisition strategy on businesses or brands which (1) offer expansion into related or existing categories, (2) can be marketed through our existing distribution channels or (3) provide a platform for growth into new distribution channels. Our recent acquisitions include:

- Toastmaster, a manufacturer and marketer of kitchen and small appliances and time products;

- certain assets of Sasaki, Inc., a leading designer of high-quality tabletop products and accessories for the home;

- Sonex International Corporation, a designer and distributor of electrically operated toothbrushes which employ ultra high frequency sonic waves for cleaning;

- certain assets and intellectual property of The Stiffel Company, a designer of lamps and related products; and

- the Relaxor(R) brand business and certain inventory, including personal massagers and other personal care items.

EXPAND INTERNATIONAL PRESENCE. We intend to expand international sales of certain of our products. For example, in March 1999, we entered into a five-year supply agreement with Zellers, the leading national chain of discount department stores in Canada, to supply a broad range of small appliances under the White-Westinghouse brand name. We also acquired approximately 21% of the outstanding equity of Amalgamated Appliance Holding Limited, a public company located in South Africa which manufactures and distributes appliances and electrical accessories.

PRODUCTS

Salton's portfolio of strong brand names enables it to service the needs of a broad range of retailers and satisfy the different tastes, preferences and budgets of consumers. Salton's products include full-featured and upscale models or designs as well as those which are marketed to budget conscious consumers.

The following table sets forth the approximate amounts and percentages of Salton's net sales by product category during the periods shown.

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED					
	JULY 1, 2000		JUNE 26, 1999		JUNE 27, 1998	
(DOLLARS IN THOUSANDS)	NET SALES	% OF TOTAL	NET SALES(1)	% OF TOTAL	NET SALES	% TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Small Appliances	$742,774	88.7	$459,621	90.8	$280,607	91.8
Tabletop products	24,109	2.9	22,875	4.5	18,597	6.1
Personal care/time products	70,419	8.4	23,620	4.7	6,395	2.1
	$837,302	100.0	$506,116	100.0	$305,599	100.0

</TABLE>

(1) Includes the sales of Toastmaster from its acquisition date of January 7, 1999.

SMALL APPLIANCES. Salton designs and markets an extensive line of small appliances under the Salton(R), Toastmaster(R), Maxim(R), Breadman(R), Juiceman(R), George Foreman Grills(R), White-Westinghouse(R), Farberware(R) and Melitta(R) brand names. At the end of fiscal 2000, Salton marketed approximately 1,069 SKUs under its brand names in this category. Growth within this product category has historically been driven primarily by the introduction of new or enhanced products and the development of the George Foreman Grills(R), White-Westinghouse(R), Farberware(R) and other product lines.

Salton's small appliances product category includes:

- products for health conscious consumers, including thermal indoor and indoor/outdoor grills, juicers, juice extractors, rice cookers, vegetable steamers, soy milk makers, ice cream makers and yogurt makers;

- thermal products, including bread bakers, sandwich makers, toasters, waffle makers, countertop ovens and irons;

- coffee and tea related products, including combination espresso/cappuccino/drip coffee makers, coffee makers, coffee urns, coffee percolators, iced tea/iced coffee makers, latte makers, coffee grinders, and a broad range of coffee related accessories; and

- food preparation and serving products, including electric woks, crepe makers, mixers, can openers, blenders, hand-held blenders, choppers, pizza makers and warming trays.

TABLETOP PRODUCTS. Tabletop products include crystal products offered under the Block(R), Atlantis(R), Sasaki(R) and Jonal(R) brand names, fine china and basic dinnerware in various designs and patterns under the Block(R) and Calvin Klein(R) brand names, and ceramic products under the Block(R) brand name. At the end of fiscal 2000, Salton marketed approximately 3,695 SKUs under its brand names in this product category.

Salton entered this business category in fiscal 1997 to add a complementary product line to its small appliances. Salton augmented the Block(R) product line on June 19, 1997 by acquiring the assets of Jonal Crystal Ltd. Jonal products which include the Crystal Kiss line of glassware and giftware featuring the famous shape of the Hershey's Chocolate Kiss.

Salton enhanced its tabletop product offerings on April 5, 1999 by acquiring certain assets of Sasaki, Inc., a leading designer of high-quality tabletop products and accessories for the home. The Sasaki product lines which Salton acquired include dinnerware, barware, flatware and crystal giftware designed by well-known tabletop and domestic designers.

In the fourth quarter of fiscal 2000, Salton entered into an exclusive licensing agreement for the manufacture and distribution of tabletop and giftware items under the Calvin Klein(R) Tabletop label.

Salton also recently acquired the trademarks, other intellectual property assets and molds of The Stiffel Company, a designer of lamps and related products.

PERSONAL CARE AND TIME PRODUCTS. At the end of fiscal 2000, Salton marketed approximately 750 SKUs in the personal care and time products category. Salton Creations(R) hair dryers feature high quality materials, long life motors and high air flow systems. Salton markets hair dryers in various sizes, shapes and colors that are designed to mix form and function to enable consumers to correctly address power and heat to hair type and styling needs.

Salton designs and markets a variety of other personal and beauty care appliances under the Salton Creations(R) brand name, including curling irons and brushes, make-up mirrors, massagers, manicure systems and shower radios. The Wet Tunes(R) series of shower radios are sold under the Salton(R) brand name and feature an AM/FM radio with waterproof mylar speakers and wall mount brackets. Wet Tunes(R) radios are offered in several different shapes, sizes and colors. New models include a radio with TV audio channels and a CD player. Also included in this series are Wet Reflections(R), which has a light and fog-free mirror, Wet Cassette(R) and Wet Lantern(R).

Salton's personal and beauty care appliances also include the Rejuvenique(R) system, which Salton began marketing through infomercials in early 1999. This system includes a facial mask with 26 contact areas that receive light electrical impulses designed to exercise and tone the skin.

Salton enhanced its personal and beauty care appliances offerings on July 19, 2000 through its acquisition of Sonex International Corporation, a designer and distributor of electrically operated toothbrushes which employ ultra high frequency sonic wave for cleaning flossers and related products.

On September 21, 2000, Salton further enhanced this product category through its acquisition of the Relaxor brand business and certain inventory, including personal massagers and other personal care items, from JB Research, Inc.

Salton also has a "gifts" program designed for department stores. Under this program, Salton provides department stores with practical, special occasion and small gift products. Salton's gifts programs include the mini tool kit, calcutape, travel smoke alarm, emergency auto flasher, deluxe art kit and the 7-piece gardening kit.

Salton's time products are comprised of electric analog alarm clocks, electric and quartz wall clocks with plastic, wood and/or metal cases, imported key-wound clocks and L.E.D. digital clocks. Salton also markets household (electromechanical and electronic) timers, which are used for, among other purposes, switching electric lights and other appliances on and off at pre-determined times.

NEW PRODUCT DEVELOPMENT

Salton believes that the enhancement and extension of its existing products and the development of new products are necessary for its continued success and growth. Salton designs the style, features and functionality of its products to meet customer requirements for quality, performance, product mix and pricing. Salton works closely with both retailers and suppliers to identify consumer needs and preferences and to generate new product ideas. Salton's product, marketing design and engineering departments evaluate new ideas and seeks to develop new products and improve existing products to satisfy industry requirements and changing consumer preferences.

During fiscal 2000, Salton has introduced approximately 305 new SKUs in the small appliances product category, 952 new SKUs in the tabletop products category and 350 new SKUs in the personal care/time products category. These new products and product extensions include:

- George Foreman(R)indoor/outdoor electric grills;

- Toastmaster(R)sourced toaster line;

- Melitta(R)"Perfect Brew" coffeemaker with atomic clock that automatically sets

the correct time;

- ePods handheld internet device; and

- Dr. Seuss' "How the Grinch Stole Christmas" line of appliances;

During fiscal 1999, Salton introduced approximately 101 new SKUs in the small appliances product category, 709 new SKUs in the tabletop products category and 98 new SKUs in the personal care/time products category.

MARKETING AND DISTRIBUTION

In addition to directing its marketing efforts toward retailers, Salton sells certain of its products, primarily George Foreman Grills(R), Juiceman(R) and JuiceLady(R) fresh juice machines and the Rejuvenique(R) facial toning system, directly to consumers through infomercials and its Internet website. Salton provides promotional support for its products with the aid of national television, radio and print advertising, cooperative advertising with retailers, and in-store displays and product demonstrations. Salton believes that these promotional activities are important to strengthening its brand name recognition.

Salton relies on its management's ability to determine the existence and extent of available markets for its products. Salton's management has extensive marketing and sales backgrounds and devotes a significant portion of its time to marketing-related activities. Salton markets its products primarily through its own sales force and approximately 247 independent sales representatives. Salton's representatives are located throughout the United States and Canada and are paid a commission based upon sales in their respective territories. Salton's sales representative agreements are generally terminable by either party upon 30 days' notice.

Salton directs its marketing efforts toward retailers and believes that obtaining favorable product placement at the retail level is an important factor in its business, especially when introducing new products. In an effort to provide its retail customers with the highest level of customer service, Salton has an advanced electronic data interchange system to receive customer orders and transmit shipping and invoice information electronically. This system is also used by management to monitor point-of-sale information at certain accounts.

Salton also emphasizes the design and packaging of its products in order to increase their appeal to consumers and to stand out among other brands on retailers' shelves. Salton believes that distinctive packaging, designed to answer consumers' questions concerning its products, has resulted in increased shelf space and greater sales.

Salton's net sales to its five largest customers were approximately 46% and 50% of its total net sales in fiscal 2000 and 1999, respectively. In 1997, Salton entered into a seven-year supply agreement with Kmart for Kmart to purchase, distribute, market and sell a broad range of small appliances under the White-Westinghouse(R) brand name. Kmart is the exclusive United States mass merchant to market these White-Westinghouse(R) products. The supply agreement provides Kmart sole distribution rights to the White-Westinghouse(R) brand name for the mass merchandiser market, but allows distribution through other retail channels under certain

conditions. Sales to Kmart approximated 12%, and 16% of total net sales of the Company in fiscal years 2000 and 1999, respectively.

The supply agreement with Kmart provides for minimum purchases by Kmart, which increase through the term of the supply agreement, and for the payment of penalties for shortfalls. In the event that aggregate U.S. retail sales in the consumer electronics industry for any specified category decrease by more than 10% in any year from that sold in the prior year, Kmart has the right to reduce the minimum purchase requirements for such category to an amount not less than 80% of the minimum for such period. Salton pays Applica Inc. (formerly known as Windmere-Durable Holdings, Inc.) a fee based upon Salton's net sales less specified costs and expenses relating to the Kmart supply agreement in consideration of Applica's guarantee of Salton's obligations under the supply agreement.

SOURCES OF SUPPLY

Most of Salton's products are manufactured to Salton's specifications by over 45 unaffiliated manufacturers located primarily in Far East locations, such as Hong Kong, the People's Republic of China and Taiwan, and in Europe. Many of these suppliers are ISO 9000 certified. Salton believes that it maintains good business relationships with its overseas manufacturers.

Salton does not maintain long-term purchase contracts with manufacturers and operates principally on a purchase order basis. Salton believes that it is not currently dependent on any single manufacturer for any of its products. However, one supplier located in China accounted for approximately 38.0% and 57.3% of Salton's product purchases during fiscal 2000 and 1999, respectively. Salton believes that the loss of any one manufacturer would not have a long term material adverse effect on its business because other manufacturers with which it does business would be able to increase production to fulfill its requirements. However, the loss of a supplier could, in the short term, adversely effect Salton's business until alternative supply arrangements were secured.

Salton's purchase orders are generally made in United States dollars in order to maintain continuity in our pricing structure and to limit exposure to currency fluctuations. Salton's policy is to maintain an inventory base to service the seasonal demands of its customers. In certain instances, Salton places firm commitments for products from six to twelve months in advance of receipt of firm orders from customers.

Quality assurance is particularly important to Salton and its product shipments are required to satisfy quality control tests established by its internal product design and engineering department. Salton employs independent agents to perform quality control inspections at the manufacturers' factories during the manufacturing process and prior to acceptance of goods.

MANUFACTURING

Although most of Salton's products are outsourced to overseas vendors, Salton manufactures certain Toastmaster(R) toasters, toaster-oven-broilers and electric heating elements at its plant in Macon, Missouri and Ingraham(R) time products at its plant in Laurinburg, North

Carolina. Salton also manufactures and assembles woks and warming trays in its plant located in Kenilworth, New Jersey.

On June 19, 2000 and July 20, 2000, Salton announced that it is converting its manufacturing operations in Laurinburg, North Carolina and Macon, Missouri to distribution facilities.

Most of the component parts and raw materials purchased by Salton for its manufacturing operations, such as finished and aluminized steels, phenolic resins and molded parts are available from numerous suppliers. Salton does not believe that it is dependent on any single source for any significant portion of our component purchases or raw materials, the loss of which may have a material adverse effect on Salton. Salton has not experienced any significant raw material or component shortages.

COMPETITION

Salton's industry is mature and highly competitive. Competition is based upon price, access to retail shelf space, product features and enhancements, brand names, new product introductions and marketing support and distribution approaches.

Salton competes with established companies, some of which have substantially greater facilities, personnel, financial and other resources than those of Salton. Salton believes that its success is dependent on its ability to offer a broad range of existing products and to continually introduce new products and enhancements to existing products which have substantial consumer appeal based upon price, design, performance and features. Salton also believes that its brand names are important to its ability to compete effectively and give it the capability to provide consumers with appealing, well priced products to meet competition.

EMPLOYEES

As of July 1, 2000, Salton employed approximately 1,395 persons, of whom approximately 57 persons, who work at Salton's Kenilworth, New Jersey facility, were covered by a collective bargaining agreement, which expires on February 28, 2002. Salton generally considers its relationship with its employees to be satisfactory and has never experienced a work stoppage.

The Company expects the conversion of the manufacturing operations in Laurinburg, North Carolina and Macon, Missouri to distribution facilities to result in the layoff of approximately 670 employees.

REGULATION

Salton is subject to federal, state and local regulations concerning consumer products safety. In general, Salton has not experienced difficulty complying with such regulations and compliance has not had an adverse effect on Salton's business. Most of Salton's products are listed by UL.

In July, 2000, Salton received a letter from the Food and Drug Administration warning that its marketing and sale of the Rejuvenique(R) facial mask violates certain FDA rules and regulations. Salton believes that it is in compliance with such rules and regulations and intends to work with the FDA to resolve this matter. A determination by the FDA that Salton violated its rules could result in, among other things, a seizing of the Rejuvenique(R) inventory, a court injunction against further marketing of the product and/or civil money penalties.

BACKLOG

Salton's backlog consists of commitments to order and orders for Salton's products, which are typically subject to change and cancellation until shipment. Customer order patterns vary from year to year, largely because of annual differences in consumer acceptance of product lines, product availability, marketing strategies, inventory levels of retailers and differences in overall economic conditions. As a result, comparisons of backlog as of any date in a given year with backlog at the same date in a prior year are not necessarily indicative of sales for that entire given year. As of July 1, 2000, Salton had a backlog of approximately $426.4 million compared to approximately $303.6 million as of June 26, 1999. Salton does not believe that backlog is necessarily indicative of our future results of operations or prospects.

TRADEMARKS, PATENTS AND LICENSING ARRANGEMENTS

Salton holds a number of patents and trademarks registered in the United States and foreign countries for various products and processes. Salton has registered certain of its trademarks with the United States Patent and Trademark Office. Salton considers these trademarks to be of considerable value and of material importance to its business.

Salton holds numerous United States and foreign patents, including design patents. Salton believes that none of its product lines is dependent upon any single patent or group of patents.

On December 9, 1999, Salton acquired from George Foreman and his partners the right to use in perpetuity and worldwide the name "George Foreman", including pictures and likeness of George Foreman, in connection with the marketing and sale of food preparation appliances. This transaction terminated as of July 1, 1999 Salton's obligation to pay royalties to George Foreman and his partners based on the sale of "George Foreman" products. The aggregate purchase price payable to George Foreman was $113,750,000 in cash, payable in five annual installments of $22,750,000 commencing on the closing date, and 779,191 shares of Salton common stock.

On September 7, 2000, Salton entered into agreements with George Foreman and his partners pursuant to which Salton satisfied $22,750,000 of payment obligations it incurred in connection with its acquisition of the "George Foreman" name by issuing 621,074 shares of its common stock to George Foreman and his partners. Under the terms of the transaction: (1) Salton agreed that in the event the aggregate net proceeds (the transaction price less reasonable and customary brokerage commissions) of shares sold by George Foreman or any of his partners during a one year period and the aggregate market value (based on the average closing price of Salton common stock over a specified period of time) is less than $36.625 multiplied by the number of shares issued to such person, Salton will pay to such person an amount of cash and/or additional shares of Salton common stock equal to the difference between

(a) the product of (x) the number of shares sold during such period multiplied by (y) $36.625 and (b) the aggregate net proceeds from the sale of such shares; and (2) each of George Foreman and his partners agreed that in the event the aggregate net proceeds of shares he sells during such period and the aggregate market value (based on the average closing price of Salton common stock over a specified period of time) of any shares which he continues to hold at the end of such period exceeds the product of (x) $36.625 multiplied by (y) the number of shares which Salton issued to such person, he will pay Salton in cash 50% of such excess. Salton agreed to register for resale the shares of common stock issued in connection with the transaction.

During 1996, Salton entered into license agreements with White Consolidated Industries, Inc. ("White Consolidated") for use of the White-Westinghouse(R) trademark for small kitchen appliances, personal care products, fans, heaters, air cleaners and humidifiers. The license agreements grant Salton the exclusive right and license to use the White-Westinghouse(R) trademark in the United States and Canada in exchange for certain license fees, royalties and minimum royalties. The license agreements also contain minimum sales requirements which, if not satisfied, may result in the termination of the agreements. Each of these license agreements is also terminable on or after the fifth anniversary of such agreement upon one-year's notice or upon a breach by Salton.

In the second quarter of fiscal 1997, Salton obtained the exclusive, worldwide right to distribute Farberware(R) small electric appliances. Farberware(R) is a time-honored trade name in the cookware and small electric appliance industry.

Salton has a license agreement with Aesthetics, Inc. The license covers the manufacturing, marketing and distributing of the Rejuvenique(R) facial product lines.

In the fourth quarter of fiscal 1999, Salton obtained the exclusive right to manufacture, market and distribute throughout the United States small electrical coffee preparation products, including drip coffee makers, percolators, espresso machines, coffee grinders, and coffee mills, under the Melitta(R) brand name.

In the fourth quarter of fiscal 2000, Salton entered into an exclusive licensing agreement for the manufacture and distribution of tabletop and giftware items under the Calvin Klein(R) Tabletop label.

On September 8, 2000, Salton entered into a worldwide exclusive licensing agreement to market and distribute the "Spin Fryer" home appliance.

Salton has other licensing arrangements with various other companies to market products bearing the trademark or likeness of the subject matter of the license. These licenses include the right to market various products under Sasaki(R), Timex(TM), Indiglo(TM), Gino's East Pizza(R), Gear(R), Taco Bell(R), Hershey Kiss(R), Looney Tunes(R), Andy Warhol, Marilyn Monroe(TM), James Dean and Campbell Soup(R). Salton believes that these other license arrangements help to demonstrate its creativity and versatility in product design and the enhancement of existing products.

In general, Salton's joint venture and licensing arrangements place marketing obligations

on Salton in exchange for varying fees and royalties based upon net sales or profits. Typically, each of these agreements may be terminated if Salton does not satisfy minimum sales obligations or breaches the agreement.

WARRANTIES

Salton's products are generally sold with a limited one-to-three year warranty from the date of purchase. A limited number of products are sold with a lifetime warranty. In the case of defects in material or workmanship, Salton agrees to replace or repair the defective product without charge.

RISK FACTORS

Prospective investors should carefully consider the following risk factors, together with the other information contained in this annual report on Form 10-K, in evaluating the Company and our business before purchasing our securities. In particular, prospective investors should note that this annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act and that actual results could differ materially from those contemplated by such statements. See "Disclosure Regarding Forward-Looking Statements." The factors listed below represent certain important factors the Company believes could cause such results to differ. These factors are not intended to represent a complete list of the general or specific risks that may affect the Company. It should be recognized that other risks may be significant, presently or in the future, and the risks set forth below may affect the Company to a greater extent than indicated.

IF WE ARE UNABLE TO INTEGRATE TOASTMASTER EFFECTIVELY, OUR BUSINESS COULD BE ADVERSELY AFFECTED.

We cannot assure you that we will successfully integrate Toastmaster with our business operations. We are integrating the administrative, finance, purchasing, product development and sales and marketing activities of Salton and Toastmaster in order to realize the full benefits from our acquisition of Toastmaster. The integration also requires the implementation of appropriate operational, financial and management systems and controls. We may encounter difficulties in expanding our financial controls and reporting systems to meet our future needs. If we fail to successfully integrate the operations of Salton and Toastmaster, or if anticipated revenue enhancements and cost savings are not realized, our business, results of operations and financial condition would be materially adversely affected.

WE DEPEND ON OUR MAJOR CUSTOMERS.

Our success depends on our sales to our significant customers. Our total net sales to our five largest customers during the fiscal 2000 were approximately 46% of net sales, with Wal-Mart representing approximately 13% of our net sales and Kmart representing approximately 12% of our net sales. Our total net sales to our five largest customers during fiscal 1999 were approximately 50% of net sales, with Kmart representing approximately 16% of our net sales and Target Corporation representing approximately 10% of our net sales. Except for our supply agreements with Kmart and Zellers, we do not have long-term agreements with our major

customers, and purchases are generally made through the use of individual purchase orders. A significant reduction in purchases by any of these major customers or a general economic downturn in retail sales could have a material adverse effect on our business, financial condition and results of operations.

THE TERMINATION OF OUR SUPPLY AGREEMENT WITH KMART COULD ADVERSELY AFFECT OUR BUSINESS.

In January 1997, we entered into a seven-year supply agreement with Kmart. Under this agreement, Kmart is the exclusive discount department store in the United States to market and sell a broad range of small appliances under the White-Westinghouse(R) brand name.

The initial term of our agreement with Kmart expires on June 30, 2004. However, Kmart may terminate the agreement without cause after June 30, 2002 and under other specified circumstances prior to that date. Kmart may also terminate our agreement on the basis of any claim which Kmart reasonably believes impairs or would impair Kmart's ability to receive the benefits of its supply agreement with Applica or us.

Sales to Kmart approximated 12%, 16% and 19% of total net sales of the Company in fiscal years 2000, 1999 and 1998, respectively. The termination or any significant modification of our supply agreement with Kmart could have a material adverse effect on our business, financial condition and results of operations.

A SIGNIFICANT DECLINE IN SALES OF OUR GEORGE FOREMAN GRILLS, JUICEMAN OR BREADMAN PRODUCT LINES COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

Our George Foreman Grills(R), Juiceman(R) and Breadman(R) product lines, which include approximately 226 SKUs in the aggregate, have been important to Salton's growth to date. Our total net sales of these product lines were approximately 55.2% of our total net sales for fiscal 2000 and approximately 55.4% of our total net sales in fiscal 1999. As a result, a significant decline in the sales of any of these product lines would have a material adverse effect on our business, results of operations and financial condition.

WE DEPEND ON THE DEVELOPMENT AND INTRODUCTION OF NEW PRODUCTS.

We believe that our future success will depend in part upon our ability to continue to introduce innovative designs in our existing products and to develop, manufacture and market new products. We may not successfully introduce, market and manufacture any new products or product innovations or develop and introduce in a timely manner innovations to our existing products which satisfy customer needs or achieve market acceptance. If we fail to develop products and introduce them successfully and in a timely manner, our business, financial condition and results of operations could be materially adversely affected.

OUR DEPENDENCE ON FOREIGN SUPPLIERS COULD ADVERSELY AFFECT OUR BUSINESS.

We depend upon unaffiliated foreign companies for the manufacture of most of our products. One supplier located in China accounted for approximately 38.0% and 57.3% of our product purchases during fiscal 2000 and 1999, respectively. We believe that the loss of any one

or more of our suppliers would not have a long-term material adverse effect on our business, financial condition and results of operations, because other manufacturers with whom we do business would be able to increase production to fulfill our requirements. However, the loss of certain of our suppliers could, in the short term, adversely affect our business until alternative supply arrangements were secured.

Our arrangements with our manufacturers are subject to the risks of doing business abroad, including:

- import duties;
- trade restrictions;
- production delays due to unavailability of parts or
- components;
- increase in transportation costs and transportation delays;
- work stoppages;
- foreign currency fluctuations; and
- political instability.

These risks could adversely affect our business, financial condition and results of operations.

COMPETITION COULD ADVERSELY IMPACT OUR PERFORMANCE.

The markets for our products are highly competitive. We believe that competition is based upon several factors, including:

- price;
- access to retail shelf space;
- product features and enhancements;
- brand names;
- new product introductions; and
- marketing support and distribution approaches.

We compete with established companies, a number of which have substantially greater facilities, personnel, financial and other resources than we have. Significant new competitors or increased competition from existing competitors may adversely affect our business, financial condition and results of operations.

OUR PERFORMANCE CAN FLUCTUATE WITH THE FINANCIAL CONDITION OF THE RETAIL INDUSTRY.

We sell our products to consumers through major retail channels, primarily mass merchandisers, department stores, specialty stores and mail order catalogs. As a result, our business and financial results can fluctuate with the financial condition of our retail customers and the retail industry. Certain of our retail customers have filed for bankruptcy protection in recent years. We continually monitor and evaluate the credit status of our customers and attempt to adjust sales terms as appropriate. Despite these efforts, a bankruptcy filing by, or other adverse change in the financial condition of, a significant customer could have a material adverse effect on our business, financial condition and results of operations.

POTENTIAL FUTURE ACQUISITIONS AND ACQUISITION FINANCING COULD ADVERSELY AFFECT OUR BUSINESS AND FINANCIAL CONDITION.

We continue to seek opportunities to acquire businesses and product lines that fit within our acquisition strategy. We may not successfully identify acceptable acquisition candidates or integrate any acquired operations. Any future acquisitions may materially and adversely affect our business, financial condition and results of operations. Opportunities for growth through acquisitions, future operating results and the success of acquisitions may be subject to the effects of, and changes in, United States and foreign trade and monetary policies, laws and regulations, political and economic developments, inflation rates, and the effect of taxes and operating conditions.

Our acquisitions of additional businesses and product lines may require additional capital and the consent of our lenders and may have a significant impact on our financial position and results of operations. We may finance acquisitions with internally generated funds, bank borrowings, public offerings or private placements of debt or equity securities, or through a combination of these sources. This may have the effect of increasing our debt and reducing our cash available for other purposes.

Acquisitions may also require substantial attention from, and place substantial additional demands upon, our senior management. This may divert their attention away from our existing businesses, making it more difficult to manage effectively. In addition, unanticipated events or liabilities relating to these acquisitions or the failure to retain key personnel could have a material adverse effect on our business, results of operations and financial condition.

OUR INDEBTEDNESS MAY RESTRICT OUR ABILITY TO PURSUE OUR GROWTH STRATEGY.

We may incur additional indebtedness in the future, including through additional borrowings under our credit agreement, subject to the satisfaction of certain financial tests.

The degree to which we are leveraged could:

- make it more difficult for us to satisfy our obligations;

- make us more vulnerable to general adverse economic and industry conditions;

- limit our ability to obtain additional financing to fund future working capital, capital expenditures or other general corporate requirements;

- require us to dedicate a substantial portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures or other general corporate purposes;

- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and

- place us at a competitive disadvantage with less leveraged competitors.

The terms of our credit agreement and senior subordinated notes impose significant restrictions on our ability to, among other things, borrow and make investments, acquire other businesses, make capital expenditures and pay dividends. In addition, our credit agreement requires us to satisfy specified financial covenants. Our ability to comply with these provisions depends, in part, on factors over which we may have no control. These restrictions could adversely affect our ability to pursue our growth strategy. If we breach any of our financial covenants or fail to make scheduled payments, our creditors could declare all amounts owed to them to be immediately due and payable. We may not have available funds sufficient to repay the amounts declared due and payable, and we may have to sell assets to repay those amounts. Our credit agreement is secured by substantially all of our assets. If we cannot repay all amounts that we have borrowed under our credit agreement, our lenders could proceed against our assets.

OUR MANUFACTURING FACILITIES EXPOSE US TO THE RISKS OF POTENTIAL RAW MATERIAL SHORTAGES AND ENVIRONMENTAL LIABILITIES.

We manufacture certain Toastmaster(R) toasters, countertop ovens and electric heating elements at our owned plant in Macon, Missouri. We also manufacture Ingraham(R) time products at our owned plant in Laurinburg, North Carolina. Although we have begun to outsource certain of our Toastmaster(R) products with overseas vendors and plan on converting our plants in Laurinburg, North Carolina and Macon, Missouri to distribution facilities, we currently manufacture certain products at these plants. We may not be able to manufacture products successfully and in a cost effective manner. Our manufacture of these products exposes us to additional risks, including those relating to the price and availability of raw materials and potential liabilities for environmental damage that our manufacturing facilities may have caused or may cause nearby land owners. During the ordinary course of its operations, Toastmaster has received, and we expect that we may in the future receive, citations or notices from governmental authorities asserting that the manufacturing facilities are not in compliance with, or require investigation or remediation under, applicable environmental statutes and regulations. Toastmaster has generally worked with, and we expect to generally work with, the authorities to resolve the issues raised by the citations or notices. However, we may not always be successful in this regard and such citations or notices could have a material adverse effect on our business, results of operations and financial condition.

LOSS OF KEY PERSONNEL COULD IMPAIR OUR SUCCESS.

Our continued success will depend significantly on the efforts and abilities of our executive officers: David C. Sabin, Chairman; Leonhard Dreimann, Chief Executive Officer; and William B. Rue, President and Chief Operating Officer. Although we have entered into employment agreements with these executive officers, they may not remain in our employment. The loss of the services of one or more of these individuals could have a material adverse effect on our business. In addition, as our business develops and expands, we believe that our future success will depend greatly on our ability to attract and retain highly qualified and skilled personnel. We do not have, and do not intend to obtain, key-man life insurance on our executive officers.

OWNERSHIP BY A SIGNIFICANT STOCKHOLDER MAY ADVERSELY AFFECT THE MARKET FOR OUR COMMON STOCK.

Centre Partners and entities directly or indirectly controlled by Centre Partners beneficially own in the aggregate 23.7% of our common stock. Centre Partners is able to exercise significant influence with respect to the election of directors or major corporate transactions such as a merger or sale of all or substantially all of our assets. Centre Partners generally has the right to designate two directors as long as it and its affiliates own at least 12.5% of the total voting power of Salton and one director as long as it and its affiliates own at least 7.5% of the total voting power of Salton. The interests of Centre Partners may conflict with the interests of other stockholders.

THE SEASONAL NATURE OF OUR BUSINESS COULD ADVERSELY IMPACT OUR OPERATIONS.

Our business is highly seasonal, with operating results varying from quarter to quarter. We have historically experienced higher sales during the months of August through November primarily due to increased demand by customers for our products attributable to holiday sales. This seasonality has also resulted in additional interest expense for us during this period due to an increased need to borrow funds to maintain sufficient working capital to finance product purchases and customer receivables for the seasonal period. Lower sales than expected by us during this period, a lack of availability of product, a general economic downturn in retail sales or the inability to service additional interest expense due to increased borrowings could have a material adverse effect on our business, financial condition and results of operations.

PRODUCT RECALLS OR LAWSUITS RELATING TO DEFECTIVE PRODUCTS COULD ADVERSELY IMPACT OUR FINANCIAL RESULTS.

We face exposure to product recalls and product liability claims in the event that our products are alleged to have manufacturing or safety defects or to have resulted in injury or other adverse effects. Although we maintain product liability insurance in amounts that we believe are reasonable, we cannot assure you that we will be able to maintain our product liability insurance on acceptable terms, if at all, in the future or that product liability claims will not exceed the amount of our insurance coverage. As a result, we cannot assure you that product recalls and product liability claims will not have a material adverse effect on our business, financial condition and results of operations.

THE INFRINGEMENT OR LOSS OF OUR PROPRIETARY RIGHTS COULD HAVE AN ADVERSE EFFECT ON OUR BUSINESS.

We regard our copyrights, trademarks, service marks and similar intellectual property as important to our success. We rely on copyright and trademark laws in the United States and other jurisdictions to protect our proprietary rights. We seek to register our trademarks in the United States and elsewhere. These registrations could be challenged by others or invalidated through administrative process or litigation. If any of these rights were infringed or invalidated, our business could be materially adversely affected. In addition, our business activities could infringe upon the proprietary rights of others, who could assert infringement claims against us.

We license various trademarks and tradenames from third parties for use on our products. These licenses generally place marketing obligations on us in exchange for various fees and royalties based on net sales or profits. Typically, each license may be terminated if we fail to satisfy minimum sales obligations or if we breach the license. The termination of these licensing arrangements could adversely affect our business, financial condition and results of operations.

GOVERNMENT REGULATIONS COULD ADVERSELY IMPACT OUR OPERATIONS.

Most federal, state and local authorities require Underwriters Laboratory, Inc. ("UL"), an independent, not-for-profit corporation engaged in the testing of products for compliance with certain public safety standards, or other safety regulation certification prior to marketing electrical appliances. Our products, or additional electrical appliances which may be developed by us, may not meet the specifications required by these authorities. A determination that we are not in compliance with such rules and regulations could result in the imposition of fines or an award of damages to private litigants. These and other initiatives could have a material adverse effect on our business, financial condition and results of operations.

In July, 2000, we received a letter from the Food and Drug Administration warning us that our marketing and sale of the Rejuvenique(R) facial mask violates certain FDA rules and regulations. We believe that we are in compliance with such rules and regulations and we intend to work with the FDA to resolve this matter. A determination by the FDA that we violated its rules could result in, among other things, a seizing of our Rejuvenique(R) inventory, a court injunction against further marketing of the product and/or civil money penalties.

TAKEOVER DEFENSE PROVISIONS MAY ADVERSELY AFFECT THE MARKET PRICE OF OUR COMMON STOCK.

Various provisions of Delaware corporation law and of our corporate governance documents may inhibit changes in control not approved by our board of directors and may have the effect of depriving stockholders of an opportunity to receive a premium over the prevailing market price of our common stock in the event of an attempted hostile takeover or may deter takeover attempts by third parties. In addition, the existence of these provisions may adversely affect the market price of our common stock. These provisions include:

- a classified board of directors;

- a prohibition on stockholder action through written consents;

- a requirement that special meetings of stockholders be called only by the board of directors; and

- availability of "blank check" preferred stock.

WE DO NOT ANTICIPATE PAYING DIVIDENDS.

We have not paid dividends on our common stock and we do not anticipate paying dividends in the foreseeable future. We intend to retain future earnings, if any, to finance the expansion of our operations and for general corporate purposes, including future acquisitions. In addition, our credit agreement and senior subordinated notes prohibit us from paying dividends on our capital stock.

OUR FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A VARIETY OF FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM CURRENT BELIEFS.

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including without limitation the statements under "Business Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." The words "believes," "anticipates," "plans," "expects," "intends," "estimates" and similar expressions are intended to identify forward-looking statements. These forward looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following:

- the integration of Toastmaster, including the failure to realize anticipated revenue enhancements and cost savings;

- our relationship and contractual arrangements with key customers, suppliers and licensors;

- the risks relating to pending legal proceedings;

- cancellation or reduction of orders;

- the timely development, introduction and customer acceptance of our products;

- dependence on foreign suppliers and supply and manufacturing constraints;

- competitive products and pricing;

- economic conditions and the retail environment;

- the availability and success of future acquisitions;

- our degree of leverage;

- the risks relating to intellectual property rights;

- the risks relating to regulatory matters; and

- other factors both referenced and not referenced in this prospectus.

ITEM 2. PROPERTIES

A summary of Salton's leased properties is as follows:

<TABLE>
<CAPTION>

LOCATION	DESCRIPTION	AREA (SQ. FT.)	LEASE EXPIRATION
<S>	<C>	<C>	<C>
Mira Loma, CA	Warehouse and distribution facility	216,300	October 31, 2007
Elizabeth, NJ	Manufacturing, warehouse and distribution facility	188,000	October 31, 2004
Lake Forest, IL	New corporate offices(under construction)	58,680	September 30, 2011
Mt. Prospect, IL	Executive office, warehouse and repair facility	34,600	June 30, 2001
Rancho Dominguez, CA	Warehouse and distribution facility and retail outlet	340,672	October 31, 2002
Harrison, NJ	Warehouse and distribution facility and retail outlet	146,555	May 31, 2002
Kenilworth, NJ	Marketing and sales office	12,309	September 30, 2007
McColl, SC	Warehouse	52,628	September 15, 2000
Boonville, MO	Warehouse	27,000	Month to month
Laurinburg, NC	Warehouse	18,000	
New York, NY	Sales office	6,802	December 31,2001
New York, NY	Sales office	6,959	August 31, 2004
Macon, MO	Warehouse	7,500	Month to month
Gurnee, IL	Retail outlet	6,141	January 31, 2003
Westend, NJ	Retail outlet	2,400	May 31, 2004
Milwaukee, WI	Design office	2,380	Month to month
Laurinburg, NC	Show room	2,000	April 30, 2001
Eden Prairie, MN	Sales office	1,262	April 30, 2005
Troy, MI	Sales office	1,435	May 31, 2004
Chicago, IL	Retail store	560	October 31, 2007

</TABLE>

Salton owns all of the facilities listed below, which it acquired in connection with the acquisition of Toastmaster in January 1999. These facilities have been pledged as collateral to secure payment of Salton's debt obligations. The following table sets forth the location and approximate square footage of each of Salton's significant owned facilities.

LOCATION	USE	SQUARE FEET
Boonville, Missouri	Warehouse and service center	169,000
Macon, Missouri*	Manufacturing facility	171,000
Laurinburg, NC*	Manufacturing and warehouse facility	223,000
Columbia, Missouri	Warehouse	107,000
Columbia, Missouri	Warehouse	65,000
Moberly, Missouri	Warehouse	134,000
Columbia, Missouri	Administrative offices	62,000
Boonville, Missouri	Idle facility	58,000
Kirksville, Missouri	Warehouse	114,000

* On June 19, 2000 and July 20, 2000, Salton announced that it is converting its operations in Laurinburg, North Carolina and Macon, Missouri from manufacturing facilities to distribution facilities.

Salton believes that its facilities generally are suitable and adequate for its current level of operations and provide sufficient productive capacity for its foreseeable needs without the need for material capital expenditures.

ITEM 3. LEGAL PROCEEDINGS

GENERAL

In September, 1999, Linda Evans Fitness Centers, Inc. (the "Fitness Centers"), Mark Golub and Thomas Gergley filed suit against the Company and its principal executive officers alleging that the Company tortiously interfered with a contract between the Fitness Centers and Ms. Evans by hiring Ms. Evans to act as a spokesperson for the Rejuvenique(TM) facial toning system. Before Ms. Evans was hired by the Company, Ms. Evans had brought suit against the Fitness Centers seeking a determination that her contract with the Fitness Centers had been terminated on the basis of fraud and the failure of the Fitness Centers to make certain payments. The Company believes that it has valid defenses against the claims made against it by the Fitness Centers. Ms. Evans has agreed to indemnify the Company against matters relating to her services to the Company.

ENVIRONMENTAL

Salton is participating in environmental remediation activities at four sites which it owns or operates. As of July 1, 2000, Salton has accrued approximately $175,000 for the anticipated costs of investigation, remediation and/or operation and maintenance costs at these sites. Although such costs could exceed that amount, Salton believes that any such excess will not have a material adverse effect on the financial condition or annual results of operations of Salton.

ARBITRATION

On April 20, 1999, an individual filed a notice of arbitration asserting a breach of contract claim against Salton due to Salton's alleged failure to pay royalties to this individual for the sale of certain juice extractors and related health products. This individual also asserted various other

causes of action for an accounting, breach of covenant of good faith and fair dealing, forgery, trademark infringement, unfair competition, permanent injunction, fraud, negligent misrepresentation, age discrimination, Lanham Act violations, breach of fiduciary duty and rescission of contract, and is seeking compensatory and punitive damages of $15 million.

An initial arbitration hearing solely with respect to the forgery claim was held in October 1999. The arbitrator ruled in favor of Salton.

On August 24, 2000, the arbitrator ruled that all claims against Salton are not supported by the facts or applicable law except for Salton's obligation to pay minor royalties. The arbitrator ruled that the individual must partially reimburse Salton for reasonable attorneys' fees and costs.

OTHER

Salton is a party to various other actions and proceedings incident to its normal business operations. Salton believes that the outcome of such litigation will not have a material adverse effect on the financial condition or annual results of operations of Salton. Salton also has product liability and general liability insurance policies in amounts it believes to be reasonable given its current level of business.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

(a) Not applicable

(b) Not applicable

(c) Not applicable

(d) Not applicable

PART II

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

The registrant's common stock has traded on the New York Stock Exchange under the symbol "SFP" since February 26, 1999. From October 1991 until February 25, 1999, our common stock traded on the Nasdaq National Market under the symbol "SALT". The following table sets forth, for the periods indicated, the high and low sales prices for the common stock as reported on the Nasdaq National Market prior to February 26, 1999 and on the New York Stock Exchange after such date, in each case adjusted for the three-for-two stock split effected on July 28, 1999.

	HIGH	LOW
FISCAL 1998		
First Quarter	$ 6.67	$ 4.33
Second Quarter	$ 7.33	$ 4.83
Third Quarter	$ 7.50	$ 5.33

Fourth Quarter	$ 9.25	$ 6.58
FISCAL 1999		
First Quarter	$ 11.17	$ 7.67
Second Quarter	$ 15.50	$ 5.92
Third Quarter	$ 22.83	$ 14.00
Fourth Quarter	$ 33.58	$ 14.67
FISCAL 2000		
First Quarter	$50.00	$21.69
Second Quarter	$39.44	$24.25
Third Quarter	$60.88	$27.69
Fourth Quarter	$49.81	$26.88

We have not paid dividends on our common stock and we do not anticipate paying dividends in the foreseeable future. We intend to retain future earnings, if any, to finance the expansion of our operations and for general corporate purposes, including future acquisitions. We are also prohibited from declaring or paying cash dividends on our capital stock under our terms of our credit agreement and senior subordinated notes.

As of September 20, 2000, there were approximately 340 holders of record of the common stock of the Company. The Company has paid no dividends on the Common stock and it is the Company's present intention to retain earnings to finance the expansion of its business. The Company's credit agreement further restricts its ability to pay dividends.

PREFERRED STOCK

The Company has 40,000 outstanding shares of the convertible preferred stock. The convertible preferred stock is generally non-dividend bearing; however, if the Company breaches in any material respect any of its material obligations in the preferred stock agreement or the certificate of incorporation relating to the convertible preferred stock, the holders of convertible preferred stock are entitled to receive quarterly cash dividends on each share of convertible preferred stock from the date of such breach until it is cured at a rate per annum equal to 12 1/2% of the Liquidation Preference (as defined below). The payment of dividends is limited by the terms of our credit agreement.

Each holder of the convertible preferred stock is generally entitled to one vote for each share of Salton common stock which such holder could receive upon the conversion of the convertible preferred stock. Each share of convertible preferred stock is convertible at any time into that number of shares of Salton common stock obtained by dividing $1,000 by the Conversion Price in effect at the time of conversion. The "Conversion Price" is equal to $11.33, subject to certain anti-dilution adjustments.

In the event of a Change of Control (as defined), each holder of shares of convertible preferred stock has the right to require the Company to redeem such shares at a redemption price equal to the Liquidation Preference plus an amount equivalent to interest accrued thereon at a rate of 7% per annum compounded annually on each anniversary date of July 28, 1998 for the period

from July 28, 1998 through the earlier of the date of such redemption or July 28, 2003.

In the event of a liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, holders of the Convertible Preferred Stock are entitled to be paid out of the assets of the Company available for distribution to its stockholders an amount in cash equal to $1,000 per share, plus the amount of any accrued and unpaid dividends thereon (the "Liquidation Preference"), before any distribution is made to the holders of any Salton common stock or any other of Salton's capital stock ranking junior as to liquidation rights to the convertible preferred stock.

The Company may optionally convert in whole or in part, the convertible preferred stock at any time on and after July 15, 2003 at a cash price per share of 100% of the then effective Liquidation Preference per share, if the daily closing price per share of Salton's common stock for a specified 20 consecutive trading day period is greater than or equal to 200% of the then current Conversion Price. On September 15, 2008, the Company will be required to exchange all outstanding shares of convertible preferred stock at a price equal to the Liquidation Performance per share, payable at the Company's option in cash or shares of Salton common stock.

As of September 21, 2000, there were 40,000 shares of the convertible preferred stock outstanding held by 7 shareholders of record. There is no established market for the convertible preferred stock.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below for Salton, Inc. is derived from the Company's audited financial statements. The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited financial statements and related notes thereto.

<TABLE>
<CAPTION>

STATEMENT OF OPERATIONS DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA.)

<S>	JULY 1, 2000 <C>	JUNE 26, 1999 <C>	JUNE 27, 1998 <C>	JUNE 28, 1997 <C>	JUNE 29, 1996 <C>
Net sales	$ 837,302	$ 506,116	$ 305,599	$ 182,806	$ 99,202
Cost of sales	467,250	285,526	179,376	121,590	66,923
Distribution expenses	37,639	21,621	12,327	7,809	5,856
Gross Profit	332,413	198,969	113,896	53,407	26,423
Selling, general, and administrative expenses	156,749	129,588	84,216	42,944	21,343
Operating income	175,664	69,381	29,680	10,463	5,080
Interest expense, net	(28,761)	(15,518)	(5,333)	(4,063)	(3,934)
Costs associated with refinancing			(1,133)		
Realized gain on sale of marketable securities			8,972		
Income before taxes	146,903	53,863	32,186	6,400	1,146
Income tax expense (benefit)	55,087	19,320	12,205	2,001	(3,450)
Net income	$ 91,816	$ 34,543	$ 19,981	$ 4,399	$ 4,596

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>
Weighted average common shares outstanding	11,221	10,760	19,594	19,260	9,764
Net income per share: Basic	$ 8.18	$ 3.21	$ 1.02	$ 0.23	$ 0.47
Weighted average common shares and Common equivalent shares outstanding	15,526	14,562	20,259	19,623	9,942
Net income per share: Diluted	$ 5.91	$ 2.37	$ 0.99	$ 0.22	$ 0.46
BALANCE SHEET DATA					
Working Capital	$ 197,671	$ 165,936	$ 44,768	$ 17,996	$ 12,244
Total Assets	564,276	328,316	141,397	102,343	59,481
Long-term Debt	215,065	182,329	--	4,933	3,754
Stockholders' equity	173,808	50,739	57,711	38,622	19,925

</TABLE>

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations may be deemed to include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risk and uncertainty. Although the Company believes that its expectations are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. The important factors that could cause actual results to differ materially from those in the forward-looking statements herein (the "Cautionary Statements") include, without limitation: the Company's degree of leverage; economic conditions and the retail environment; the timely development, introduction and customer acceptance of the Company's products; competitive products and pricing; dependence on foreign suppliers and supply and manufacturing constraints; the Company's relationship and contractual arrangements with key customers, suppliers and licensors; cancellation or reduction of orders; the integration of Toastmaster, including the failure to realize anticipated revenue enhancements and cost savings; the availability and success of future acquisitions, the risks relating to pending legal proceedings, the risks relating to intellectual property rights; the risks relating to regulatory matters, as well as other risks referenced from time to time in the Company's filings with the SEC. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the Cautionary Statements. The Company does not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

OVERVIEW

Salton is a leading domestic designer, marketer and distributor of a broad range of branded, high quality small appliances, tabletop products and personal care/time products. Salton

acts as a marketing service provider by managing its brands and product lines in a manner that allows its retail customers to differentiate themselves to consumers. Salton has the leading domestic market share in toasters, juice extractors, indoor grills, bread bakers, griddles, waffle makers and buffet ranges/hotplates and a significant market share in other product categories. Salton outsources most of its production to independent manufacturers, primarily in the Far East.

Salton's portfolio of well-recognized owned and licensed brand names includes Salton(R), Toastmaster(R), Maxim(R), Breadman(R), Juiceman(R), Juicelady(R), George Foreman Grills(R), White-Westinghouse(R), Farberware(R), Melitta(R), Block(R), Atlantis(R), Sasaki(R), Rejuvenique(R), Ingraham(R), Calvin Klein(R), Sonex(R), Stiffel(R) and Relaxor(R). Salton is also a leading designer and distributor of small appliances in the U.S. under such well-known names as Kenmore(R) and Magic Chef(R).

Salton predominantly sells its products to mass merchandisers, department stores, specialty stores and mail order catalogs. Salton also sells certain of its products directly to consumers through infomercials and its Internet website. Salton markets and sells its products primarily in the U.S. through its own sales force and a network of independent commissioned sales representatives.

In July 1998, Salton completed a recapitalization by issuing $40.0 million of its convertible preferred stock to affiliates of Centre Partners and repurchasing 9,802,608 shares of its common stock owned by Applica Inc. (formerly Windmere-Durable Holdings) for $8 per share plus a $15.0 million junior subordinated note. In December 1998, Salton issued $125.0 million of 10 3/4% senior subordinated notes, primarily to repay certain indebtedness.

On January 7, 1999, Salton acquired Toastmaster, a Columbia, Missouri based manufacturer and marketer of kitchen and small appliances and time products. Through Toastmaster, Salton designs, manufactures, markets and services a wide array of kitchen and small appliances and time products under the brand names Toastmaster(R) and Ingraham(R).

Salton believes that through its proven ability to source products overseas, it can achieve significant cost savings through more favorable product pricing and other terms. Although Salton currently produces certain Ingraham(R) time products at its Laurinburg, North Carolina plant and certain Toastmaster(R) small appliances at its Macon, Missouri plant, Salton is implementing its strategy of outsourcing certain appliances to overseas vendors by converting its manufacturing operations in Laurinburg, North Carolina and Macon, Missouri to distribution facilities. Other anticipated cost savings identified by Salton include advertising, ocean freight, warehousing and corporate overhead expenses.

Salton's ability to successfully integrate Toastmaster will depend upon its ability to achieve revenue enhancements and recognize cost savings and on other factors, including economic conditions and the retail environment.

Salton's operating results for fiscal 1999 include the operating results of Toastmaster from its acquisition date of January 7, 1999.

The following table sets forth Salton's results of operations as a percentage of net sales for the period indicated:

	FISCAL YEAR ENDED		
	JULY 1, 2000	JUNE 26, 1999	JUNE 27, 1998
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	55.8	56.4	58.7
Distribution expenses	4.5	4.3	4.0
Gross profit	39.7	39.3	37.3
Selling, general and administrative expenses	18.7	25.6	27.6
Operating income	21.0%	13.7%	9.7%

YEAR ENDED JULY 1, 2000 COMPARED TO YEAR ENDED JUNE 26, 1999

NET SALES. Net sales in the fifty-three weeks ended July 1, 2000 ("fiscal 2000") were $837.3 million, an increase of approximately $331.2 million or 65.4%, compared to net sales of $506.1 million in the fifty-two weeks ended June 26, 1999 ("fiscal 1999"). This increase is primarily attributable to increased sales of products within the George Foreman(R) product line, including the initial shipments of the George Foreman indoor/outdoor electric grills, sales of Toastmaster(R) products for a full fiscal year, and sales of Farberware(R), Juicelady(R) and Juiceman(R) products. Net sales of the White-Westinghouse(R) brand and other products to Kmart approximated 12% of net sales in fiscal 2000 compared to 16% of net sales in fiscal 1999.

GROSS PROFIT. Gross profit in fiscal 2000 was $332.4 million or 39.7% of net sales as compared to $199.0 million or 39.3% of net sales in fiscal 1999. Cost of goods sold during fiscal 2000 decreased to 55.8% of net sales compared to 56.4% in fiscal 1999. Distribution expenses were $37.6 million or 4.5% of net sales in fiscal 2000 compared to $21.6 million or 4.3% of net sales in fiscal 1999. Distribution expenses increased slightly as a percentage of sales due to higher costs for shipping to customers, primarily due to higher fuel costs and expenses related to the addition of two warehouses during fiscal 2000. Gross profit in fiscal 2000 as a percentage of net sales increased primarily due to a more favorable mix of sales with lower costs in their respective channels of distribution when compared to fiscal 1999.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses decreased to 18.7% of net sales or $156.7 million in fiscal 2000 compared to 25.6% of net sales or $129.6 million for fiscal 1999. Expenditures for television, royalty expense, certain other media and cooperative advertising and trade show expenses were 10.7% of net sales or $89.7 million in fiscal 2000 when compared to 17.4% of net sales or $88 million in fiscal 1999. The effect of the acquisition of the George Foreman name related to fiscal 2000 was the elimination of royalty payments partially offset by amortization expense of $8.1 million and imputed interest of $6.3 million, compared to payments of royalties of $38.3 million in fiscal 1999. The remaining selling, general and administrative costs increased to $67 million or 8% of net sales in fiscal 2000 compared to $41.6 million or 8.2% of net sales in fiscal 1999, primarily attributable to higher costs related to the higher level of sales.

OPERATING INCOME. As a result of the foregoing, operating income increased by $106.3 million or 153.2%, to $175.7 million in fiscal 2000 from $69.4 million in fiscal 1999. Operating income as a percentage of net sales increased to 21.0% in fiscal 2000 from 13.7% in fiscal 1999.

NET INTEREST EXPENSE. Net interest expense was approximately $28.8 million for fiscal 2000 compared to $15.5 million in fiscal 1999. The increase is primarily attributable to imputed interest of $6.3 million on the George Foreman note payable and a full year of actual interest of $11.1 million on debt incurred to complete the Toastmaster acquisition compared to $5.1 million of interest expense from the January 7, 1999 completion date of the Toastmaster acquisition. Salton's rate of interest on amounts outstanding under the revolver, term loan and senior subordinated debt was a weighted average annual rate of 10.0% in fiscal 2000 compared to 9.2% in fiscal 1999. The average amount of all debt outstanding was $279.5 million for fiscal 2000 compared to $155.7 million for fiscal 1999. These increases contributed to higher interest expense and the increased borrowings were used to provide working capital necessary to support the growth in sales.

INCOME TAX EXPENSE. Salton had tax expense of $55.1 million in fiscal 2000 as compared to tax expense of $19.3 million in fiscal 1999.

NET INCOME. Net income increased 165.8% to $91.8 million in fiscal 2000, compared to $34.5 million in fiscal 1999.

EARNINGS PER SHARE. Basic earnings per common share were $8.18 per share on weighted average common shares outstanding of 11,221,379 in fiscal 2000 compared to earnings of $3.21 per share on weighted average common shares outstanding of 10,760,455 in fiscal 1999. Diluted earnings per common share were $5.91 per share on weighted average common shares outstanding, including dilutive common stock equivalents, of 15,525,991 in fiscal 2000 compared to earnings of $2.37 per share on weighted average common shares outstanding, including dilutive common stock equivalents, of 14,561,964 in fiscal 1999. All share counts reflect a 3-for-2 split of Salton's common stock effective July 28, 1999, for stockholders of record at the close of business on July 14, 1999.

YEAR ENDED JUNE 26, 1999 COMPARED TO YEAR ENDED JUNE 27, 1998

NET SALES. Net sales for the fiscal year ended June 26, 1999 were $506.1 million, an increase of approximately $200.5 million or 65.6% compared to net sales of $305.6 million for the fiscal year ended June 27, 1998. This increase is primarily attributable to increased sales of products within the George Foreman Grills(R) product line, White-Westinghouse(R) sales under the Kmart program, sales of Toastmaster products since January 7, 1999, and sales of our Farberware(R) products. Net sales of White-Westinghouse(R) brand and other products to Kmart approximated 16% of net sales in fiscal 1999 compared to 19% of net sales in fiscal 1998.

GROSS PROFIT. Gross profit in fiscal 1999 was $199.0 million or 39.3% of net sales as compared to $113.9 million or 37.3% in fiscal 1997. Cost of goods sold during the period decreased to 56.4% of net sales compared to 58.7% in fiscal 1998. Distribution expenses were

$21.6 million or 4.3% of net sales in fiscal 1999 compared to $12.3 million or 4.0% of net sales in fiscal 1998. Gross profit and costs of goods sold in fiscal 1999 as a percentage of net sales improved primarily due to a more favorable mix of sales in their respective channels of distribution when compared to fiscal 1998.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased to $129.6 million or 25.6% of net sales in fiscal 1999 compared to $84.2 million or 27.6% of net sales in fiscal 1998. Expenditures for television, certain media and cooperative advertising coverages and royalty expenses were $88.0 million or 17.4% of net sales in fiscal 1999 compared to $58.3 million or 19.1% of net sales in fiscal 1998. Through increased leverage of fixed costs, the remaining selling, general and administrative costs decreased to 8.2% of net sales or $41.6 million in fiscal 1999 compared to 8.5% of net sales or $25.9 million in fiscal 1998.

OPERATING INCOME. As a result of the foregoing, operating income increased by $39.7 million or 133.8%, to $69.4 million in fiscal 1999 from $29.7 million in fiscal 1998. Operating income as a percentage of net sales increased to 13.7% in fiscal 1999 from 9.7% in fiscal 1998, primarily as a result of higher net sales and the increased leverage of fixed costs.

NET INTEREST EXPENSE. Net interest expense was approximately $15.5 million for fiscal 1999 compared to $5.3 million in fiscal 1998. Salton's rate of interest on amounts outstanding was a weighted average annual rate of 9.2% in fiscal 1999 compared to 9.5% in fiscal 1998. The average amount of all debt outstanding was $155.7 million for fiscal 1999 compared to $52.4 million for the same period in fiscal 1998. This increase was used to complete Salton's recapitalization, complete the acquisition of Toastmaster and to finance higher net sales.

Subsequent to the year ended June 27, 1998, Salton consummated the recapitalization. In connection therewith, Salton used a portion of the proceeds it received from the new credit agreement to refinance all outstanding indebtedness under Salton's prior credit agreement. Accordingly, at June 27, 1998, Salton had incurred expense with the early termination of the prior credit agreement of approximately $1.1 million.

During fiscal 1998, Salton sold shares of Windmere common stock it held as marketable securities during the period. The sale of these shares provided a realized gain of approximately $9.0 million.

INCOME TAX EXPENSE. Salton had tax expense of $19.3 million in fiscal 1999 as compared to tax expense of $12.2 million in fiscal 1998.

NET INCOME. Net income increased 72.9% to $34.5 million in fiscal 1999, compared to $20.0 million in fiscal 1998. Excluding a non-recurring after tax gain of approximately $5.4 million ($9.0 million before taxes) from the sale of marketable securities by Salton, and after-tax costs of approximately $681,000 ($1.1 million before taxes) associated with the refinancing of Salton's credit facility, net income increased 126.1% in fiscal 1999.

EARNINGS PER SHARE. Basic earnings per common share were $3.21 per share on weighted average common shares outstanding of 10,760,455 in fiscal 1999 compared to earnings of $1.02

per share on weighted average common shares outstanding of 19,593,698 in the same period in fiscal 1998. Diluted earnings per common share were $2.37 per share on weighted average common shares outstanding, including dilutive common stock equivalents, of 14,561,964 in fiscal 1999 compared to earnings of $0.99 per share on weighted average common shares outstanding, including dilutive common stock equivalents, of 20,259,395 in the same period in fiscal 1998. All share counts reflect a 3-for-2 split of Salton's common stock effective July 28, 1999, for stockholders of record at the close of business on July 14, 1999.

LIQUIDITY AND CAPITAL RESOURCES

During fiscal 2000, operating activities provided cash of $5.6 million and $47.1 million of cash was used in investing activities. The cash provided from operating activities resulted primarily from the growth in net income in the period, offset by higher levels of receivables and inventory and lower levels of accounts payable when compared to year-end June 26, 1999. The primary investing activities included the George Foreman transaction and equity investments in Amalgamated and ePods, as well as increased investment in capital assets, primarily tooling. Financing activities provided net cash of $37.8 million, primarily from draws under the revolving line of credit of $36.4 million.

In the quarter ended December 25,1999, Salton acquired, effective July 1, 1999, the right to use in perpetuity and worldwide the name "George Foreman" in connection with the marketing and sale of food preparation and non-alcoholic drink preparation and serving appliances. The aggregate purchase price payable to George Foreman and other participants was $137.5 million, of which $113.75 million is payable in five annual cash installments and the remaining $23.75 million was paid through the issuance of 779,191 shares of Salton, Inc. common stock. The first cash installment of $22.75 million was paid during fiscal 2000. In connection with the transaction, Salton issued a five-year $91.0 million non-interest bearing subordinated promissory note recorded at its present value of $74.5 million accreted to the present value of $80.8 million as of July 1, 2000. The effect of the George Foreman transaction was an elimination of royalty expense, partially offset by the recording of amortization of $8.1 million and imputed interest of $6.3 million.

On September 7, 2000 Salton announced that it had reached an agreement to satisfy $22.75 million of payment obligations, which otherwise would have been due on June 30, 2001, that it incurred in connection with its acquisition of the George Foreman name by issuing 621,074 shares of its common stock to George Foreman and other venture partners. Salton has agreed, under certain circumstances, to pay an amount of cash and/or additional shares of its common stock if the shares issued to George Foreman and the others are sold for less than $36.625 per share during a specified one year period. George Foreman and the others have agreed, under certain circumstances, to pay Salton in cash 50% of the excess over $36.625 per share of any shares sold during such one year period, plus 50% of the excess of the market value over $36.625 for any shares retained at the end of such one year period.

At July 1, 2000, Salton had debt outstanding of $327.2 million, including $125.0 million of 10-3/4% senior subordinated notes due 2005, and had the ability to borrow up to an additional $30.0 million under its revolving credit facility. Typically, given the seasonal nature of Salton's business, Salton's borrowings tend to be the highest in mid-fall and early winter.

Salton amended and restated its credit agreement among Salton, Lehman Brothers Inc., as arranger, Lehman Commercial Paper Inc., as syndication agent and administration agent, and a syndicate of banks (the "Amended Credit Agreement") during the quarter ended December 25, 1999. Salton increased its existing revolving credit facility from $80.0 million to $115.0 million. The Amended Credit Agreement also provides for $160.0 million in a senior secured credit facility consisting of a $45.0 million term loan at an established base rate (equivalent to the prime rate of interest) plus an applicable margin of 225 basis points or, at the Company's election, a eurodollar rate (equivalent to the LIBOR rate) plus an applicable margin of 325 basis points maturing in twenty-four consecutive quarterly installments commencing on March 26, 1999; and a $115.0 million revolving credit facility at an established base rate (equivalent to the prime rate of interest) plus an applicable margin or, at the Company's election, a eurodollar rate (equivalent to the LIBOR rate) plus an applicable margin based on a range of ratios of total debt to earnings before interest, taxes, depreciation and amortization maturing on January 7, 2004. The Amended Credit Agreement is secured by a first lien on substantially all the Company's assets. Credit availability is based on a formula related to trade accounts receivable, inventories and outstanding letters of credit.

Salton's Amended Credit Agreement and senior subordinated notes contain a number of significant covenants that, among other things, restrict the ability of Salton to dispose of assets, incur additional indebtedness, prepay other indebtedness, pay dividends, repurchase or redeem capital stock, enter into certain investments, enter into sale and lease-back transactions, make certain acquisitions, engage in mergers and consolidations, create liens, or engage in certain transactions with affiliates, and that will otherwise restrict corporate and business activities. In addition, under the Amended Credit Agreement, Salton is required to comply with specified financial ratios and tests, including a minimum net worth test, a fixed charge coverage ratio, an interest coverage ratio and a leverage ratio.

On August 24, 2000 Salton signed a commitment letter with Lehman Commercial Paper Inc. and Lehman Brothers Inc. to amend and restate the Amended Credit Agreement, to increase by $50,000,000 the amount of the credit facilities made available thereunder, reduce the pricing grid for interest rates under certain circumstances and to amend certain of the terms applicable thereto.

Salton's ability to make scheduled principal and interest payments on, or to refinance, its indebtedness, or to fund planned capital expenditures will depend upon its future performance, which is subject to general economic, financial, competitive and other factors that are beyond its control. Salton's ability to fund its operating activities is also dependent upon its rate of growth, ability to effectively manage its inventory, the terms under which it extends credit to customers and its ability to collect under such terms and its ability to access external sources of financing. Based upon the current level of operations and anticipated growth, management believes that future cash flow from operations, together with available borrowings under the Amended Credit Agreement and funds anticipated to be available from the issuance of additional debt and/or equity securities, will be adequate to meet Salton's anticipated requirements for capital expenditures, working capital, interest payments and scheduled principal payments over the next 12 months. There can be no assurance, however, that Salton's business will continue to generate sufficient cash flow from operations in the future to service its debt and make necessary

capital expenditures after satisfying certain liabilities arising in the ordinary course of business. If unable to do so, Salton may be required to refinance all or a portion of its existing debt, to sell assets or to obtain additional financing. There can be no assurance that any such refinancing would be available or that any such sales of assets or additional financing could be obtained.

ACCOUNTING PRONOUNCEMENTS

During the first quarter of fiscal 1999, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income." This statement requires that the Company report the change in its net assets during the period from non-owner sources. Components of other comprehensive income (loss) include foreign currency translation gains and minimum pension liability, net of tax.

During the fourth quarter of fiscal 1999, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement requires public business enterprises to report certain information about operating segments, their products and services, the geographic areas in which they operate, and their major customers. The effect of this new statement is limited to the form and content of disclosures.

During the fourth quarter of fiscal 1999, the Company adopted SFAS No. 132, "Employer's Disclosures about Pensions and other Post-Retirement Benefits." The effect of this new statement is limited to the form and content of disclosures.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which was amended in June 1999 with the issuance of SFAS No. 137. SFAS No. 137 delayed the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. SFAS No. 133 will change accounting and disclosure requirements for derivative instruments and hedging activities. The adoption of SFAS No. 133 will not have a material effect on the Company's consolidated financial statements.

EFFECTS OF INFLATION AND FOREIGN CURRENCY EXCHANGE

The results of operations for the periods discussed have not been significantly affected by inflation or foreign currency fluctuation. Salton generally negotiates its purchase orders with its foreign manufacturers in United States dollars. Thus, Salton's cost under any purchase order is not subject to change after the time the order is placed due to exchange rate fluctuations. However, the weakening of the United States dollar against local currencies could result in certain manufacturers increasing the United States dollar prices for future product purchases.

SEASONALITY

Salton's business is highly seasonal, with operating results varying from quarter to quarter. Salton has historically experienced higher sales during the months of August through November primarily due to increased demand by customers for Salton's products attributable to holiday

sales. This seasonality has also resulted in additional interest expense to Salton during this period due to an increased need to borrow funds to maintain sufficient working capital to finance product purchases and customer receivables for the seasonal period.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The following tables provide information about the Company's market sensitive financial instruments and constitutes a "forward-looking statement." The Company's major market risk exposure is changing interest rates in the United States. The Company's policy is to manage interest rates through the use of a combination of fixed and variable rate debt. The fair value of the Company's long-term, fixed rate debt was estimated based on dealer quotes. The carrying amount of short-term debt and long-term variable-rate debt approximates fair value. All items described in the tables are non-trading.

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(DOLLARS IN THOUSANDS)

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
FISCAL YEAR 2000	2001	2002	2003	2004	2005	THEREAFTER	TOTAL	FAIR VALUE
Liabilities:								
Revolver	$68,000						$68,000	$68,000
Average interest rates	8.73%							
Jr. subordinated note payable				$13,406			$13,406	$9,015
Average interest rate				8.0%				
Foreman note payable	$45,500	$22,750	$22,750				$91,000	$80,854
Average interest rate	8.5%	8.5%	8.5%					
Other notes payable	$62	$35	$4				$101	$101
Average interest rate	5.37%	5.37%	5.37%					
Long-term debt, including current portion								
Fixed rate amount					$125,000		$125,000	$125,000
Average interest rates					10.75%			
Variable rate amount	$375	$500	$500	$11,000	$31,875		$44,250	$44,250
Average interest rates	9.77%	(1)	(1)	(1)	(1)			
FISCAL YEAR 1999	2000	2001	2002	2003	2004	THEREAFTER	TOTAL	FAIR VALUE
Liabilities:								
Revolver	$30,000						$30,000	$30,000
Average interest rates	7.98%							
Jr. subordinated note payable					$14,126		$14,126	$8,949
Average interest rate					8.0%			
Long-term debt, including current portion								
Fixed rate amount						$125,000	$125,000	$125,000
Average interest rates						10.75%		
Variable rate amount	$500	$500	$500	$500	$11,000	$31,875	$44,875	$44,875
Average interest rates	8.25%	(1)	(1)	(1)	(1)	(1)		

</TABLE>

(1)The variable rate $45.0 million Term Loan is set quarterly at an established base rate (equivalent to the prime rate of interest) plus an applicable margin of 225 basis points or, at the Company's election, a eurodollar rate (equivalent to the LIBOR rate) plus an applicable margin of 325 basis points

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following pages contain the Financial Statements and Supplementary Data as specified by Item 8 of Part II of Form 10-K.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Salton, Inc.
Mount Prospect, Illinois

We have audited the accompanying consolidated balance sheets of Salton, Inc. (the "Company") as of July 1, 2000 and June 26, 1999 and the related consolidated statements of earnings, of stockholders' equity and of cash flows for each of the three years in the period ended July 1, 2000. Our audits also included the financial statement schedule listed in the Index at Item 14 of the Annual Report on Form 10-K. These financial statements and the financial statement schedule 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Salton, Inc. as of July 1, 2000 and June 26, 1999 and the results of its operations and its cash flows for each of the three years in the period ended July 1, 2000 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP

Chicago, Illinois
September 7, 2000

SALTON, INC.

CONSOLIDATED BALANCE SHEETS
JULY 1, 2000 AND JUNE 26, 1999
(IN THOUSANDS EXCEPT SHARE DATA)

ASSETS	2000	1999
CURRENT ASSETS:		
Cash	$ 7,606	$ 11,240
Accounts receivable, less allowance:		
2000 - $7,111; 1999 - $6,102	129,850	96,179
Inventories	219,230	144,124
Prepaid expenses and other current assets	10,146	6,350
Deferred income taxes	3,713	3,134
Total current assets	370,545	261,027
PROPERTY, PLANT AND EQUIPMENT:		
Land	1,625	928
Buildings	8,079	4,696
Molds and tooling	35,749	26,364
Warehouse equipment	7,061	6,142
Office furniture and equipment	9,373	6,097
	61,887	44,227
Less accumulated depreciation	(27,244)	(19,576)
	34,643	24,651
PATENTS AND TRADEMARKS, NET OF ACCUMULATED AMORTIZATION	127,074	2,711
OTHER INTANGIBLES, NET OF ACCUMULATED AMORTIZATION, AND OTHER NON-CURRENT ASSETS	32,014	39,927
TOTAL ASSETS	$ 564,276	$ 328,316
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving line of credit and other current debt	$ 112,155	$ 32,229
Accounts payable	35,113	40,997
Accrued expenses	21,028	21,865
Income taxes payable	4,578	
Total current liabilities	172,874	95,091

NON-CURRENT DEFERRED INCOME TAXES	2,529	157
LONG-TERM DEBT	215,065	182,329
Total liabilities	390,468	277,577
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value; authorized, 2,000,000 shares, 40,000 shares issued		
Common stock, $.01 par value; authorized, 40,000,000 shares; shares issued and outstanding: 2000 - 11,351,927; 1999 - 6,834,572	135	133
Treasury stock - at cost	(30,211)	(90,804)
Additional paid-in capital	62,572	91,968
Accumulated other comprehensive income (loss)	6	(48)
Retained earnings	141,306	49,490
Total stockholders' equity	173,808	50,739
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 564,276	$ 328,316

See notes to consolidated financial statements.

SALTON, INC.

CONSOLIDATED STATEMENTS OF EARNINGS
YEARS ENDED JULY 1, 2000, JUNE 26, 1999, AND JUNE 27, 1998
(IN THOUSANDS EXCEPT PER SHARE DATA)

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<S>	2000	1999	1998
NET SALES	$ 837,302	$ 506,116	$ 305,599
COST OF GOODS SOLD	467,250	285,526	179,376
DISTRIBUTION EXPENSES	37,639	21,621	12,327
GROSS PROFIT	332,413	198,969	113,896
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	156,749	129,588	84,216
OPERATING INCOME	175,664	69,381	29,680
INTEREST EXPENSE, NET	(28,761)	(15,518)	(5,333)
COSTS ASSOCIATED WITH REFINANCING			(1,133)
REALIZED GAIN ON MARKETABLE SECURITIES			8,972
INCOME BEFORE INCOME TAXES	146,903	53,863	32,186
INCOME TAX EXPENSE	55,087	19,320	12,205
NET INCOME	$ 91,816	$ 34,543	$ 19,981
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	11,221	10,760	19,594
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	15,526	14,562	20,259
NET INCOME PER COMMON SHARE: BASIC	$ 8.18	$ 3.21	$ 1.02
NET INCOME PER COMMON SHARE: DILUTED	$ 5.91	$ 2.37	$ 0.99

</TABLE>

See notes to consolidated financial statements.

SALTON, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED JUNE 27, 1998 THROUGH JULY 1, 2000
(IN THOUSANDS)

<TABLE>
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	COMMON SHARES OUTSTANDING	PREFERRED SHARES OUTSTANDING	COMMON STOCK	PREFERRED STOCK	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS (DEFICIT)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, JUNE 28, 1997	13,029		$ 130		$ 53,036	$ (5,034)
Net income						19,981
Other comprehensive income:						
Unrealized gains reclassification adjustment net of tax of $720						
Total comprehensive income						
Issuance of common stock	25				300	
Stock options exercised	46				145	
	-------		---------		---------	---------
BALANCE, JUNE 27, 1998	13,100		130		53,481	14,947
Net income						34,543
Other comprehensive income:						
Minimum pension liability net of tax of $28						
Foreign currency translation						
Total comprehensive income						
Issuance of preferred stock		40			37,000	
Purchase of treasury stock	(6,535)					
Stock options exercised	270		3		1,487	
	------	-------	---------		---------	---------
BALANCE, JUNE 26, 1999	6,835	40	133		91,968	49,490
Net income						91,816
3 for 2 stock split effective 7/28/99	3,417				(47,496)	
Other comprehensive income:						
Minimum pension liability net of tax of $28						
Foreign currency translation						
Total comprehensive income						
Issuance of common stock	942				16,625	
Stock options exercised	158		2		1,475	
	------	-------	---------		---------	---------
BALANCE, JULY 1, 2000	11,352	40	$ 135		$ 62,572	$ 141,306
	======	=======	=========		=========	=========

<CAPTION>

	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME	LESS NOTE RECEIVABLE	TOTAL STOCKHOLDERS' EQUITY	TOTAL COMPREHENSIVE INCOME
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE, JUNE 28, 1997		$ 1,337	$ (10,848)	$ 38,622	
Net income				19,981	$ 19,981
Other comprehensive income:					
Unrealized gains reclassification adjustment net of tax of $720		(1,337)		(1,337)	(1,337)

Total comprehensive income					$ 18,644
Issuance of common stock				300	
Stock options exercised				145	
BALANCE, JUNE 27, 1998			(10,848)	57,711	
Net income				34,543	$ 34,543
Other comprehensive income:					
Minimum pension liability					
net of tax of $28		(50)		(50)	(50)
Foreign currency translation		2		2	2
Total comprehensive income					$ 34,495
Issuance of preferred stock				37,000	
Purchase of treasury stock	$ (90,804)		10,848	(79,956)	
Stock options exercised				1,489	
BALANCE, JUNE 26, 1999	(90,804)	(48)		50,739	
Net income				91,816	$ 91,816
3 for 2 stock split effective 7/28/99	47,496				
Other comprehensive income:					
Minimum pension liability					
net of tax of $28		50		50	50
Foreign currency translation		4		4	4
Total comprehensive income					$ 91,870
Issuance of common stock	13,097			29,722	
Stock options exercised				1,477	
BALANCE, JULY 1, 2000	$ (30,211)	$ 6	$	$ 173,808	

</TABLE>

See notes to consolidated financial statements.

SALTON, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 1, 2000, JUNE 26, 1999, AND JUNE 27, 1998
(IN THOUSANDS)

<TABLE>
<CAPTION>

<S>	2000 <C>	1999 <C>	1998 <C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 91,816	$ 34,543	$ 19,981
Adjustments to reconcile net income to net cash from operating activities:			
Imputed interest on note payable	6,336		
Gain on sale of marketable securities			(8,972)
Deferred income taxes	1,793	4,109	(1,428)
Depreciation and amortization	19,075	7,301	4,301
Equity in net income of investees	(321)		
Purchase reduction of note payable and other noncash items	1,662	(208)	
Changes in assets and liabilities, net of acquisition:			
Accounts receivable	(33,671)	(12,176)	(17,578)
Inventories	(75,106)	(26,406)	(34,537)
Prepaid expenses and other current assets	(3,796)	(1,365)	1,881
Accounts payable	(5,884)	14,716	1,599
Taxes payable	4,578	(4,290)	6,406
Accrued expenses	(837)	(1,032)	3,245
Net cash from operating activities	5,645	15,192	(25,102)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(13,976)	(5,390)	(4,565)

Proceeds from the sale of marketable securities			19,072
Acquisition of George Foreman Trademark	(22,750)		
Additions to intangibles for patents/trademarks	(737)		
Equity investment	(9,615)		
Acquisition of businesses		(108,126)	
Net cash from investing activities	(47,078)	(113,516)	14,507
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (repayment) proceeds from revolving line of credit and other debt	36,367	(20,475)	12,498
Repayment of long-term debt	(625)	(90,125)	
Proceeds from long-term debt		260,000	
Repayment of subordinated and other debt		(125)	(5,433)
Costs associated with refinancing	(616)	(8,065)	1,133
Common stock issued	2,669	1,489	445
Preferred stock issued		40,000	
Purchase of treasury stock		(70,799)	
Costs associated with preferred stock issuance		(2,999)	
Net cash from financing activities	37,795	108,901	8,643
The effect of exchange rate changes on cash	4	2	
NET (DECREASE) INCREASE IN CASH	(3,634)	10,579	(1,952)
CASH, BEGINNING OF YEAR	11,240	661	2,613
CASH, END OF YEAR	$ 7,606	$ 11,240	$ 661
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	$ 22,257	14,046	5,893
Income taxes	50,509	25,022	5,799

</TABLE>

SALTON, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 1, 2000, JUNE 26, 1999, AND JUNE 27, 1998
(IN THOUSANDS, EXCEPT SHARE DATA)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

In the quarter ended March 25, 2000, the Company authorized the issuance of 53,977 shares of common stock out of treasury for payment of executive bonuses.

In the quarter ended December 25, 1999, the Company acquired, effective July 1, 1999, the right to use in perpetuity and worldwide the name "George Foreman" in connection with the marketing and sale of food preparation and non-alcoholic drink preparation and serving appliances. The aggregate purchase price payable to George Foreman and other participants was $137,500, of which $113,750 is payable in five annual cash installments, and the remaining $23,750 was paid through the issuance of 779,191 shares of Salton, Inc. common stock issued out of treasury. The first cash installment of $22,750 was paid during the first half of fiscal 2000. In connection with the transaction the Company issued a five-year $91,000 non-interest bearing subordinated promissory note which is recorded at its present value of $80,854 as of July 1, 2000.

In the quarter ended December 25, 1999, the Company retired a $4.0 million note payable associated with the acquisition of Toastmaster Inc. by issuing 109,090 shares of common stock out of treasury. The Company received $1.2 million in cash related to the subsequent sale of this stock by the holder, per terms of the note payable retirement.

In the quarter ended September 26, 1998, the Company repurchased 6,535 shares of the Company's common stock from Applica, Inc. (formerly known as Windmere-Durable Holdings Inc.) ("Applica") for a total purchase price of $90,804. The purchase price included the issuance of a six and one-half year $15,000 subordinated promissory note which bears interest at 4% per annum which is recorded at its fair value of $9,015 as of July 1, 2000 and the effective repayment of Applica's promissory note to the Company for the principal amount of $10,544.

See notes to consolidated financial statements. (Concluded)

SALTON, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 1, 2000, JUNE 26, 1999, AND JUNE 27, 1998

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1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Salton, Inc. ("Salton" or the "Company") is a leading domestic designer, marketer, manufacturer and distributor of a broad range of branded, high quality small appliances, tabletop products and personal care/time products.

The Company's portfolio of well-recognized owned and licensed brand names includes Salton(R), Toastmaster(R), Maxim(R), Breadman(R), Juiceman(R), JuiceLady(R), Calvin Klein(R), George Foreman Grills(R), White-Westinghouse(R), Farberware(R), Melitta(R), Block(R) China, Atlantis(R) Crystal, Sasaki(R), Rejuvenique(R), Salton Creations(R), Marilyn Monroe(TM), Taco Bell(R), Looney Tunes(R), Ingraham(R), Timex(R), and Indiglo(R).

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of all majority-owned subsidiaries. Investments in affiliates, in which the company has the ability to exercise significant influence, but not control, are accounted for by the equity method. All other investments in affiliates are carried at cost. Intercompany balances and transactions are eliminated in consolidation.

USE OF ESTIMATES - In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allowance for doubtful accounts, reserve for returns and allowances, and depreciation and amortization, among others.

ACCOUNTING PERIOD - The Company's fiscal year ends on the Saturday closest to June 30. The fiscal year ended July 1, 2000 consisted of 53 weeks and is referred to as "fiscal 2000." The fiscal years ended June 26, 1999, and June 27, 1998 each consisted of 52 weeks and are referred to as "fiscal 1999", and "fiscal 1998", respectively.

INVENTORIES - Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method, for approximately 29% and 32% of the Company's inventories as of July 1, 2000 and June 26, 1999. All remaining inventory cost is determined on the first-in, first-out basis. See Note 3 "Inventories."

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost. Expenditures for maintenance costs and repairs are charged against income. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, which range from three to forty years. For tax purposes, assets are depreciated using accelerated methods.

INTANGIBLES AND NON-CURRENT ASSETS - Intangible assets, which are amortized over their estimated useful lives, and other non-current assets consist of:

<TABLE>
<CAPTION>

(IN THOUSANDS)	USEFUL LIFE (IN YEARS)	JULY 1, 2000	JUNE 26, 1999
<S>	<C>	<C>	<C>
Patents and trademarks, net	5-20	$127,074	$ 2,711

Goodwill	10-40	12,807	32,768
Financing and organization costs	2-7	9,152	7,051
Other non-current assets		10,055	108
Other intangibles, net, and other noncurrent assets		32,014	39,927
Intangible assets, net, and other non-current assets		$159,088	$42,638

</TABLE>

Accumulated amortization of intangible assets was $18.1 million and $6.7 million at July 1, 2000 and June 26,1999, respectively.

LONG-LIVED ASSETS - Long-lived assets are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If such review indicates that the carrying amount of long-lived assets is not recoverable, the carrying amount of such assets is reduced to the estimated recoverable value.

REVENUE RECOGNITION - The Company recognizes revenues when goods are shipped to its customers. Provision is made for estimated cost of returns, warranties, and product liability claims.

DISTRIBUTION EXPENSES - Distribution expenses consist primarily of freight, warehousing, and handling costs of products sold.

ADVERTISING - The Company sponsors various programs under which it participates in the cost of advertising and other promotional efforts for Company products undertaken by its retail customers. Advertising and promotion costs associated with these programs are expensed in the period in which the advertising or other promotion by the retailer occurs.

The Company's tradenames and, in some instances, specific products, also are promoted from time to time through direct marketing channels, primarily television. Advertising and promotion costs are expensed in the period in which the advertising and promotion occurs.

SELF-INSURANCE - The Company maintains a self-insurance program for health claims and workers' compensation claims for certain covered employees. The Company accrues estimated future costs that will be incurred for existing employee claims. The Company does not provide any post-retirement health care benefits.

INCOME TAXES - The Company accounts for income taxes using the asset and liability approach. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, management does not expect to be realized.

NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE - On June 28, 1999, the Company's Board of Directors authorized a 3-for-2 split of its common stock effective July 28, 1999, for stockholders of record at the close of business on July 14, 1999. All earnings per-share data in the accompanying consolidated financial statements have been restated to give effect to the split.

The Company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS 128) in fiscal 1998. Basic net income per common share is computed based upon the weighted average number of common shares outstanding. Diluted net income per common share is computed based upon the weighted average number of common shares outstanding, adjusted for dilutive common stock equivalents applying the treasury stock method for options and warrants and the if-converted method for convertible securities. All earnings per share data presented in these financial statements conform with SFAS 128.

FAIR VALUE OF FINANCIAL INSTRUMENTS - The carrying values of financial instruments included in current assets and liabilities approximate fair values due to the short-term maturities of these instruments. The fair value of the Company's long-term, fixed rate debt was estimated based on dealer quotes and approximates the carrying value recorded. The carrying amount of short-term debt and long-term variable-rate debt approximates fair value. During fiscal 1997, the investment in Applica common stock was accounted for as "available for sale" and was carried at fair value. The stock was sold during fiscal 1998. See Note 4 "Applica Transaction."

ACCOUNTING PRONOUNCEMENTS - During the first quarter of fiscal 1999, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income." This statement requires that the Company report the change in its net assets during the period from non-owner sources. Components of other comprehensive income (loss) include foreign currency translation gains and minimum pension liability, net of tax, respectively.

During the fourth quarter of fiscal 1999, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement requires public business enterprises to report certain information about operating segments, their products and services, the geographic areas in which they operate, and their major customers. The effect of this statement is disclosed in Note 13 "Operating Segments".

During the fourth quarter of fiscal 1999, the Company adopted SFAS No. 132, "Employer's Disclosures about Pensions and other Post-Retirement Benefits." The effect of this statement is disclosed in Note 8 "Employee Benefit Plans".

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which was amended in June 1999 with the issuance of SFAS No. 137. SFAS No. 137 delayed the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. SFAS No. 133 requires that all derivative financial instruments be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial statements are either recognized periodically in income or shareholders' equity, depending on whether the derivative is being used to hedge changes in fair value or cash flows. The adoption of SFAS 133 will not have a material effect on the Company's consolidated financial statements.

RECLASSIFICATIONS - Certain reclassifications have been made in the 1999 and 1998 financial statements to conform with current year presentation.

2. ACQUISITIONS AND ALLIANCES

On January 7, 1999, the Company acquired the stock of Toastmaster Inc. ("Toastmaster"), a Columbia, Missouri based manufacturer and marketer of kitchen and small household electrical appliances and time

products (the "Toastmaster Acquisition"). The Company paid Toastmaster shareholders $7.00 per share in cash, for a total purchase price of approximately $53.2 million. In addition, Toastmaster's outstanding debt of $57.8 million was paid by the Company in connection with the acquisition. The acquisition was accounted for as a purchase. The purchase price has been allocated based upon estimated fair market values at the date of acquisition. The excess of the purchase price over the fair values of the net assets acquired has been recorded as goodwill and is being amortized on a straight-line basis over forty years.

The operating results of Toastmaster have been included in the consolidated statements of earnings from the date of acquisition. The following unaudited pro forma results of operations assume the transaction occurred at the beginning of the periods presented:

(IN THOUSANDS)	JUNE 26, 1999	JUNE 27, 1998
Net sales	$597,140	$465,201
Operating income	67,350	38,327
Net income	27,052	14,317
Net income per share:		
Basic	2.51	0.73
Diluted	1.86	0.71

The pro forma results are for informational purposes only and do not purport to represent what the Company's results of operations would have actually been had the transaction been consummated for the periods indicated.

On March 31, 1999, the Company bought certain assets of Sasaki, Inc., a well-known designer and manufacturer of high-quality tabletop products and accessories for the home, from Sasaki Glass Company Ltd. Under the terms of the transaction, Salton purchased Sasaki's inventory, except for the Christian Dior tabletop product line, in addition to licensing the Sasaki(R) brand name for a period of twenty years, with an option to renew on mutually agreed upon terms. As part of the transaction, Salton agreed to assume certain minor liabilities.

On October 6, 1999, Salton purchased approximately 21% of the outstanding shares of Amalgamated Appliance Holdings Limited ("Amalgamated"), a leading manufacturer and distributor of a wide range of branded consumer electronics and appliances in South Africa, for approximately $6 million. The investment is being accounted for under the equity method of accounting, and is included in the consolidated financial statements in other assets. Based in South Africa, Amalgamated is a publicly held company, listed on the Johannesburg Stock Exchange, which owns the rights to the Salton brand name in South Africa. In conjunction with this transaction, the Chief Executive Officer of Salton, Inc., was added to Amalgamated's Board of Directors.

In the quarter ended December 25, 1999, Salton acquired, effective July 1, 1999, the right to use in perpetuity and worldwide the name "George Foreman" in connection with the marketing and sale of food preparation and non-alcoholic drink preparation and serving appliances. The aggregate purchase price payable to George Foreman and other participants was $137.5 million, of which $113.75 million is payable in five annual cash installments, and the remaining $23.75 million was paid through the issuance of 779,191 shares of Salton, Inc. common stock issued out of treasury. The first cash installment of $22.75 million was paid during the first half of fiscal 2000. In connection with the transaction Salton issued a five-year $91.0 million non-interest bearing subordinated promissory note recorded at its present value of $80.8 million as of July 1, 2000. In the quarter ended December 25, 1999, the effect of the

George Foreman transaction was an elimination of $16.6 million in royalty expense, partially offset by the recording of amortization of $4.0 million and imputed interest of $3.2 million. The following pro forma results of operations assumed the transaction occurred at the beginning of the periods presented:

(IN THOUSANDS)	JUNE 26, 1999	JUNE 27, 1998
Net Sales	$506,116	$305,599
Operating Income	99,409	37,597
Net Income	47,310	20,350
Net income per share:		
Basic	4.40	1.04
Diluted	3.25	1.00

The proforma results are for informational purposes only and do not purport to represent what the Company's results of operations would have actually been had the transaction been consummated for the periods indicated.

On January 14, 2000, Salton entered into a strategic alliance with ePods, Inc., an Internet company, which offers consumers an easy, simple to use, all-in-one solution to accessing the Internet. Salton will become the exclusive distributor of ePods products in the U.S., Canada and Mexico. As part of this alliance, Salton has invested approximately $2 million in convertible preferred stock of ePods, recorded at its historical cost, and has a note receivable from ePods, Inc. of approximately $1.6 million, both of which are included in the consolidated financial statements in other assets.

3. INVENTORIES

A summary of inventories is as follows:

(IN THOUSANDS)	JULY 1, 2000	JUNE 26, 1999
Raw materials	$ 6,392	$ 5,359
Work-in-process	447	1,238
Finished goods	212,391	137,527
Total	$219,230	$144,124

If the first-in, first-out (FIFO) method of inventory valuation had been used to determine cost for 100% of the Company's inventories at July 1, 2000 and June 26, 1999, they would have been approximately $2.9 million and $1.7 million lower than reported.

4. APPLICA TRANSACTION

On July 11, 1996, the Company consummated a transaction with Applica, Inc. ("Applica"), formerly known as Windmere--Durable Holdings, Inc. (the "Applica Transaction"), pursuant to a Stock Purchase Agreement dated February 27, 1996, as amended (the "Stock Purchase Agreement"). Applica is a corporation engaged principally in manufacturing and distributing a wide variety of personal care products and household appliances. Pursuant to the Stock Purchase Agreement, Applica purchased from the Company 6,508,572 newly issued shares of Common Stock (the "Purchase"), which represented 50%

of the outstanding shares of Common Stock of the Company on February 27, 1996 after giving effect to the Purchase. As consideration for the purchase, Applica paid the Company: (i) $3.2 million in cancellation of a loan, as described below; (ii) a subordinated promissory note in the aggregate principal amount of $10.8 million (the "Note"), which Note was payable July 11, 2001, bore interest at 8%, payable quarterly, and was secured by certain assets of Applica and its domestic subsidiaries and guaranteed by such domestic subsidiaries; and (iii) 748,112 shares of Applica's common stock. Applica's common stock is traded on the New York Stock Exchange. A portion of the consideration for the Purchase was paid by the cancellation of the Company's obligation to repay a loan in the principal amount of $3.2 million which Applica had made to the Company in April 1996. Applica was also granted an option (the "Option") to purchase up to 485,000 shares of Common Stock at $4.83 per share, which option was exercisable only if and to the extent that options to purchase shares of Common Stock which were outstanding on February 27, 1996 were exercised. Accordingly, Applica exercised options to purchase 26,500 shares of Common Stock during 1998.

During fiscal 1998, the Company sold 748,112 shares of Applica's common stock, realizing a pre-tax gain of approximately $8.9 million.

On July 28, 1998, Salton repurchased (the "Stock Repurchase") 6,535,072 shares of Salton common stock owned by Applica pursuant to a Stock Agreement dated as of May 6, 1998 (the "Applica Stock Agreement") by and among Salton, Applica and the executive officers of Salton. Prior to the Stock Repurchase, Applica owned approximately 50% of Salton's outstanding common stock. The price for the Stock Repurchase was $12 per share in cash plus a $15.0 million subordinated promissory note (the "Junior Subordinated Note"). The Junior Subordinated Note, which has a term of six and one-half years and bears interest at 4.0% per annum payable annually, is subject to offsets of 5% of the total purchase price paid by Salton for product purchases from Applica and its affiliates during the term of the note. During fiscal 2000 and fiscal 1999, the Company reduced this debt and interest by approximately $1.3 and $1.5 million, respectively, for related purchases of products from Applica. The principal amount of the Junior Subordinated Note is also subject to cancellation in the event Salton's supply agreement with Kmart is terminated for any reason.

In connection with the Stock Repurchase: (i) Applica effectively repaid (the "Note Repayment") the Note; (ii) Salton repurchased for approximately $3.3 million Applica's Option (the "Option Repurchase"); and (iii) Applica and Salton agreed to continue various commercial and other arrangements, including a fee agreement relating to Salton's supply agreement with Kmart, subject to certain modifications. The Stock Repurchase, the Option Repurchase and the Note Repayment are collectively referred to herein as the "Repurchase."

Effective upon the closing of the Repurchase, each of the persons who had been designated by Applica to serve on Salton's Board of Directors resigned from Salton's Board of Directors.

5. REVOLVING LINE OF CREDIT, LETTERS OF CREDIT AND LONG-TERM DEBT

Salton entered into a credit agreement dated as of July 27, 1998 (the "New Credit Agreement") among Salton, Lehman Brothers Inc., as arranger, and Lehman Commercial Paper Inc., as syndication agent. The New Credit Agreement provided for $215.0 million in senior secured credit facilities consisting of a $90.0 million Tranche A Term Loan, a $75.0 million Delayed Draw Term Loan and a $50.0 million revolving credit facility. As further explained below, the New Credit Agreement was amended and restated on January 7, 1999 and again on December 10, 1999.

On December 16, 1998, the Company issued $125.0 million of 10 3/4% Senior Subordinated Notes (the "Subordinated Notes") due 2005. Proceeds of the Subordinated Notes were used to repay outstanding indebtedness and for working capital and general corporate purposes. The Subordinated Notes contain a number of significant covenants that, among other things, restrict the ability of the Company to dispose of assets, incur additional indebtedness, prepay other indebtedness, pay dividends, repurchase or redeem capital stock, enter into certain investments, enter into sale and lease-back transactions, make certain acquisitions, engage in mergers and consolidations, create liens, or engage in certain transactions with affiliates, and will otherwise restrict corporate and business activities. In addition, under the Subordinated Notes, the Company is required to comply with a specified financial fixed charge coverage ratio. At June 26, 1999, the Company was in compliance with all the covenants described above.

Salton amended and restated the New Credit Agreement on January 7, 1999 (the "Amended Credit Agreement"). The Amended Credit Agreement, among Salton, Lehman Brothers Inc., as arranger, Lehman Commercial Paper Inc., as syndication agent and administration agent, and a syndicate of banks, provides for $125.0 million in a senior secured credit facility consisting of a $45.0 million Term Loan at an established base rate (equivalent to the prime rate of interest) plus an applicable margin of 225 basis points or, at the Company's election, a eurodollar rate (equivalent to the LIBOR rate) plus an applicable margin of 325 basis points maturing in twenty-four consecutive quarterly installments commencing on March 26, 1999; and a $80.0 million revolving credit facility at an established base rate (equivalent to the prime rate of interest) plus an applicable margin of 200 basis points or, at the Company's election, a eurodollar rate (equivalent to the LIBOR rate plus an applicable margin) based on a range of ratios of total debt to earnings before interest, taxes, depreciation and amortization maturing on January 7, 2004. The Amended Credit Facility is secured by a first lien on substantially all the Company's assets. Credit availability is based on a formula related to trade accounts receivable, inventories and outstanding letters of credit.

On October 29, 1999, Salton retired the $4.0 million note payable associated with the acquisition of Toastmaster Inc. by issuing 109,090 shares of common stock out of treasury.

Salton amended and restated the New Credit Agreement again (the "Amended Credit Agreement") during the quarter ended December 25, 1999. Salton increased its existing revolving credit facility from $80.0 million to $115.0 million. The Amended Credit Agreement, among Salton, Lehman Brothers Inc., as arranger, Lehman Commercial Paper Inc., as syndication agent and administration agent, and a syndicate of banks, provides for $160.0 million in a senior secured credit facility consisting of a $45.0 million Term Loan at an established base rate (equivalent to the prime rate of interest) plus an applicable margin of 225 basis points or, at the Company's election, a eurodollar rate (equivalent to the LIBOR rate) plus an applicable margin of 325 basis points maturing in twenty-four consecutive quarterly installments commencing on March 26, 1999; and a $115.0 million revolving credit facility at an established base rate (equivalent to the prime rate of interest) plus an applicable margin or, at the Company's election, a eurodollar rate (equivalent to the LIBOR rate plus an applicable margin) based on a range of ratios of total debt to earnings before interest, taxes, depreciation and amortization maturing on January 7, 2004.

The Amended Credit Facility is secured by a first lien on substantially all the Company's assets. Credit availability is based on a formula related to trade accounts receivable, inventories and outstanding letters of credit. The Amended Credit Agreement contains a number of significant covenants that, among other things, restrict the ability of the Company to dispose of assets, incur additional indebtedness, prepay other indebtedness, pay dividends, repurchase or redeem capital stock, enter into certain investments, enter into sale and lease-back transactions, make certain acquisitions, engage in mergers and consolidations, create liens, or engage in certain transactions with affiliates, and will otherwise restrict corporate and business

activities. In addition, under the Amended Credit Agreement, the Company is required to comply with specified financial ratios and tests, including a net average debt ratio, a net average senior debt ratio, a consolidated fixed charge coverage ratio, and a consolidated interest coverage ratio. At July 1, 2000, the Company was in compliance with all of the covenants described above. At July 1, 2000, the base rate plus applicable margin on the Term Loan was 9.77% and the base rate plus applicable margin on the

Revolving Credit Facility was 8.96%.

Information regarding short-term borrowings under the Revolving Credit Facility is:

<TABLE>
<CAPTION>

(IN THOUSANDS)	JULY 1, 2000	JUNE 26, 1999
<S>	<C>	<C>
Balance at end of fiscal period	$68,000	$30,000
Interest rate at end of fiscal period	8.96%	8.29%
Maximum amount outstanding at any month-end	93,000	50,000
Average amount outstanding	52,974	25,655
Weighted average interest rate during fiscal period	8.73%	7.98%
Outstanding letters of credit at end of fiscal period	17,863	9,414
Unused letters of credit at end of the fiscal period	7,137	586

</TABLE>

Notes payable consist of the Junior Subordinated Note to Applica, Inc. (see Note 4) and the note payable associated with the acquisition of the George Foreman trademarks (see Note 2).

Long-term debt matures as follows:

<TABLE>
<CAPTION>

FISCAL YEAR ENDED	SUBORDINATED NOTES	TERM LOAN	JUNIOR SUBORDINATED NOTE	OTHER NOTES PAYABLE	FOREMAN NOTE PAYABLE	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
2001		$ 375		$ 62	$43,718	$ 44,155
2002		500		35	19,325	19,860
2003		500		4	17,811	18,315
2004		11,000	$9,015			20,015
2005	$125,000	31,875				156,875
Thereafter						
	$125,000	$44,250	$9,015	$101	$80,854	259,220
Less current maturities						(44,155)
						$215,065

</TABLE>

In addition to the preceding maturity schedules, the Company is required to make additional mandatory payments of 75% of the defined annual excess cash flow of the Company, 100% of the net proceeds of any sale or disposition of certain assets, and 100% of the net proceeds of the incurrence of certain indebtedness. All such amounts are first applied to the prepayment of outstanding term loans and secondly to the reduction of the Revolving Credit Facility.

6. CAPITAL STOCK

On June 28, 1999, the Company's Board of Directors authorized a 3-for-2 split of its common stock

effective July 28, 1999, for stockholders of record at the close of business on July 14, 1999. All earnings per-share data in the accompanying financial statements and notes thereto have been restated to give effect to the split.

On July 28, 1998, the Company issued $40 million of convertible preferred stock in connection with a Stock Purchase Agreement dated July 15, 1998. The convertible preferred stock is non-dividend bearing and is convertible into 3,529,411 shares of Salton common stock (reflecting a $11.33 per share conversion price). The holders of the convertible preferred stock are entitled to one vote for each share of Salton common stock that the holder would receive upon conversion of the convertible preferred stock. In connection with the convertible preferred stock issuance, two individuals representing the purchasers of the preferred stock were appointed to serve on the Company's Board of Directors.

On December 6, 1999, the Company's Board of Directors approved the amendment to the Company's Restated Certificate of Incorporation to increase the number of authorized shares of $.01 par value common stock from 20,000,000 to 40,000,000.

7. EARNINGS PER SHARE

(IN THOUSANDS, EXCEPT EARNINGS PER SHARE)	YEAR ENDED JULY 1, 2000	YEAR ENDED JUNE 26, 1999	YEAR ENDED JUNE 27, 1998
Net Income*	$91,816	$34,543	$19,981
Average common shares outstanding	11,221	10,760	19,594
Earnings per share-basic	$ 8.18	$ 3.21	$ 1.02
Dilutive stock equivalents	4,305	3,802	665
Average common and common equivalent shares outstanding	15,526	14,562	20,259
Earnings per share-diluted	$ 5.91	$ 2.37	$ 0.99

*Net income is the same for purposes of calculating basic and diluted EPS

Options to purchase 270,000 shares at a price of $29.25 per share were outstanding at July 1, 2000, but were not included in the computation of diluted EPS because the options are contingent upon certain external factors. Options to purchase 212,160 shares of common stock at a price of $8.17 per share were outstanding at June 27, 1998, but were not included in the computation of diluted EPS because the exercise prices were greater than the average market price of the common shares.

8. EMPLOYEE BENEFIT PLANS

The Company has two 401(k) defined contribution plans that cover eligible employees. The employees are eligible for benefits upon completion of a specified number of years of service. Under the terms of the plans the Company may elect to match a portion of the employee contributions. The Company's discretionary matching contribution is based on a portion of participants' eligible wages, as defined, up to a maximum amount ranging typically from two percent to six percent. A higher matching percentage was approved in fiscal 2000 for Toastmaster employees affected by the freeze of the Toastmaster defined pension plans. The Company's total matching contributions were approximately $307,000, $95,000, and $97,000, in fiscal 2000, 1999, and 1998, respectively. In fiscal 2000, the Company amended the Toastmaster 401(k) plan to allow for discretionary employer contributions to all employees, whether or not the employees contribute individually to the plan, in connection with the freeze of the Toastmaster defined pension plans. A discretionary employer contribution of approximately $287,000 was made in fiscal 2000.

The Company has two defined benefit plans that were assumed in the 1999 acquisition of Toastmaster and cover substantially all of the employees of Toastmaster. The plans' assets consist of a balanced portfolio of investments in money market, common stock, bond and real estate funds. The Company uses March 31 as the measurement date for determining pension plan assets and obligations. Effective October 30, 1999, the Company's Board of Directors approved the freezing of benefits under the Company's two defined benefit plans. Beginning October 31, 1999, no further benefits were accrued under the plans. Effective June 26, 1999, the Company adopted SFAS No. 132, "Employers' Disclosures about Pension and Other Postretirement Benefits" SFAS No. 132 requires the disclosure of the information presented below:

(IN THOUSANDS)	JULY 1, 2000	JUNE 26, 1999
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 11,748	$ 11,589
Service cost	323	315
Interest cost	788	408
Actuarial (gain)/loss	(1,217)	(401)
Curtailment gain	(1,009)	
Benefits paid and expenses	(826)	(163)
Benefit obligation at end of year	$ 9,807	$ 11,748

Change in plan assets:		
Fair value of plan assets at beginning of year	$ 11,050	$ 10,808
Actual return on plan assets	1,793	47
Employer contribution	678	358
Benefits paid from plan assets	(826)	(163)
Fair value of plan assets at end of year	$ 12,695	$ 11,050

</TABLE>

<TABLE>
<CAPTION>

(IN THOUSANDS)	JULY 1, 2000	JUNE 26, 1999
<S>	<C>	<C>
Funded status	$ 2,888	$ (698)
Unrecognized net actuarial loss	(1,896)	92
Unrecognized transitional asset		
Unrecognized prior service cost		
Additional pension liability in excess of unrecognized prior service cost		(78)
Prepaid (accrued) pension cost recorded in prepaid expenses and other accrued liabilities, as applicable, in the accompanying consolidated balance sheet	$ 992	$ (684)
Weighted average assumptions:		
Discount rate	8%	7%
Rate of increase in compensation	5%	5%
Expected return on plan assets	9%	9%
Components of net periodic pension cost:		
Service cost benefits earned during the year	$ 323	$ 315
Interest cost on projected benefit obligation	788	408
Actuarial return on plan assets	(1,021)	(480)
Curtailment gain	(1,009)	
Net amortization and deferral		
Net pension cost (benefit)	$ (919)	$ 243

</TABLE>

The Company recorded a $1.0 million curtailment gain in 2000 as a result of a freeze in pension plan benefits. Under the requirements of SFAS No. 87, "Employers' Accounting for Pensions," an additional minimum pension liability for one plan, representing the excess of accumulated benefits over the plan assets and accrued pension costs, was recognized at June 26, 1999, with the balance recorded as a separate reduction of stockholders' equity, net of deferred tax effect. During fiscal 2000, minimum pension liability recorded in prior years was eliminated as a result of the curtailment of the plans.

9. STOCK OPTION PLANS

In October 1995, SFAS No. 123, "Accounting For Stock-Based Compensation," was issued and is effective for financial statements for fiscal years beginning after December 15, 1995. As permitted by the statement, the Company continues to measure compensation cost for stock option plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting For Stock Issued to Employees." Accordingly, no compensation cost has been recognized for the Company's fixed stock option plans. Had compensation cost for the Company's stock option plans been determined consistent with the fair value method outlined in SFAS No. 123, the impact on the Company's net income and earnings per common share would have been as follows:

(IN THOUSANDS, EXCEPT PER SHARE DATA)	2000	1999	1998
Net income:			
As reported	$91,816	$34,543	$19,981
Pro forma	85,266	33,241	18,941
Net income per common share: Basic			

As reported	$ 8.18	$ 3.21	$ 1.02
Pro forma	7.60	3.09	0.97
Net income per common share: Diluted			
As reported	5.91	2.37	0.99
Pro forma	5.49	2.28	0.93

Options to purchase common stock of the Company have been granted to employees under the 1992, 1995, 1998, and 1999 stock option plans at prices equal to the fair market value of the stock on the dates the options were granted. Options have also been granted to non-employee directors of the Company, which are exercisable one year after the date of grant. All options granted expire 10 years from the date of grant.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The following assumptions were used during the respective years to estimate the fair value of options granted:

	2000	1999	1998
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	61.45%	60.60%	61.74%
Risk-free interest rate	6.50%	6.16%	5.38%
Expected life of options	7.98 years	7.81 years	7.42 years

In addition, on July 11, 1996, Applica was granted an option to purchase up to 485,000 shares of common stock at $4.83 per share. This option was exercisable only if and to the extent that options to purchase shares of common stock which were outstanding on February 27, 1996 were exercised. During fiscal 1998, Applica exercised their option to purchase 26,500 shares of Salton common stock. The Company repurchased the remaining options held by Applica. See Note 4 "Applica Transaction." A summary of the Company's fixed stock options for the fiscal years ended July 1, 2000, June 26, 1999, and June 27, 1998 is as follows:

<TABLE>
<CAPTION>

	2000		1999		1998	
	SHARES (000)	WEIGHTED AVERAGE EXERCISE PRICE	SHARES (000)	WEIGHTED AVERAGE EXERCISE PRICE	SHARES (000)	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at beginning of year	1,101	$ 7.83	1,126	$ 6.06	966	$ 4.90
Granted	745	30.36	337	16.74	206	10.82
Exercised	(158)	6.64	(270)	5.47	(46)	3.11
Expired or Canceled			(459)			
	------		------		------	
Outstanding at end of year	1,688	17.88	734	11.75	1,126	6.06
	======		======		======	
Options exercisable at end of year	1,038	9.39	461	5.99	1,118	6.05
Weighted-average fair value of options granted during the year		24.05		12.09		8.14

</TABLE>

The shares outstanding at the beginning of the year for fiscal 2000 have been restated to reflect the three-for-two stock split that was effective on July 28,1999. The remaining activity in fiscal 2000 occurred on a post-split basis.

The following information summarizes the stock options outstanding at July 1, 2000:

<TABLE>
<CAPTION>

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	SHARES (000)	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES (000)	WEIGHTED-AVERAGE EXERCISE PRICE

<S>	<C>	<C>	<C>	<C>	<C>
$0.583 - $1.667	234	5.21	1.63	234	$ 1.63
$2.292 - $5.833	40	6.94	5.24	40	5.24
$6.333 - $8.167	392	6.61	7.68	392	7.68
$13.917-$15.917	304	8.50	14.05	304	14.05
$27.375-$34.250	718	9.46	31.05	68	27.38
	-----			-----	------
$0.583 - $34.250	1,688	N/A	N/A	1,038	$ 9.39
	=====			=====	

</TABLE>

10. RELATED PARTY TRANSACTIONS

The Company purchased inventory from Applica, Inc. of approximately $26,408,000, $32,340,000, and $27,068,000, in fiscal years ended July 1, 2000, June 26, 1999, and June 27, 1998, respectively.

The Company purchased inventory from Markpeak, Ltd. ("Markpeak"), a Hong Kong company, including commissions, of approximately $184,955,000, $187,925,000, and $15,971,000 in fiscal years 2000, 1999, and 1998, respectively. The Company had a receivable from Markpeak of approximately $9,881,000 and $13,685,000 at July 1, 2000 and June 26, 1999, respectively. The Company owed Markpeak approximately $473,000 and $3,075,000 at July 1, 2000 and June 26, 1999, respectively. Markpeak acts as a buying agent on behalf of the Company with certain suppliers in the Far East.

The Company paid Shapiro, Devine and Craparo, Inc. ("SDC"), a manufacturers representation firm, commissions of approximately $413,000, $498,000, and $290,000 in fiscal 2000, 1999, and 1998, respectively. A director of the Company was a co-founder of SDC. At July 1, 2000, the Company owed approximately $90,000 and $42,000 for current commissions at July 1, 2000 and June 26, 1999, respectively.

11. COMMITMENTS AND CONTINGENCIES

The Company leases certain facilities and equipment under long-term operating leases. Rental expense under all leases was approximately $5,769,000, $3,474,000, and $1,183,000 for the fiscal years ended July 1, 2000, June 26, 1999, and June 27, 1998, respectively.

The future minimum rental commitments as of July 1, 2000 were as follows:

FISCAL YEAR ENDED
(DOLLARS IN THOUSANDS)

2001	$ 5,603
2002	6,221
2003	4,407
2004	3,607
2005	2,762
Thereafter	9,075

Total	$31,675
	=======

The Company has employment agreements with its four executive officers that are in effect until December 30, 2002. Such agreements provide for minimum salary levels as well as for incentive bonuses that are payable if the Company achieves specified target performance goals. The agreements also provide for lump sum severance payments upon termination of employment under certain circumstances. The Company's aggregate annual commitment for future salaries at July 1, 2000, excluding bonuses, was approximately $1,870,000.

The Company has license agreements with White Consolidated Industries, Inc. ("White Consolidated"), which require minimum royalty payments through the year 2011. The current level of royalty payments are in excess of the minimum requirements. The Company also has various license agreements with other parties for periods usually not exceeding three years. The agreements are then typically renewable upon mutual consent. These license agreements require royalty payments based on the sales of licensed product in the period. Total royalties paid under these agreements, including the White Consolidated Industries, Inc. agreement, were $24,779,000 in fiscal 2000, $43,918,000 in fiscal 1999, and $20,266,000 in fiscal 1998. Royalties paid in fiscal 2000 decreased from the prior year due to the acquisition of the George Foreman Trademark (see Note 2).

12. LEGAL PROCEEDINGS

TRADEMARK LITIGATION - In November 1996, White Consolidated filed suit for injunctive relief and damages against CBS in the United States District Court for the Northern District of Ohio alleging that CBS's grant of licenses to the Westinghouse(R) name for use on lighting products, fans and electrical accessories for use in the home violates White Consolidated's rights to the Westinghouse(R) name and

constitutes a breach of the agreements under which CBS's predecessor sold White Consolidated its appliance business and licensed certain trademark rights in 1975. In response to that suit, CBS filed a related action in December 1996 in the United States District Court for the Western District of Pennsylvania, naming White Consolidated, Applica, Salton and certain other parties as defendants. The two actions were consolidated in the Pennsylvania court. CBS sought an injunction prohibiting Salton, Applica and White Consolidated from using the White-Westinghouse(R) name on products not specifically enumerated in the sale documents between CBS's predecessor and White Consolidated, and unspecified damages and attorneys' fees.

On June 30, 1999, CBS and White Consolidated entered into a settlement agreement relating to the ownership of the White-Westinghouse(R) name for certain consumer products. Under the settlement, the Company retained its existing rights under its license from White Consolidated for the use of the White-Westinghouse(R) name.

In September 1999, Linda Evans Fitness Centers, Inc. (the "Fitness Centers"), Mark Golub and Thomas Gergley filed suit against the Company and its principal executive officers alleging that the Company tortuously interfered with a contract between the Fitness Centers and Ms. Evans by hiring Ms. Evans to act as a spokesperson for the Rejuvenique(TM) facial toning system. Before Ms. Evans was hired by the Company, Ms. Evans had brought suit against the Fitness Centers seeking a determination that her contract with the Fitness Centers had been terminated on the basis of fraud and the failure of the Fitness Centers to make certain payments. The Company believes that it has valid defenses against the claims made against it by the Fitness Centers. Ms. Evans has agreed to indemnify the Company against matters relating to her services to the Company.

ENVIRONMENTAL - Salton is participating in environmental remediation activities at four sites, which it owns or operates. As of July 1, 2000, Salton has accrued approximately $175,000 for the anticipated costs of investigation, remediation and/or operation and maintenance costs at these sites. Although such costs could exceed that amount, Salton believes that any such excess will not have a material adverse effect on the financial condition or annual results of operations of Salton.

ARBITRATION - On April 20, 1999, an individual filed a notice of arbitration asserting a breach of contract claim against Salton due to Salton's alleged failure to pay royalties, and certain other matters, to this individual for the sale of certain juice extractors and related health products.

On August 24, 2000, the arbitrator ruled that all claims against Salton are not supported by the facts or applicable law except for Salton's obligation to pay minor royalties. The arbitrator ruled that the individual must partially reimburse Salton for reasonable attorneys' fees and costs.

OTHER - Salton is a party to various other actions and proceedings incident to its normal business operations. Salton believes that the outcome of such litigation will not have a material adverse effect on the financial condition or annual results of operations of Salton. Salton also has product liability and general liability insurance policies in amounts it believes to be reasonable given its current level of business.

13. OPERATING SEGMENTS

The Company consists of a single operating segment that designs, markets and distributes housewares, including small appliances, tabletop products and personal care/time products. This segmentation is appropriate because the Company makes operating decisions and assesses performance based upon brand management, and such brand management encompasses a wide variety of products and types of customers. Most of the Company's products are procured through independent manufacturers, primarily in the Far East, and are distributed through similar distribution channels.

PRODUCT INFORMATION - NET SALES -

(IN THOUSANDS)	JULY 1, 2000	JUNE 26, 1999	JUNE 27, 1998
Small appliances	$742,774	$459,621	$280,607
Tabletop products	24,109	22,875	18,597
Personal care/time products	70,419	23,620	6,395
Total	$837,302	$506,116	$305,599

MAJOR CUSTOMERS AND SUPPLIERS - The Company entered into a major supply contract with Kmart Corporation ("Kmart") on January 31, 1997. Under the contract, the Company supplies Kmart with small kitchen appliances, personal care products, heaters, fans and electrical air cleaners and humidifiers under the White-Westinghouse(R) brand name. Sales to Kmart approximated 12%, 16%, and 19% of total net sales of the Company in fiscal 2000, 1999, and 1998, respectively.

On March 30, 1999, Salton entered into a five-year supply agreement with Zellers, the leading national chain of discount department stores in Canada. Under the contract, the Company supplies Zellers with small kitchen appliances under the White-Westinghouse(R) brand name. The agreement has a minimum purchase requirement by Zellers of approximately $17 million, over an initial period of five years, with rights to extend the contract for additional one-year periods.

The Company's net sales in the aggregate to its five largest customers during the fiscal years ended July 1, 2000, June 26, 1999, and June 27, 1998 were 46%, 50%, and 47% of total net sales in these periods, respectively. In addition to Kmart, one customer accounted for 7%, 10%, and 7% of total net sales during the fiscal years ended July 1, 2000, June 26, 1999, and June 27, 1998, respectively, while another customer accounted for 13%, 9%, and 6% for the same respective years.

Although the Company has long-established relationships with many of its customers, with the exception of Kmart Corporation and Zellers, it does not have long-term contracts with any of its customers. A significant concentration of the Company's business activity is with department stores, upscale mass merchandisers, specialty stores, and warehouse clubs whose ability to meet their obligations to the Company is dependent upon prevailing economic conditions within the retail industry.

During fiscal 2000 and 1999, one supplier located in China accounted for approximately 38.0% and 57.3% of our product purchases. During fiscal 1998, three manufacturers located in China accounted for approximately 13%, 12% and 10%, respectively, of our product purchases.

14. INCOME TAXES

Federal, state and foreign taxes were approximately as follows:

	FISCAL YEARS ENDED		
(IN THOUSANDS)	JULY 1,2000	JUNE 26,1999	JUNE 27,1998
Federal			
Current	$44,514	$ 9,778	$10,080
Deferred	1,521	3,605	(1,134)
State			
Current	7,954	2,529	2,699
Deferred	272	504	(294)
Foreign			
Current	826	2,904	854

Deferred	-------	-------	-------
Total	$55,087	$19,320	$12,205
	=======	=======	=======

</TABLE>

Deferred taxes based upon differences between the financial statement and tax bases of assets and liabilities and available tax carryforwards consisted of:

<TABLE>
<CAPTION>

(IN THOUSANDS)	JULY 1,2000	JUNE 26,1999
<S>	<C>	<C>
Allowance for doubtful accounts	$ 1,945	$ 1,161
Depreciation and amortization	(2,529)	(2,017)
Other deferred items, net	53	268
Net operating loss carry-forward	1,109	2,547
Accrued liabilities	317	2,362
Inventory reserves and capitalization	64	(1,566)
AMT credit carryforward	225	222
	-------	-------
Net deferred tax asset	$ 1,184	$ 2,977
	=======	=======

</TABLE>

The Company has net loss carry-forwards at July 1, 2000 expiring as follows:

<TABLE>
<CAPTION>

YEAR CARRY-FORWARD EXPIRES	AMOUNT (IN THOUSANDS)
<S>	<C>
2018	$ 2,851

Total	$ 2,851
	=======

</TABLE>

As a result of certain transactions, the Company's ability to utilize its net operating loss carryforwards to offset otherwise taxable income is limited annually under Internal Revenue Code Section 382. While the annual limitations are calculated on a separate company basis, the combined limitation for the Company is approximately $5,000,000.

A reconciliation of the statutory federal income tax rate to the effective rate is as follows:

<TABLE>
<CAPTION>

	FISCAL YEARS ENDED		
(IN THOUSANDS)	JULY 1, 2000	JUNE 26, 1999	JUNE 27, 1998
<S>	<C>	<C>	<C>
Statutory federal income tax rate	35.0%	35.0%	35.0%
Effective state tax rate	3.9	3.5	4.9
Permanent differences	0.4	0.2	0.3
Effect of foreign tax rate	(1.4)	(1.9)	(2.1)
Other	(0.4)	(0.9)	(0.2)
	----	----	----
Effective income tax rate	37.5%	35.9%	37.9%
	====	====	====

</TABLE>

U.S. income taxes were not provided on certain unremitted earnings of Salton Hong Kong, Ltd. which the Company considers to be permanent investments. The cumulative amount of U.S. income taxes which have not been provided totaled approximately $3,150,000 at July 1, 2000.

15. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Unaudited quarterly financial data is as follows (amounts in thousands, except per share data).

<TABLE>

<CAPTION>

<S>	FIRST QUARTER <C>	SECOND QUARTER <C>	THIRD QUARTER <C>	FOURTH QUARTER <C>
2000				
Net Sales	$196,340	$292,767	$172,100	$176,095
Gross Profit	78,819	116,011	67,831	69,751
Net income	13,898	47,558	15,047	15,313
Earning per share: Basic	1.35	4.25	1.33	1.35
Earning per share: Diluted	0.95	3.08	0.95	0.98
1999				
Net Sales	104,388	142,684	124,340	134,704
Gross Profit	45,775	53,390	43,352	56,452
Net income	10,819	11,682	5,154	6,888
Earning per share: Basic	0.82	1.19	0.52	0.68
Earning per share: Diluted	0.68	0.83	0.36	0.48

</TABLE>

16. SUBSEQUENT EVENTS

SONEX - On July 19, 2000 Salton acquired Sonex(R) International Corporation, a designer and distributor of electrically operated toothbrushes which employ ultra high frequency sonic waves for cleaning, flossers and related products. Under terms of the deal, Salton acquired Sonex for approximately $2.6 million in cash, plus an additional cash performance incentive, based on future sales of Sonex(R) products.

STIFFEL - On Aug. 14, 2000 Salton announced that it acquired the trademarks, other intellectual property assets and molds of The Stiffel Company, a premier designer of lamps and related products based in Chicago, and now in the process of liquidation for approximately $6.5 million in stock. Under the terms of the transaction, Salton will not assume any liabilities of The Stiffel Company.

RELAXOR - On Aug. 18, 2000 Salton announced that it has executed a non-binding letter of intent to acquire the Relaxor brand business and inventory from JB Research, Inc., a California-based company.

JB Research distributes a full line of high quality personal massagers, indoor calming pools and other personal care items under the Relaxor name as well as several other brand names. Salton and JB Research anticipate executing a purchase contract before October 30, 2000.

FOREMAN - On September 7, 2000 Salton announced it had reached an agreement to satisfy $22,750,000 of payment obligations, which otherwise would have been due on June 30, 2001, that it incurred in connection with its acquisition of the "George Foreman" name by issuing 621,074 shares of its common stock to George Foreman and other venture participants. Salton has agreed under certain circumstances to pay an amount of cash and/or issue additional shares of common stock if the shares issued to George Foreman and the others are sold for less than $36.625 per share during a specified one-year period. George Foreman and the others have agreed under certain circumstances to pay Salton in cash 50% of the excess over $22,750,000 of the aggregate sales proceeds plus the market value of any shares retained at the end of such one year period.

LEHMAN COMMITMENT LETTER - On August 24, 2000, the Company signed a commitment letter with Lehman Commercial Paper Inc. and Lehman Brothers Inc. to amend and restate its existing Amended Credit Agreement, dated as of December 10, 1999, to increase by $50,000,000 the amount of the credit facilities made available thereunder and to amend certain of the terms applicable thereto.

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

None

PART II

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item 10 as to the Directors of the Company is incorporated herein by reference to the information set forth under the caption "Election of Directors" in the Company's definitive Proxy Statement for the 2000 Annual Meeting of Stockholders, since such Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the end of the Company's fiscal year pursuant to Regulation 14A. Information required by this Item 10 as to the executive officers of the Company is included in Part I of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated by reference to the information set forth under the caption "Compensation of Directors and Executive Officers" in the Company's definitive Proxy Statement for the 1998 Annual Meeting of Stockholders, since such Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the end of the Company's fiscal year pursuant to Regulation 14A.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item 12 is incorporated by reference to the information set forth under the caption "Stock Ownership of Principal Holders and Management" in the Company's definitive Proxy Statement for the 2000 Annual Meeting of Stockholders, since such Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the end of the Company's fiscal year pursuant to Regulation 14A.

ITEM 13. CERTAIN RELATIONSHIPS AND TRANSACTIONS

The information required by this Item 13 is incorporated by reference to the information set forth under the caption "Certain Transactions" in the Company's definitive Proxy Statement for the 2000 Annual Meeting of Stockholders, since such Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the end of the Company's fiscal year pursuant to Regulation 14A.

PART IV

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

(a)(1) FINANCIAL STATEMENTS

The following Financial Statements of the registrant and its subsidiaries are included in Part II, Item 8:

(a)(2) FINANCIAL STATEMENT SCHEDULES

The following Financial Statement Schedules of the Registrant are included in Item 14 hereof.

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

(a)(3) EXHIBITS

See Exhibit Index for the Exhibits filed as part of or incorporated by reference into this Report.

(b) REPORTS ON FORM 8-K

(i) Current Report on Form 8-K dated December 9, 1999 reporting under Item 5 Other Events, the Company's entering into agreements with George Foreman and others for the acquisition of the right to use the "George Foreman" name.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on the 26th day of September, 2000.

SALTON, INC.

By: /s/ Leonard Dreimann

Leonard Dreimann
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on September 26, 2000.

Signature	
/s/ LEONHARD DREIMANN Leonhard Dreimann	Chief Executive Officer and Director (Principal Executive Officer)
/s/ WILLIAM B. RUE William B. Rue	President and Chief Operating Officer
/s/ JOHN E. THOMPSON John E. Thompson	Senior Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)
/s/ DAVID C. SABIN David C. Sabin	Chairman of the Board and Director
/s/ FRANK DEVINE Frank Devine	Director
/s/ BERT DOORNMALEN Bert Doornmalen	Director
Robert A. Bergmann	Director
Bruce G. Pollack	Director

The following pages contain the Financial Statement Schedules as specified by 12(a) and 14(a)(2) of Part IV of Form 10-K. The report of Deloitte & Touche LLP with respect to the schedule required by 14(a)(2) appears at page 37 of this Form 10-K

EXHIBIT 12(A)

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
SALTON, INC.

<TABLE>
<CAPTION>

(THOUSANDS, EXCEPT RATIOS)	YEAR ENDED 2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>
Fixed Charges					
Interest and amortization of debt, issuance costs on all indebtedness	$ 31,102	$15,864	$7,336	$4,967	$3,934
Add interest element implicit in rentals	1,923	1,158	521	394	222
Total fixed charges	$ 33,025	$17,022	$7,857	$5,361	$4,156
Income					
Income before income taxes	$146,903	$53,863	$32,186	$6,400	$1,146
Add fixed charges	33,025	17,022	7,857	5,361	4,156
Income before fixed charges and income taxes	$179,928	$70,885	$40,043	$11,761	$5,302
Ratio of earnings to fixed charges	5.45	4.16	5.10	2.19	1.28

</TABLE>

SALTON, INC.

<TABLE>
<CAPTION>
VALUATION AND QUALIFYING ACCOUNTS
YEAR ENDED JULY 1, 2000

	BEGINNING BALANCE	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	ENDING BALANCE
<S>	<C>	<C>	<C>	<C>
YEAR ENDED JUNE 27, 1998:				
Allowance for returns, allowances and doubtful accounts	$2,400,000	$21,752,000	$(21,152,000)	$3,000,000
YEAR ENDED JUNE 26, 1999:				
Allowance for returns, allowances and doubtful accounts	$3,000,000	$31,606,000	$(28,504,000)	$6,102,000
YEAR ENDED JULY 1, 2000:				
Allowance for returns, allowances and doubtful accounts	$6,102,000	$45,593,000	$(44,584,000)	$7,111,000

</TABLE>

EXHIBIT NUMBER DESCRIPTION OF DOCUMENT

2.1 Agreement and Plan of Merger, dated August 26, 1998, among the Registrant, Columbia Acquisition Corp. and Toastmaster Inc. Incorporated by reference to the Registrant's Current Report on Form 8-K dated August 26, 1998.

2.2 Shareholders Agreement, dated August 26, 1998, between the Registrant and certain shareholders of Toastmaster. Incorporated by reference to the Registrant's Current Report on Form 8-K dated August 26, 1998.

3.1 Amended and Restated Certificate of Incorporation of Registrant. Incorporated by reference to the Registrant's Registration Statement on Form S-1 (Registration No. 33-42097).

3.2 By-laws of the Registrant. Incorporated by reference to the Registrant's Registration Statement on Form S-1 (Registration No. 33-42097).

3.3 Certificate of Designation for the Series A Convertible Preferred Stock of the Registrant. Incorporated by reference to the Registrant's Current Report on Form 8-K dated July 28,1998.

4.1 Specimen Certificate for shares of Common Stock, $.01 par value, of the Registrant. Incorporated by reference to the Registrant's Registration Statement on Form S-1 (Registration No. 33-42097).

4.2 Form of Note for Registrant's 10 3/4% Senior Subordinated Notes. Incorporated by reference to the Registrant's Registration Statement on Form S-4 (Registration No. 333-70169)

4.3 Indenture dated December 16,1998 between Norwest Bank National Association, as Issuer, and the Registrant relating to the Registrant's 10 3/4% Senior Subordinated Notes. Incorporated by reference to the Registrant's Registration Statement on Form S-4 (Registration No. 333-70169)

10.1 Salton/Maxim Housewares, Inc. Stock Option Plan. Incorporated by reference to the Registrant's Registration Statement on form S-1 (Registration No. 33-42097).

10.2 Stockholders Agreement, dated August 6, 1991, by and among the Registrant, Braddock Financial Corporation, Financo

Investors Fund, L.P., and Mesirow Private Equity, Inc. (successor to Mesirow Venture Capital, Inc.) as the authorized representative of Mesirow Capital Partners III, Mesirow Capital Partners IV, Mesirow Capital Partners V and Allied Investment Corporation. Incorporated by reference to the Registrant's Registration Statement on Form S-1 (Registration No. 33-42097).

10.3 Form of Sales Representative Agreement generally used by and between the Registrant and its sales representatives. Incorporated by reference to the Registrant's Registration Statement on Form S-1 (Registration No. 33-42097).

10.4 Stock Registration Rights Agreement, dated as of August 6, 1991, by and between the Registrant, Braddock Financial Corporation, Financo Investors Fund, L.P., Mesirow Capital Partners II, Mesirow Capital Partners IV, Mesirow Capital Partners V and Allied Investment Corporation. Incorporated by reference to the Registrant's Registration Statement on Form S-1 (Registration No. 33-42097).

10.5 Salton/Maxim Housewares, Inc. 1995 Employee Stock Option Plan. Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended December 30, 1995.

10.6 Salton/Maxim Housewares, Inc. Non-Employee Directors Stock Option Plan. Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended December 30, 1995.

10.7 Asset Purchase Agreement dated July 1, 1996 by and among the Registrant, Block China Corporation and Robert C. Block Incorporated by reference from the Company's Current Report on Form 8-K dated July 1, 1996.

10.8 License Agreement dated as of February 1, 1996 by and between White Consolidated Industries Inc. and the Registrant. Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q/A for the fiscal quarter ended December 28, 1996.

10.9 License Agreement dated as of May 21, 1996 by and between White Consolidated Industries Inc. and the Registrant. Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q/A for the fiscal quarter ended December 28, 1996.

10.10 Purchase, Distribution and Marketing Agreement dated as of January 27, 1997 between the Registrant and Kmart Corporation. Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q/A for the fiscal quarter ended December 28, 1996.

10.11 Employment Agreement dated as of December 19, 1997 between the Registrant and Leonhard Dreimann. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 27, 1998.

10.12 Employment Agreement dated as of December 19, 1997 between the Registrant and David C. Sabin. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 27, 1998.

10.13 Employment Agreement dated as of December 19, 1997 between the Registrant and William B. Rue. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 27, 1998.

10.14 Stock Agreement, dated as of May 6, 1998, by and between the Registrant, Windmere-Durable Holdings, Inc. and the Salton Executive Related Parties (as defined therein). Incorporated by reference to the Registrant's Current Report on Form 8-K dated May 6, 1998.

10.15 Note, dated July 27, 1998, issued by the Registrant to Windmere-Durable Holdings, Inc. Incorporated by reference to the Registrant's Current Report on Form 8-K dated July 28, 1998.

10.16 Agreement dated July 27, 1998, between the Registrant to Windmere-Durable Holdings, Inc. Incorporated by reference to the Registrant's Current Report on Form 8-K dated July 28, 1998.

10.17 Credit Agreement dated July 27, 1998 among the Registrant, the several lenders from time to time parties thereto, Lehman Brothers Inc., as arranger, Lehman Commercial Paper Inc., as syndication agent, and Lehman Commercial Paper Inc., as administrative agent. Incorporated by reference to the Registrant's Current Report on Form 8-K dated July 28, 1998.

10.18 Stock Purchase Agreement dated July 15, 1998 by and among the

Registrant and Centre Capital Investors III, L.P.,Centre Capital Tax-Exempt Investors II, L.P., Centre Capital Offshore Investors, L.P., The State Board of Administration of Florida, Centre Parallel Management Partners, L.P. and Centre Partners Coinvestment, L.P. Incorporated by reference to the Registrant's Current Report on Form 8-K dated July15, 1998.

10.19 Registration Rights Agreement dated July 15, 1998 by and among the Registrant and Centre Capital Investors II, L.P.,Centre Capital Tax-Exempt Investors II, L.P., Centre Capital Offshore Investors II, L.P., The State Board of Administration of Florida, Centre Parallel Management Partners, L.P. and Centre Partners Coinvestment, L.P. Incorporated by reference to the Registrant's Current Report on Form 8-K dated July 28, 1998.

10.20 The Salton, Inc. 1998 Employee Stock Option Plan. Incorporated by reference to the Registrants annual report on form 10-K dated June 26, 1999.

10.21 Agreement effective as of July 1, 1999 between Salton and George Foreman. Incorporated by reference to the Registrant's, Current Report on Form 8-K dated December 9, 1999.

10.22 Agreement effective as July 1, 1999 between Salton and Sam Perlmutter. Incorporated by reference to the Registrant's, Current Report on Form 8-K dated December 9, 1999.

10.23 Agreement effective as of July 1, 1999 between Salton and Michael Srednick Incorporated by reference to the Registrant, Current Report on Form 8-K dated December 9, 1999.

10.24 Second amended and restated credit agreement, among Salton, Inc., as borrower, the several lenders from time to time parties hereto, Lehman Brothers Inc., as arranger, Lehman Commercial Paper Inc., as syndication agent, and administration agent and Fleet National Bank as documentation agent dated as of December 10, 1999. Incorporated by reference to the registrants quarterly report on the form 10Q for the fiscal quarter ended December 26, 1999.

10.25 Agreement effective January 12, 2000, between Salton, Inc. and William B. Rue. Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 2000.

10.26 Agreement effective January 12, 2000, between Salton, Inc. and Leonard Dreimann. Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 2000.

10.27 Agreement effective January 12, 2000, between Salton, Inc. and David Sabin.

Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 2000.

10.28 Agreement effective January 12, 2000, between Salton, Inc. and John E. Thompson. Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 2000.

10.29 Agreement dated as of September 7, 2000 between Salton and George Foreman. Incorporated by reference to the Current Report on Form 8-K dated September 7, 2000.

10.30 Agreement dated as of September 7, 2000 between Salton and Sam Perlmutter. Incorporated by reference to Registrant's Current Report on Form 8-K dated September 7, 2000.

10.31 Agreement dated as of September 7, 2000 between Salton and Michael Srednick. Incorporated by reference to Registrant's Current Report on Form 8-K dated September 7, 2000.

10.32 The Salton, Inc. 1999 Employee Stock Option Plan.

21.1 Subsidiaries of the Company. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 27, 1998.

23.1 Consent of Deloitte & Touche LLP

27 Financial Data Schedule

EXHIBIT 10.32

SALTON, INC.
1999 EMPLOYEE STOCK OPTION PLAN

THE PLAN. Salton, Inc. (the "Company") hereby establishes the Salton, Inc. 1999 Employee Stock Option Plan (the "Plan") as set forth in this document, as it may be amended from time to time. The Plan is effective as of the Effective Date.

SECTION 1. PURPOSE. The purposes of the Plan are to encourage employees of the Company and its Affiliates to acquire a proprietary and vested interest in the growth and performance of the Company and to increase their incentive to contribute to the Company's future success and prosperity, thus enhancing the value of the Company for the benefit of shareowners, and enhancing the ability of the Company and its Affiliates to attract and retain individuals of exceptional talent upon whom, in large measure, the sustained progress, growth and profitability of the Company depends.

SECTION 2. DEFINITIONS. As used in the Plan, the following terms shall have the meanings set forth below:

(a) "Affiliate" shall mean (i) any Person that directly, or through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company or (ii) any entity in which the Company has a significant equity interest, as determined by the Committee.

(b) "Alternative Tandem SAR" shall mean a SAR issued in connection with a related Option and (i) which is exercisable only within such time and to the extent that the related Option is exercisable, (ii) under which exercise of the SAR or applicable portion thereof will terminate the related Option or applicable portion thereof, and (iii) which will terminate upon and to the extent of exercise or termination of the related Option, except that an Alternative Tandem SAR granted with respect to less than the full number of Shares covered by the related Option shall not be reduced until the exercise or termination of the related Option exceeds the number of Shares not covered by the Alternative Tandem SAR.

(c) "Award" shall mean any Option, SAR, Restricted Stock Award, Performance Share, Performance Unit, Other Stock Unit Award, or any other right, interest, or option relating to Shares granted pursuant to the provisions of the Plan.

(d) "Award Agreement" shall mean the written agreement, contract, or other instrument or document by which every Award shall be evidenced.

(e) "Board" shall mean the Board of Directors of the Company.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(g) "Committee" shall mean the Compensation Committee of the Board.

(h) "Company" shall mean Salton, Inc.

(i) "Cumulative Tandem SAR" shall mean a SAR issued in connection with a related Option and (i) which is exercisable only within such time and to the extent that the related Option is exercisable, (ii) which is exercised automatically upon and to the extent of exercise of the related Option, and (iii) which provides payment in addition to the Shares delivered upon exercise of the related Option.

(j) "Effective Date" means December ___, 1999, the date this Plan is adopted by the Board.

(k) "Employee" shall mean any employee of the Company or of any Affiliate.

(l) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(m) "Fair Market Value" shall mean, with respect to a Share, (i) the closing price of the Shares on the New York Stock Exchange, or any other national stock exchange on which the Shares are then traded, or if no such reported sale of Shares shall have occurred on such date, on the next preceding date on which there was such a reported sale; or (ii) if the Shares are not listed for trading on a national securities exchange or authorized for quotation on the NASDAQ Stock Market's National Market, the average of the closing bid and asked prices as reported by the National Association of Securities Dealers Automated Quotation System or, if no such prices shall have been reported for such date, on the next preceding date for which such prices were so reported.

(n) "Freestanding SAR shall mean a SAR other than a Cumulative Tandem SAR or an Alternative Tandem SAR.

(o) "Limited Right" shall mean an Alternative Tandem SAR which is exercisable only for a limited period after a Change in Control as provided in Section 7(f).

(p) "Mature Shares" shall mean Shares to which the holder thereof has good title, free and clear of all liens and encumbrances, and which such holder either (i) has held for at least six months or (ii) has purchased on the open market.

(q) "Option" shall mean any right granted to a Participant under the Plan allowing such Participant to purchase Shares at such price or prices and during such period or periods as the Committee shall determine.

(r) "Optionee" shall mean any Participant to whom an Option has been granted under the Plan.

(s) "Option Price" shall mean the per share purchase price of Shares subject to an Option.

(t) "Other Stock Unit Award" shall mean any right granted to a Participant by the Committee pursuant to Section 10 hereof.

(u) "Participant" shall mean an Employee who is selected by the Committee to receive an Award under the Plan.

(v) "Performance Award" shall mean any Award of Performance Shares or Performance Units pursuant to Section 9 hereof.

(w) "Performance Period" shall mean that period established by the Committee at the time any Performance Award is granted or at any time thereafter during which any performance goals specified by the Committee with respect to such Award are to be measured.

(x) "Performance Share" shall mean any grant pursuant to Section 9 hereof of a unit valued by reference to a designated number of Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

(y) "Performance Unit" shall mean any grant pursuant to Section 9 hereof of a unit valued by reference to a designated amount of property other than Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

(z) "Permitted Transferee" shall mean any member of the Immediate Family of the Participant, any trust of which all of the primary beneficiaries are the Participant or members of the Immediate Family of a Participant, or any partnership of which all of the partners are the Participant or members of the Immediate Family of the Participant. For purposes of this definition, the "Immediate Family" of the Participant consists of the Participant's spouse, children, stepchildren, grandchildren, parents, stepparents, siblings, grandparents, nieces and nephews.

(aa) "Person" shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or government or political subdivision thereof.

(bb) "Reload Option" shall mean an Option granted pursuant to Section 6(k) hereof.

(cc) "Restricted Stock" shall mean any Share issued with the restriction that the holder may not sell, transfer, pledge, or assign such Share and with such other restrictions as the Committee, in its sole discretion, may impose (including, without limitation, any restriction on the right to vote such Share, and the right to receive any cash dividends), which restrictions may lapse

separately or in combination at such time or times, in installments or otherwise, as the Committee may deem appropriate.

(dd) "Restricted Stock Award" shall mean an Award of Restricted Stock pursuant to Section 8 hereof.

(ee) "SAR" shall mean any right granted to a Participant pursuant to Section 7 hereof to receive, upon exercise by the Participant, an amount equal to the number of Shares with respect to which the right is granted multiplied by the excess of (i) the Fair Market Value of one Share on the date of exercise or, if the Committee shall so determine in the case of any such right, at any time during a specified period before the date of exercise, over (ii) the grant price of the right as specified by the Committee.

(ff) "Shares" shall mean shares of the common stock of the Company.

(gg) "Tandem SAR" shall mean an Alternative Tandem SAR or a Cumulative Tandem SAR.

SECTION 3. ADMINISTRATION.

(a) General. The Plan shall be administered by the Committee. A majority of the members of the Committee may determine its actions and fix the time and place of its meetings. The Committee may appoint agents (who may be employees of the Company) to assist in the administration of the Plan, and may authorize such persons to execute agreements or other documents on its behalf. The Committee may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan, and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. All expenses incurred in the administration of the

Plan, including for the engagement of any counsel, consultant or agent, shall be paid by the Company. No member of the Committee shall be liable for any action or determination made with respect to the Plan or any Award.

(b) Power and Authority of Committee. The Committee shall have full power and authority, in its sole discretion subject to the provisions of the Plan, to:

(i) determine the Employees of the Company and its Affiliates to whom Awards may from time to time be granted hereunder;

(ii) determine the type or types of Award to be granted to each Participant hereunder;

(iii) determine the number of Shares or other amount to be covered by each Award granted hereunder, subject to the limitations of Section 4.

(iv) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award granted hereunder;

(v) determine whether, to what extent and under what circumstances Awards may be settled in cash, Shares or other property or canceled or suspended;

(vi) determine whether, to what extent and under what circumstances cash, Shares and other property and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the Participant;

(vii) determine the existence or nonexistence of any fact or status relevant to Awards or the rights of Participants thereunder, including without limitation whether a Termination of Employment occurs by reason of cause, retirement, death or disability;

(viii) construe and interpret the Plan, any Award Agreement, and any other instrument or agreement entered into under the Plan;

(ix) adjust performance award criteria or the terms and conditions of other Awards in recognition of unusual or nonrecurring events affecting the Company or its financial statements or changes in applicable laws, regulations or accounting principles;

(x) make such other determinations and waive such requirements as may be required or permitted by Sections 6, 7, 8, 9, 10 and 11 or other provisions of the Plan;

(xi) administer the Plan and establish such rules and regulations, approve and prescribe such forms, and appoint such agents as it shall deem appropriate for the proper administration of the Plan;

(xii) correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry it into effect;

(xiii) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

In making such determinations, the Committee may take into consideration the value of the services rendered by the respective individuals, their present and potential contributions to the success of the Company and its Affiliates and such other factors which the Committee may deem relevant in accomplishing the purposes of the Plan. The Committee's determinations under the Plan need not be uniform. The Committee may make such determinations selectively among persons who receive, or are eligible to receive, Awards (whether or not such persons are similarly situated). Decisions of the Committee shall be final, conclusive and binding upon all Persons, including the Company, any Participant, any stockholder, and any employee of the Company or of any Affiliate.

SECTION 4. SHARES SUBJECT TO THE PLAN.

(a) Aggregate Limit. Subject to adjustment as provided in Section 15(h) a total of 600,000 Shares are reserved for grant pursuant to Awards under the Plan. Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued Shares or treasury Shares. Shares shall be charged against the foregoing limit upon the grant of each Award (other than a Performance Unit or Other Stock Unit not denominated in Shares) but if such Shares are thereafter forfeited or such Award otherwise terminates without the issuance of such Shares or of other consideration in lieu of such Shares, the Shares so forfeited or related to the terminated portion of such Award shall be restored to the foregoing limit and shall again be available for Awards under the Plan. If Shares are applied to pay the Option Price upon exercise of an Option or to pay federal, state and local taxes upon exercise of an Option or other receipt of payment under an Award, the Shares so applied shall be added to the foregoing limit and shall be available for Awards under the Plan.

(b) Individual Annual Limits. Awards to any one individual in any one calendar year shall be subject to the following limits:

(i) Options. The maximum number of Shares with respect to which

Options may be granted during a calendar year to any Participant is 100,000 Shares; provided, however, that if Reload Options are granted, the limitation of this subsection shall be equal to the sum of 100,000 Shares plus the number of Shares subject to Reload Options granted to the Participant in such year, but in no event more than 200,000 Shares;

(ii) SARs. The maximum number of SARs (other than Alternative Tandem SARs) that may be granted during a calendar year to any Participant is 100,000;

(iii) Aggregate Options and SARs. The sum of the number of Shares with respect to which Options may be granted and the number of SARs (other than Alternative Tandem SARs) that may be granted in total during a calendar year to any Participant is 100,000; provided, however, that if Reload Options are granted and if Cumulative Tandem SARs are granted with respect to the Reload Options, the limitation of this subsection shall be equal to the sum of 100,000 plus the number of Cumulative Tandem SARs granted with respect to Reload Options to the Participant in such year, but in no event more than 200,000;

(iv) Other Share-Denominated Awards. The maximum number of Shares with respect to which Restricted Stock, Performance Shares, and Other Stock Units denominated in Shares in total may be granted during a calendar year to any Participant is 100,000 Shares;

(v) Dollar-Denominated Awards. The maximum dollar amount of compensation that may be represented by Performance Units and Other Stock Units not denominated in Shares awarded during calendar year to any Participant is 150% of the Participant's annual base salary in effect on the date of the award multiplied by the number of years (and fractions thereof) in the Performance Period for Performance Units; and

(vi) Alternative Tandem SARs. Alternative Tandem SARs shall be subject to the limit on the Shares covered by the Options to which the Alternative Tandem SARs relate.

SECTION 5. ELIGIBILITY. The Committee may grant Awards to any Employee (excluding any member of the Committee). An Employee may be granted more than one Award, but only on the terms and subject to the restrictions hereinafter set forth.

SECTION 6. STOCK OPTIONS.

(a) Issuance. The Committee may grant Options hereunder to

Participants either alone or in addition to other Awards granted under the Plan. All Options shall be nonstatutory stock options.

(b) Award Agreements. Any Option granted to a Participant under the Plan shall be evidenced by an Award Agreement in such form as the Committee may from time to time approve. The Committee may require that any Participant shall, as consideration for the grant of the Option, agree in writing to remain in the employ of the Company or of one of Affiliates, at the pleasure of the Company or of such Affiliate, for at least one (1) year from the date of the granting of such Option or until earlier termination of the Participant's employment effected or approved by the Company or by such Affiliate, in which event if the Participant violates such agreement, any Options still held by such person at the time of such violation shall automatically terminate. The Committee may waive this requirement in the case of any Participant. Any Option shall also be subject to the following terms and conditions and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable.

(c) Date of Granting of Options. The date of grant of a Reload Option shall be determined in accordance with Section 6(j)(v). The date of grant of all other Options shall be the date designated by the Committee as the date of grant, provided that in no event shall the date of grant be earlier than the date on which the Committee approves the grant.

(d) Option Price. The Option Price per Share shall be determined by the Committee in its sole discretion; provided that the Option Price shall not be less than 100% of the Fair Market Value of a Share on the date of the grant of the Option. The proceeds received by the Company from the sale of Shares subject to an Option shall be added to the general funds of the Company and used for its corporate purposes.

(e) Option Period. The term of each Option shall be fixed by the Committee in its sole discretion and set forth in the Award Agreement, provided that the Option and any related SAR shall not be exercisable after the expiration of ten years from the date the Option was granted.

(f) Exercisability. Options shall be exercisable either in full or in installments at such time or times as determined by the Committee at or subsequent to grant, and set forth in the Award Agreement; provided that the Committee may in its sole discretion subsequent to grant waive any restriction on the exercise of an Option.

(g) Method of Exercise. An Option shall be exercised by the delivery to the Company (or an agent of the Company) during the period in which such Option is exercisable of (x) written notice of exercise in a form acceptable to the Committee for a specific number of Shares subject to the Option and (y) payment in full of the Option Price of such specific number of Shares. Payment for the Shares with respect to which an Option is exercised may be made by any one or more of the following means:

(i) cash, negotiable personal check or electronic funds transfer;

(ii) the Committee in its sole discretion may permit payment through tender of Mature Shares, valued at their Fair Market Value on the date of exercise; provided that the Committee may impose whatever restrictions it deems necessary or desirable with respect to such method of payment;

(iii) the Committee in its sole discretion may permit payment by submitting acceptable certification to the Committee of the ownership of Mature Shares, valued at their Fair Market Value on the date of exercise; in which event the Shares issued to the Optionee for the portion of any Option so exercised by shall not exceed the number of Shares covered by the such portion of the Option less the number of Shares for which proof of ownership is submitted in full or partial payment; or

(iv) the Committee in its sole discretion may permit payment through the sale of the Shares acquired on exercise of the Option through a broker-dealer to whom the Optionee has submitted an irrevocable notice of exercise and irrevocable instructions to deliver promptly to the Company the amount of sale or loan proceeds sufficient to pay for such Shares, together with, if requested by the Committee, the amount of federal, state, local or foreign withholding taxes payable by Optionee by reason of such exercise.

(h) Form of Settlement. In its sole discretion, the Committee may provide, at the time of grant, that the Shares to be issued upon an Option's exercise shall be in the form of Restricted Stock or other similar securities, or may reserve the right so to provide after the time of grant.

(i) Discretionary Share Withholding. The Committee in its sole discretion may provide that when taxes are to be withheld in connection with the exercise of an Option by delivering Shares in payment of the exercise price, or an exercise of an SAR for stock, or upon the lapse of restrictions on Restricted Stock received upon the exercise of an Option (the date on which such exercise occurs or such restrictions lapse hereinafter referred to as the "Tax Date"), the Optionee may elect to make payment for the withholding of federal, state and local taxes, including Social Security and Medicare ("FICA") taxes, up to the Optionee's marginal tax rate, by one or both of the following methods:

(i) delivering part or all of the payment in previously-owned Mature Shares (which shall be valued at their Fair Market Value on the Tax Date);

(ii) requesting the Company to withhold from those Shares that would otherwise be received upon exercise of the Option, upon exercise of an SAR for stock, or upon the lapse of restrictions on Restricted Stock, a number of Shares having a Fair Market Value on the Tax Date equal to the amount to be withheld.

The Committee in its sole discretion may provide that the amount of tax withholding to be satisfied by withholding Shares from the Option exercise shall be the minimum amount of taxes, including FICA taxes, required to be withheld under federal, state and local law, or shall be the entire amount of taxes, including FICA taxes, required to be paid by Optionee under federal, state and local law. An election by Optionee under this subsection is irrevocable. Any fractional share amount and any additional withholding not paid by the withholding or surrender of Shares must be paid in cash. If no timely election is made, cash must be delivered to satisfy all tax withholding requirements.

(j) Reload Options. In connection with Options, including newly-granted Options or outstanding Options granted under the Plan, the Committee may provide that an Optionee has the right to a Reload Option, which except as otherwise provided by the Committee shall be subject to the following terms and conditions:

(i) Grant of the Reload Option; Number of Shares, Price. Subject to paragraphs (ii) and (iii) of this subsection and to the availability of Shares to be optioned under the Plan, if a Participant has an Option (the "Original Option") with reload rights and pays the Option Price by surrendering Shares or certifying to the ownership of Shares, or if Shares are withheld or surrendered for tax withholding, the Participant shall receive a Reload Option for the number of Shares so surrendered, certified or withheld with an Option Price equal to the Fair Market Value of a Share on the date of the exercise of the Original Option.

(ii) Minimum Purchase and Other Requirements. A Reload Option will be granted only if the exercise of the Original Option is an exercise of at least 25% of the total number of Shares granted under the original option (or an exercise of all the Shares remaining under the original option if less than 25% of the Shares remain to be exercised), and the Participant is an employee of the Company or an Affiliate on the date of exercise of the Original Option.

(iii) Term of Option. The Reload Option shall expire on the same date as the Original Option.

(iv) Date of Grant, Vesting. The date of grant of the Reload Option shall be the date of the exercise of the Original Option. The Reload Option shall be exercisable in full beginning one year from date of grant.

(v) Other Terms and Conditions. Except as otherwise provided in this subsection, all the provisions of the Plan shall apply to Reload Options.

SECTION 7. STOCK APPRECIATION RIGHTS.

(a) Issuance. The Committee may grant SARs hereunder to Participants either alone or in addition to other Awards granted under the Plan. Such SARs may, but need not, be Tandem SARs relating to a specific Option granted under Section 6. Any Tandem SAR related to an Option may be granted at the same time such Option is granted or at any time thereafter before exercise or expiration of such Option. The Committee may impose such conditions or restrictions on the exercise of any SAR as it shall deem appropriate.

(b) Award Agreements. Any SAR granted to a Participant under the Plan shall be evidenced by an Award Agreement in such form and the Committee may approve (and which in the case of a Tandem SAR may be combined with the Award Agreement under which the related Option is granted) and shall contain such terms and conditions not inconsistent with other provisions of the Plan as shall be determined from time to time by the Committee.

(c) Grant Price. The grant price of a SAR shall be determined by the Committee in its sole discretion; provided that the grant price shall not be less than the lesser of 100% of the Fair Market Value of a Share on the date of the grant of the SAR, or the Option Price under the Option to which the SAR relates.

(d) Exercise and Payment. Upon the exercise of SARs, an Optionee shall be entitled to receive the value thereof. The Fair Market Value of a Share on the date of exercise of SARs shall be determined in the same manner as the Fair Market Value of a Share on the date of grant of an Option is determined. SARs shall be deemed exercised on the date written notice of exercise in a form acceptable to the Committee is received by the Secretary of the Company. Unless the Award Agreement provides otherwise or reserves to the Committee or the Participant or both the right to defer payment, the Company shall make payment in respect of any SAR within five (5) days of the date the SAR is exercised. Any payment by the Company in respect of a SAR may be made in cash, Shares, other property, or any combination thereof, as the Committee, in its sole discretion, shall determine.

(e) Tandem SARs. Each Award Agreement evidencing Tandem SARs shall clearly identify the Options to which it relates and the Tandem SAR shall be subject to the following terms and conditions unless the Committee determines otherwise:

(i) A Tandem SAR shall expire no later than the expiration of the related Option.

(ii) A Tandem SAR shall be transferable only to the extent that the related Option is transferable pursuant to Section 12.

(iii) A Tandem SAR shall be exercisable at such time or times and only to the extent that the related Option is exercisable, and may be subject to further limitations on exercise as determined by the Committee.

(f) Grant of Limited Rights.

(i) The Committee in its sole discretion may grant Limited Rights upon or after the grant of any Option under the Plan. Each Limited Right shall be identified with a share of Stock subject to an Option of the Optionee. The number of Limited Rights granted to a Optionee shall equal the number of Shares subject to the Option with which such Limited Rights are identified. Upon the exercise, expiration, termination, forfeiture, or cancellation of an Optionee's Option, the Optionee's associated Limited Rights shall terminate.

(ii) Limited Rights shall become exercisable upon the occurrence of a Change of Control. Limited Rights shall be exercised by delivery to the Company, within 90 days after the date of such Change of Control, of written notice of intent to exercise specific Limited Rights. The exercise of Limited Rights shall result in the cancellation of the Option with which such Limited Rights are identified, to the extent of such exercise.

(iii) The Company shall notify all Optionees of the occurrence of a Change of Control promptly after its occurrence, but any failure of the Company so to notify shall not deprive any Optionee of any rights accruing hereunder by virtue of a Change of Control. Any such failure of the Company shall, if an Optionee does not otherwise know of the Change of Control, automatically extend the 90-day period specified above until 90 days after the Company notifies such Optionee or such Optionee otherwise knows of the Change of Control, whichever first occurs, but in no event beyond the maximum term of the identified Option specified in the applicable Award Agreement.

(iv) Within five business days after the exercise of any Limited Rights, the Company shall pay to the Optionee, in cash (except that the Committee may cause the Company to pay such amount in Shares if it determines that a payment in cash would cause transaction to be ineligible for pooling of interests accounting), an amount equal to the difference between (A) the Change of Control Value, and (B) the Option Price of the Option.

(v) "Change of Control Value" shall mean the greater of (A) the highest Fair Market Value of a Share during the 180-day period preceding the date of the Company's receipt of notice of exercise of Limited Rights, or (B) the cash amount (or fair cash value, as determined by the Committee in its sole discretion, of consideration other than cash), payable in respect of a Share to holders of Shares in connection with the Change of Control.

(g) Other Limitations. The Committee may at any time impose any other limitations upon the exercise of SARs which, in the Committee's sole discretion, are necessary or desirable in order to comply with Section 16(b) of the Exchange Act and the rules and regulations thereunder, or in order to obtain any exemption therefrom.

SECTION 8. RESTRICTED STOCK.

(a) Issuance. The Committee may issue Restricted Stock Awards hereunder to Participants, for no cash consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan. The granting of Restricted Stock shall take place on the date the Committee determines to grant the Restricted Stock.

(b) Registration. Any Restricted Stock issued hereunder may be evidenced in such manner as the Committee in its sole discretion shall deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock awarded under the Plan, such certificate shall be registered in the name of the Participant, shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, and shall be held in escrow by the Company. The Participant shall execute a stock power or powers assigning the Shares of Restricted Stock back to the Company, which stock powers shall be held in escrow by the Company and used only in the event of the forfeiture of any of the Shares of Restricted Stock.

(c) Forfeiture. Except as otherwise determined by the Committee, no Restricted Stock shall become free of restrictions prior to the date of the first anniversary of the grant of the Restricted Stock. Unrestricted Shares, evidenced in such manner as the Committee shall deem appropriate, shall be issued to the Optionee promptly upon lapse of the period of forfeiture, as determined or modified by the Committee.

(d) Share Withholding. The Committee in its sole discretion may provide that a Participant who recognizes income under the federal income tax by reason of the lapsing of restrictions on Shares of Restricted Stock may elect

Share withholding pursuant to Section 6(j).

SECTION 9. PERFORMANCE AWARDS.

(a) Issuance. The Committee may issue Performance Awards hereunder to Participants, for no cash consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan. Except as provided in Section 13, Performance Awards will be paid only after the end of the relevant Performance Period. Performance Awards may be paid in cash, Shares, other property or any combination thereof, in the sole discretion of the Committee at the time of payment. Performance Awards may be paid in a lump sum or in installments following the close of the Performance Period or, in accordance with procedures established by the Committee, on a deferred basis.

(b) Performance Measures. Unless and until the Committee proposes for stockholder vote and stockholders approve a change in the general performance measures set forth in this Section, the attainment of which shall determine the degree of payout and/or vesting with respect to Awards, the performance measure(s) to be used for purposes of such Awards shall be chosen from among the following:

(i) Earnings either in the aggregate or on a per-share basis, before or after taxes, before or after depreciation and amortization, and before or after interest expense;

(ii) Net income (before or after taxes);

(iii) Operating income;

(iv) Cash flow;

(v) Return measures (including return on assets, equity, or sales);

(vi) Share price (including growth measures and total stockholder return or attainment by the Shares of a specified value for a specified period of time);

(vii) Reductions in expense levels in each case where applicable determined either in a Company-wide basis or in respect of any one or more business units;

(viii) Net economic value; or

(ix) Economic value added

The degree of attainment of the preestablished performance goals required for an Award and the amounts of Awards may not be adjusted after the Award is granted, except that the Committee may retain the discretion to decrease the amount of an Award.

SECTION 10. OTHER STOCK UNIT AWARDS.

(a) Stock and Administration. The Committee may grant other Awards of Shares and other Awards that are valued in whole or in part by reference to, or are otherwise based on, Shares or other property ("Other Stock Unit Awards") hereunder to Participants, either alone or in addition to other Awards granted under the Plan. Other Stock Unit Awards may be paid in Shares, cash or any other form of property as the Committee shall determine. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees of the Company and its Affiliates to whom and the time or times at which such Awards shall be made, the number of Shares to be granted pursuant to such Awards, and all other conditions of the Awards, which may include, without limitation, attainment of goals based upon the performance measures set forth in Section 9(b). The provisions of Other Stock Unit Awards need not be the same with respect to each recipient.

(b) Terms and Conditions. Subject to the provisions of this Plan and any applicable Award Agreement, Shares subject to Awards made under this Section 10 may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the Shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses. Shares granted under this Section 10 may be issued for no cash consideration or for such minimum consideration as may be required by applicable law.

SECTION 11. TERMINATION OF EMPLOYMENT.

Except as otherwise provided in this Section, all Awards not vested shall terminate upon a Participant's Termination of Employment. For purposes of this Section, a Participant's Termination of Employment occurs on the last day on which the Participant performs services for the Company or an Affiliate as an employee; or if earlier on the date on which an Affiliate which employs the Participant ceases to be an Affiliate (unless the Participant continues to be employed by the Company or an Affiliate which continues to be an Affiliate).

(a) Options and SARs.

(i) Except as otherwise provided in this Section, upon a Participant's Termination of Employment, all Options and SARs not vested and exercisable immediately before such Termination of

Employment shall terminate and no Option or SAR may be exercised after such Termination of Employment.

(ii) If Termination of Employment occurs for a reason other than retirement, death, disability or cause, Options and SARS which were vested and exercisable immediately before such Termination of Employment shall remain exercisable for a period of 90 days following such Termination of Employment (but not for more than ten years from the grant date of the Option) and shall then terminate.

(iii) If Termination of Employment occurs by reason of retirement, death or disability, Options and SARS which were vested and exercisable immediately before such Termination of Employment shall remain exercisable for a period of one year following such Termination of Employment (but not for more than ten years from the grant date of the Option) and shall then terminate.

(b) Restricted Stock. Except as otherwise provided in this Section, upon a Participant's Termination of Employment, all Shares of Restricted Stock still subject to restrictions shall be forfeited by the Participant (and the Participant shall sign any document and take any other action required to assign such Shares back to the Company) and reacquired by the Company.

(c) Performance Awards:

(i) If Termination of Employment occurs during a Performance Period for a reason other than retirement, disability or death, all Performance Awards shall be forfeited upon such Termination of Employment.

(ii) If Termination of Employment occurs during a Performance Period by reason of retirement, disability or death, the Participant shall be entitled to payment at or after conclusion of the Performance Period in accordance with the terms of the Award of that portion of the Performance Award equal to the amount that would be payable if the Participant continued in employment for the remainder of the

Performance Period multiplied by a fraction, the numerator of which is the number of days in the Performance Period preceding such Termination of Employment and the denominator of which is the total number of days in the Performance Period.

(d) Waiver by Committee. Notwithstanding the foregoing provisions of this Section, the Committee may in its sole discretion as to all or part of any Award as to any Participant, at the time the Award is granted or thereafter, determine that Awards shall become exercisable or vested upon a Termination of

Employment, determine that Awards shall continue to become exercisable or vested in full or in installments after Termination of Employment, extend the period for exercise of Options or SARs following Termination of Employment (but not beyond ten years from the date of grant of the Option or SAR), or provide that any Performance Award shall in whole or in part not be forfeited upon such Termination of Employment.

SECTION 12. TRANSFERABILITY OF AWARDS

(a) No Award shall be transferable by the Participant otherwise than upon death by will or under the applicable laws of descent and distribution; except that a Participant may, by written instrument in a manner specified by the Committee in the Award Agreement or thereafter, designate in writing a beneficiary to exercise an Option or otherwise receive payment under any Award after the death of the Participant. The Committee in its sole discretion may authorize the transfer of an Option for no consideration to a Permitted Transferee. If an Option is transferred under this Section, any Tandem SAR related to such Option shall be automatically transferred together with such Option.

(b) Following the transfer of an Option to a Permitted Transferee, the Permitted Transferee shall have all of the rights and obligations of the Participant to whom the Option was granted and such Participant shall not retain any rights with respect to the transferred Option, except that (i) the payment of any tax attributable to the exercise of the Option shall remain the obligation of the Participant, and (ii) the period during which the Option shall become exercisable or remain exercisable under Section 11 shall depend on the employment status of the original Optionee.

(c) If for any reason an Option or SAR is exercised by a person other than the original Participant, or payment or distribution under any other Award is to be made to a person other than the original Participant, the person exercising or receiving payment or distribution under such Award shall, as a condition to such exercise or receipt, supply the Committee with such evidence as the Committee may reasonably require to establish the identity of such person and such person's right to exercise or receive payment or distribution under such Award.

(d) No Award shall be assigned, negotiated or pledged in any way (whether by operation of law or otherwise) except as permitted by Section 12(a), and no Award shall be subject to execution, attachment or similar process.

SECTION 13. CHANGE IN CONTROL.

(a) In order to maintain the Participants' rights in the event of any Change in Control of the Company, as hereinafter defined, the Committee, as constituted before such Change in Control, may, in its sole discretion, as to any Award, either at the time an Award is made hereunder or any time thereafter, take any one or more of the following actions: (i) provide for the acceleration of any time periods relating to the exercise or realization of any such Award so that such Award may be exercised or realized in full on or before a date fixed by the Committee; (ii) provide for the purchase of any such Award with or without the Participant's consent for an amount of cash equal to the amount that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable or payable or exercisable or payable during a stipulated period prior to the Change of Control; (iii) make such adjustment to any such Award then outstanding as the Committee deems appropriate to reflect such Change in Control; or (iv) cause any such Award then outstanding to be assumed, or new rights substituted therefor, by the acquiring or surviving corporation after such Change in Control. The Committee may, in its discretion, include such further provisions and limitations respecting a Change in Control in any Award Agreement as it may deem equitable and in the best interests of the Company.

(b) A "Change in Control" shall be deemed to have occurred if:

(i) for any reason at any time less than seventy-five percent (75%) of the members of the Board shall be individuals who fall into any of the following categories: (A) individuals who were members of the Board on the Effective Date; or (B) individuals whose election, or nomination for election by the Company's stockholders (other than an election or nomination of an individual (an "Excluded Individual") whose initial assumption of office ins in connection with an actual or threatened "election contest" relating to the election of the directors of the Company (as such term is used in Rule 14a-11 under the Exchange Act), a "tender officer" (as such term is used in Section 14(d) of the Exchange Act) or a proposed transaction described in (iii) below) was approved by a vote of at least seventy-five percent (75%) of the members of the Board then still in office who were members of the Board on the Effective Date; or (C) individuals (other than Excluded Individuals) whose election, or nomination for election, by the Company's stockholders, was approved by a vote of at least seventy-five percent (75%) of the members of the Board then still in office who were elected in the manner described in (A) or (B) above; or

(ii) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) or "group" (as such term is defined in Sections 3(a)(9) and 13(d)(3) of the Exchange Act) shall have become after the Effective Date, according to a public announcement or filing, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing thirty-five percent (35%) or more (calculated in accordance with Rule 13d-3) of the combined voting power of the Company's then outstanding voting securities; or

(iii) the stockholders of the Company shall have approved a merger, consolidation or dissolution of the Company, or a sale, lease, exchange or disposition of all or substantially all of the Company's assets, if persons who were the beneficial owners of the combined voting power of the Company's voting securities immediately before any such merger, consolidation, dissolution, sale, lease, exchange or disposition do not immediately thereafter beneficially own, directly or indirectly, in substantially the same proportions, more than 60% of the combined voting power of the corporation resulting from any such transaction.

(c) Notwithstanding any other provision of the Plan to the contrary, (i) in the event that the consummation of a Change in Control is contingent on using pooling of interests accounting methodology; the Committee may take any action necessary to preserve the use of pooling of interests accounting, and (ii) if the Committee determines, in its discretion exercised prior to a sale or merger of the Company (whether or not in connection with a Change in Control) that in the Committee's judgment is reasonably likely to occur, that the exercise of Awards would preclude the use of pooling-of-interests accounting ("pooling") after the consummation of such sale or merger and that such preclusion of pooling would have a material adverse effect on such sale or merger, the Committee may (A) unilaterally cancel such Awards prior to the sale or merger in consideration for reasonably equivalent value, (B) cause the Company to pay the benefit attributable to such Awards in the form of Shares if the Committee determines that such payment would not cause the transaction to become ineligible for pooling, (C) defer the payment, distribution or exercise date of any Award, or (D) substitute another form of Award of reasonably equivalent value; in each case to the extent that the Committee determines that such cancellation, payment, deferral or substitution would not cause the transaction to become ineligible for pooling; and only in each case to the minimum extent reasonably necessary to cause the transaction to become eligible for pooling.

SECTION 14. AMENDMENTS AND TERMINATION. The Board may amend, alter or discontinue the Plan, but no amendment, alteration, or discontinuation shall be made that would impair the rights of a Participant under an Award theretofore granted without the Participant's consent except as required to comply with securities, tax or other laws.

The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, but no such amendment shall adversely affect the rights of any Participant without the Participant's consent, except as provided in subsection 9(b) or subsection 12(c) or except as required to comply with securities, tax or other laws. The Committee may also substitute new Awards for Awards previously granted to Participants, including without limitation previously granted Options having higher Option prices.

SECTION 15. GENERAL PROVISIONS.

(a) The term of each Award shall be for such period of months or years from the date of its grant as may be determined by the Committee; provided that in no event shall the term of any Option or any SAR exceed a period of ten (10) years from the date of its grant.

(b) No Employee or Participant shall have any claim to be granted any Award under the Plan and there is no obligation for uniformity of treatment of Employees or Participants under the Plan.

(c) The prospective recipient of any Award under the Plan shall not, with respect to such Award, be deemed to have become a Participant, or to have any rights with respect to such Award, until and unless the Committee shall have executed an Award Agreement evidencing the Award and delivered a fully executed copy thereof to the Participant.

(d) Nothing contained in the Plan or in any Award Agreement shall confer upon any Participant any right with respect to continuance of employment by the Company or its Affiliates, nor interfere in any way with the right of the Company or its Affiliates to terminate the Participant's employment or change the Participant's compensation at any time.

(e) All certificates for Shares delivered under the Plan pursuant to any Award shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable Federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(f) Receipt of an Option or other Award shall not entitle any Participant (or Permitted Transferee) to any rights as a shareholder of the Company unless and until such Option has been exercised or such other Award shall have been paid and the Shares purchased or paid thereunder shall have been duly issued and recorded in the name of the Participant (or Permitted Transferee) on the stock transfer books of the Company; provided, however, that:

(i) Subject to the provisions of this Plan and any Award Agreement, the recipient of an Award (including, without limitation, any deferred Award) may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, dividends with respect to the number of Shares covered by the Award or interest on the amount of an Award not denominated in Shares as determined by the Committee, in its sole discretion, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested; and

(ii) The recipient of a Restricted Stock Award shall be entitled to all rights of a shareholder of the Company upon issuance of such Restricted Stock pursuant to Section 8(b) except to the extent otherwise provided in the restrictions or other provisions of the Award Agreement pursuant to which such Restricted Stock Award is made.

(g) Except as otherwise required in any applicable Award Agreement or by the terms of the Plan, recipients of Awards under the Plan shall not be required to make any payment or provide consideration other than the rendering of services.

(h) In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, spin-off or other change in corporate structure affecting the Shares, such adjustment shall be made in the aggregate number and class of Shares which may be delivered under the Plan, in the number, class and option price of Shares subject to outstanding Options granted under the Plan, and in the value of, or number or class of Shares subject to, Awards granted under the Plan as may be determined to be appropriate by the Committee, in its sole discretion, provided that the number of Shares subject to any Award shall always be a whole number. The grant of Awards stock pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes in its capital or business structure or to merge or to consolidate or to dissolve, liquidate, or sell or transfer all or any part of its business or assets.

(i) The Company shall be authorized to withhold from any Award granted or payment due under the Plan or any other amount owing from the Company to the Participant (whether or not for payment of compensation) the amount of withholding taxes due with respect to an Award or payment hereunder and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Company shall also be authorized to accept the delivery of shares by a Participant in payment for the withholding of federal, state and local taxes up to the Participant's marginal tax rates.

(j) Nothing contained in this Plan shall prevent the Board of Directors from adopting other or additional compensation arrangements.

(k) The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware and applicable Federal law.

(l) If any provision of this Plan is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan, it shall be stricken and the remainder of the Plan shall remain in full force and effect.

(m) All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company. Successor is the result of a direct or indirect merger, consolidation, or otherwise of all the business of the Company.

(n) The adoption of this Plan shall not be construed to amend or terminate the Company's 1995 Employee Stock Option Plan or 1998 Stock Option Plan (the "Prior Plans") or any outstanding option or other award thereunder; and the aggregate number of Shares available

under Section 4 of the Plan shall not be increased or reduced by Shares available under the Prior Plans as of the Effective Date.

SECTION 16. TERM OF PLAN. No Award shall be granted pursuant to the Plan after 10 years from the Effective Date, but any Award theretofore granted may extend beyond that date.

This Plan is adopted this ______ day of ____________, 1999. In witness whereof, the Company has caused this Plan to be executed by a duly authorized officer.

SALTON, INC.

By:
Its:

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-72903 on Form S-8, Registration Statement No. 333-93893 on Form S-8, and Registration Statement No. 333-31692 on Form S-3, of Salton, Inc. of our report dated September 7, 2000, appearing in the Annual Report on Form 10-K of Salton, Inc. for the year ended July 1, 2000. We also consent to the reference to us under the heading "Experts" in the Prospectus, which is part of the Registration Statement on Form S-3.

Deloitte & Touche LLP

Chicago, Illinois
September 27, 2000

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