APPLICA INC
Form PRER14A
November 17, 2006

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934
(Amendment No. 1)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

x Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

APPLICA INCORPORATED

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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APPLICA INCORPORATED
3633 Flamingo Road
Miramar, Florida 33027

[__________]

Dear Fellow Shareholder:

The board of directors of Applica Incorporated has unanimously approved a merger agreement providing for the merger of Applica with an indirect subsidiary of Harbinger Capital Partners Master Fund I, Ltd. and Harbinger Capital Partners Special Situations Fund, L.P., which are two affiliated private investment funds. If the merger is completed, you will receive $6.00 in cash, without interest, for each share of our common stock that you own, and Applica will become an indirect wholly owned subsidiary of the Harbinger funds.

You will be asked, at a special meeting of the Applica shareholders, to consider and vote on a proposal to adopt the merger agreement. After careful consideration, our board of directors approved the merger agreement and the merger and unanimously declared that the merger agreement and the transactions contemplated by the merger agreement, including the merger, were advisable for, fair to and in the best interest of Applica shareholders. **THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT.**

The time, date and place of the special meeting to consider and vote upon the adoption of the merger agreement are as follows:

10:00 a.m., Eastern Standard Time, on [________________]
3633 Flamingo Road, Miramar, Florida 33027

The proxy statement attached to this letter provides you with information about the merger and the special meeting. A copy of the merger agreement is attached as Annex A to this proxy statement. We encourage you to read the entire proxy statement carefully. You may also obtain additional information from documents we have filed with the Securities and Exchange Commission.

Your vote is very important, regardless of the number of shares of our common stock you own. The merger cannot be completed unless holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting vote for the adoption of the merger agreement. If you do not vote, it will have the same effect as a vote against the merger.

Whether or not you plan to attend the special meeting in person, please complete, sign, date and return promptly the enclosed proxy card. If you hold shares through a broker or other nominee, you should follow the procedures provided by your broker or nominee. These actions will not limit your right to vote in person if you wish to attend the special meeting and vote in person.

Thank you in advance for your cooperation and continued support.

By Order of the Board of Directors,

Harry D. Schulman
Chairman of the Board, President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated [___] and is first being mailed to shareholders on or about [___].

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NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
OF APPLICA INCORPORATED
TO BE HELD [_______________]

To Our Shareholders:

A special meeting of the shareholders of Applica Incorporated will be held on [___] beginning at 10:00 a.m., Eastern Standard Time, at our executive offices located at 3633 Flamingo Road, Miramar, Florida 33027, for the following purposes:

1. **Adoption of the Merger Agreement**. To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of October 19, 2006, between Applica and APN Holding Company, Inc. and APN Mergersub, Inc. (which are subsidiaries of Harbinger Capital Partners Master Fund I, Ltd. and Harbinger Capital Partners Special Situations Fund, L.P., and which we refer to, along with such funds, as Harbinger), pursuant to which, upon the merger becoming effective, each outstanding share of Applica common stock, par value $0.10 per share (other than shares owned by Applica or Harbinger), will be converted into the right to receive $6.00 in cash, without interest;

2. **Adjournment or Postponement of the Special Meeting**. To approve the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient shares present or represented at the meeting to constitute a quorum or insufficient votes at the time of the meeting to adopt the merger agreement; and

3. **Other Matters**. To transact such other business as may properly come before the special meeting or any adjournment thereof.

Only holders of our common stock at the close of business on [___] are entitled to notice of the special meeting and to vote at the special meeting, except that shares of our common stock that are beneficially owned by Harbinger are not eligible or entitled to vote at the special meeting. All shareholders of record are cordially invited to attend the special meeting in person.

The accompanying proxy statement provides you with information about the proposed merger and the special meeting.

Your vote is very important, regardless of the number of shares of our common stock you own. The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock that are eligible to vote on the record date for the special meeting. Even if you plan to attend the meeting in person, we request that you complete, sign, date and return the enclosed proxy in the envelope provided to ensure that your shares will be represented at the meeting even if you are unable to attend. If you sign, date and mail your proxy card without indicating how you wish to vote, your vote will be counted as a vote **FOR** the adoption of the merger agreement.

If you fail to vote by proxy or in person, your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and, if a quorum is present, will have the same effect as a vote against the merger. If you are a shareholder of record and wish to vote in person at the special meeting, you may withdraw your proxy and vote in person.

You have no dissenters rights of appraisal or other rights to demand fair value for your shares by reason of the merger. Accordingly, it is very important that you vote because even if you do not vote, if the merger is approved at the special meeting, you will cease to have any rights with respect to your shares other than the right to receive $6.00 in cash, without interest, for each share of Applica common stock that you own.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT.

By Order of the Board of Directors,

Harry D. Schulman

Chairman of the Board, President and Chief
Executive Officer

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ANNEXES:

Annex A Agreement and Plan of Merger dated October 19, 2006

Annex B Opinion of Banc of America Securities LLC

Annex C1 Equity Funding Letter, dated October 19, 2006 (Harbinger Capital Partners Master Fund I, Ltd.)

Annex C2 Equity Funding Letter, dated October 19, 2006 (Harbinger Capital Partners Special Situations Fund, L.P.)

* * * * *

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SUMMARY

The following summary highlights selected information from this proxy statement and may not contain all of the information that may be important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to in this proxy statement. Unless the context indicates otherwise, references to:

Applica, we, our, ours, and us refer to Applica Incorporated and its subsidiaries;

Buyer refer to APN Holding Company, Inc.;

Merger Co refer to APN Mergersub, Inc.;

Harbinger Funds refer to Harbinger Capital Partners Master Fund I, Ltd. and Harbinger Capital Partners Special Situations Fund, L.P.; and

Harbinger refer to the Harbinger Funds, Buyer and Merger Co, collectively.

The Parties to the Merger Agreement (page 15)

Applica Incorporated
3633 Flamingo Road
Miramar, Florida 33027
(954) 883-1000

We are a Florida corporation and market and distribute a broad range of branded and private-label small household appliances. We market and distribute kitchen products, home products, pest control products, pet care products and personal care products. We market products under licensed brand names, such as Black & Decker®, and our own brand names, such as Windmere®, LitterMaid®, Belson® and Applica®. Our customers include mass merchandisers, specialty retailers and appliance distributors primarily in North America, Latin America and the Caribbean.

APN Mergersub, Inc.
APN Holding Company, Inc.
Harbinger Capital Partners Master Fund I, Ltd.
Harbinger Capital Partners Special Situations Fund, L.P.
c/o 555 Madison Avenue, 16th Floor
New York, New York 10022
(212) 521-6970

APN Mergersub, Inc., a Florida corporation, and APN Holding Company, Inc., a Delaware corporation, were formed by the Harbinger Funds for the sole purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement and have de minimis assets and no operations. The Harbinger Funds are two affiliated investment funds that have committed to provide, at the effective time of the merger, an aggregate amount of up to $275 million of equity financing for the completion of the merger, including the approximately $93 million required to pay the merger consideration. The investment team responsible for the Harbinger Funds is located in New York City and manages in excess of $4 billion in capital through two complementary strategies. Harbinger Capital Partners Master Fund I, Ltd. is focused on restructurings, liquidations, event-driven situations, turnarounds and capital structure arbitrage, including both long and short positions in highly leveraged and financially distressed companies. Harbinger Capital Partners Special Situations Fund, L.P. is focused on distressed debt securities, special situation equities and private loans and notes in a predominantly long-only strategy.

The Special Meeting

Time, Place and Date (page 16)

The special meeting will be held on [___], beginning at 10:00 a.m., Eastern Standard Time, at our executive offices located at 3633 Flamingo Road, Miramar, Florida 33027.

Purpose of the Meeting (page 16)

You will be asked to consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of October 19, 2006, between Applica and Buyer and Merger Co (which are subsidiaries of the Harbinger Funds), pursuant to which, upon the merger becoming effective, each outstanding share of Applica common stock, par value $0.10 per share (other than shares owned by Applica or Harbinger), will be converted into the right to receive $6.00 in cash, without interest.

The persons named in the accompanying proxy card will also have discretionary authority to vote upon other business, if any, that properly comes before the special meeting and any adjournments or postponements of the special meeting.

Record Date, Voting and Quorum (page 16)

All shareholders of record at the close of business on [___], the record date for the special meeting, will be entitled to vote at the special meeting, except that shares of our common stock that are beneficially owned by Harbinger will not be eligible or entitled to vote at the special meeting. See The Florida Control Share Act and Harbinger s Share Ownership on page 57 for an explanation as to why Harbinger is not entitled to vote at the special meeting. Those shareholders entitled to vote at the special meeting, will have one vote for each share of Applica common stock that they owned at the close of business on the record date.

The holders of a majority of the outstanding shares of our common stock entitled to vote at the close of business on the record date represented in person or by proxy will constitute a quorum for purposes of the special meeting.

As of the record date, [___] shares of common stock, representing the same number of votes, were outstanding. As of the record date, Harbinger beneficially owned an aggregate of 9,830,800 shares of our common stock, representing approximately 39.3% of the outstanding shares of our common stock. Thus, the presence of the holders of common stock representing at least [___] votes will be required to establish a quorum.

Required Vote (page 16)

Under Florida law, the affirmative vote of holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting is necessary to adopt the merger agreement. Thus, the affirmative vote of holders of common stock representing at least [___] votes will be required to approve the merger. A failure to vote your shares of our common stock or an abstention will have the same effect as voting against the merger.

Shares of our common stock that are beneficially owned by Harbinger are not eligible or entitled to vote on the merger at the special meeting.

Share Ownership of Directors and Executive Officers (page 60)

As of the record date, our directors and executive officers held and were entitled to vote, in the aggregate, 3,377,652 shares of our common stock representing approximately 13.5% of the outstanding shares entitled to vote at the special meeting. Our directors and executive officers have informed us that they intend to vote all of their shares **FOR** the adoption of the merger agreement, and **FOR** any adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies.

The Florida Control Share Act and Harbinger s Share Ownership (page 57)

As of the record date, Harbinger beneficially owned an aggregate of 9,830,800 shares of our common stock, representing approximately 39.3% of the outstanding shares of our common stock. Under Florida law, Harbinger is not entitled to vote at the special meeting because its shares were purchased in various control share acquisitions. Accordingly, these shares presently have no voting rights.

Voting and Proxies (page 17)

Any shareholder of record entitled to vote at the special meeting may submit a proxy by returning a signed proxy card by mail, or may vote in person at the special meeting. If your shares are held in street name by your broker, you should instruct your broker on how to vote your shares using the instructions provided by your broker. If you do not provide your broker with instructions, your shares will not be voted and that will have the same effect as voting against the merger.

Revocability of the Proxy (page 17)

You can revoke or change your vote at any time before we vote your proxy at the special meeting by:

- delivering a written notice to the corporate secretary of Applica before the special meeting that states that you revoke your proxy;
- delivering a signed and dated new proxy card(s) before the special meeting in accordance with the instructions included with the proxy card(s); or
- attending the special meeting and voting in person.

Simply attending the special meeting will not revoke your proxy. If your shares are held in street name by your broker, bank, dealer or other nominee, you must follow instructions received from such broker, bank or nominee with this proxy statement in order to revoke your vote or to vote at the special meeting.

Purposes and Effects of the Merger

The principal purposes of the merger are to enable Harbinger to acquire all of the outstanding shares of our common stock that it does not currently own and to provide you the opportunity to receive a cash payment for your shares at a premium over the market prices at which the common stock traded before the public announcement of the merger agreement (and a premium over the market prices at which shares of our common stock traded prior to the public announcement of the execution of the initial merger agreement with NACCO Industries, Inc. and HB-PS Holdings Company, Inc.). If the merger agreement is adopted by our shareholders, the other conditions to closing are satisfied and the merger is consummated, each share of our common stock will be converted into the right to receive $6.00 in cash, without interest.

Following completion of the merger, we will become an indirect wholly-owned subsidiary of the Harbinger Funds and our common stock will be delisted from the NYSE and will be deregistered under the Securities Exchange Act of 1934, as amended.

Anticipated Closing of the Merger

We are working to complete the merger as soon as possible. The merger will be closed after all of the conditions to completion of the merger are satisfied or waived, including the adoption of the merger agreement by our shareholders and the absence of legal prohibitions to the merger. We currently expect the merger to be completed shortly following the special meeting of shareholders, although we cannot assure completion by any particular date, if at all. We will issue a press release and letters of transmittal for your use once the merger has been completed.

Recommendation of our Board of Directors (page 31)

After careful consideration, our board of directors approved the merger agreement and the merger and unanimously declared that the merger agreement and the transactions contemplated by the merger agreement, including the merger, were advisable for, fair to and in the best interest of Applica shareholders. **ACCORDINGLY, OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT.**

In evaluating the merger, the board consulted with our management and legal and financial advisors and considered a variety of business, financial and other factors more fully described in this proxy statement.

Opinion of Our Financial Advisor (page 31 and Annex B)

In connection with the merger, our financial advisor, Banc of America Securities LLC, delivered to the board a written opinion, dated October 19, 2006, as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be received by holders of our common stock, other than Harbinger and its affiliates, pursuant to the merger agreement. The full text of the written opinion of Banc of America Securities, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex B to this proxy statement and is incorporated by reference into this proxy statement. You are encouraged to read the opinion carefully in its entirety. **Banc of America Securities provided its opinion to the board to assist the board in its evaluation of the merger consideration from a financial point of view. Banc of America Securities opinion does not address any other aspect of the merger and does not constitute a recommendation as to how shareholders should vote or act in connection with the merger.**

Merger Agreement (page 43 and Annex A)

A copy of the merger agreement is attached as Annex A to this proxy statement and a summary of the merger agreement is provided beginning on page 43 of this proxy statement. We encourage you to carefully read the merger agreement as it is the legal document that contains all of the terms of and conditions to the merger.

Interest of Our Directors and Executive Officers in the Merger (page 36)

Our directors and executive officers may have interests in the merger that are different from, or in addition to, yours, including:

- our directors and executive officers will receive cash consideration for their vested and unvested in-the-money stock options in connection with the merger;
- the merger agreement provides for indemnification and liability insurance arrangements for each of our current and former directors and officers;
- one of our executive officers holds $110,000 in principal amount of our 10% notes, which will be repaid in connection with the merger;
- one of our directors is a principal of Mast Capital Management, LLC, which made a $20 million secured term loan to Applica in October 2005, and this loan will be repaid in connection with the merger;
- while no agreements, arrangements or understandings have been entered into as of the date of this proxy statement, members of our management may enter into employment agreements with the surviving corporation; and

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- each of our executive officers is a party to an employment agreement which provides for severance arrangements in the event of termination after a change in control of Applica and each is also subject to our executive change of control severance plan.

Our board of directors was aware of these interests and considered them, among other matters, in making its decisions.

Material United States Federal Income Tax Consequences of the Merger (page 40)

For U.S. federal income tax purposes, the merger will be treated as a sale of the shares of our common stock for cash by each of our shareholders. As a result, in general, each shareholder will recognize gain or loss equal to the difference, if any, between the amount of cash received by such shareholder pursuant to the merger and such shareholder s adjusted tax basis in the shares surrendered. That gain or loss will be capital gain or loss in the case of shares of our common stock that the shareholder holds as capital assets and will be long-term capital gain or loss if such shareholder has a holding period in those shares of more than one year at the time of the merger. **Shareholders are urged to consult their own tax advisers as to the particular tax consequences of the merger to them**.

Regulatory Approvals Required (page 41)

The Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, provides that certain merger and acquisition transactions that meet certain reporting thresholds may not be consummated until after both parties file separate pre-merger notification forms with the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice and observe the statutory waiting period. We and Harbinger filed pre-merger notification forms with the Department of Justice and the Federal Trade Commission under the Hart-Scott-Rodino Act on November 2, 2006. On November 14, 2006, the Federal Trade Commission, on behalf of itself and the Antitrust Division of the Department of Justice, granted early termination of the statutory waiting period with respect to the merger.

Except as noted above with respect to the required filings under the Hart-Scott-Rodino Act and the filing of articles of merger in Florida at or before the effective time of the merger, we are unaware of any material federal, state or foreign regulatory requirements or approvals required for the execution of the merger agreement or completion of the merger.

Procedure for Receiving Merger Consideration (page 44)

As soon as practicable, but in any event no later than five business days following the effective time of the merger, a paying agent will mail a letter of transmittal and instructions to you and the other Applica shareholders. The letter of transmittal and instructions will tell you how to surrender your stock certificates in exchange for the merger consideration. **You should not return your stock certificates with the enclosed proxy card, and you should not forward your stock certificates to the paying agent without a letter of transmittal.**

No Solicitation of Transactions (page 50)

The merger agreement restricts our ability to solicit or engage in discussions or negotiations with a third party regarding specified transactions involving Applica. Notwithstanding these restrictions, under certain limited circumstances required for our board of directors to comply with its fiduciary duties, our board may respond to an unsolicited bona fide written offer for an alternative acquisition or terminate the merger agreement and enter into an agreement with respect to a superior proposal after paying the termination fee specified in the merger agreement.

Conditions to Closing the Merger (page 52)

Before we can complete the merger, a number of conditions must be satisfied or waived, including:

- our shareholders must adopt the merger agreement and all additional filings shall have been made and, if applicable, finalized;

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no preliminary or permanent injunction or other order shall have been issued that would make completion of the merger unlawful;

consummation of the transactions contemplated by the merger agreement shall not be prohibited or made illegal by any law;

all applicable waiting periods under the Hart-Scott-Rodino Act shall have terminated or expired;

all other authorizations of or filings with any governmental entity required in connection with the consummation of the transactions contemplated by the merger agreement shall have been made or obtained, except where the failure to make or obtain such authorizations or filings would not, individually or in the aggregate, have a material adverse effect on either Buyer or Applica;

each party must have performed in all material respects all covenants required to be performed by it under the merger agreement;

the representations and warranties of Buyer and Applica (which shall be read as though none of them contained any materiality or material adverse effect qualifications) shall have been true and correct on the date of the merger agreement and shall be true and correct as of the closing of the merger with the same effect as though made as of the closing, except where the failure of such representations and warranties to be true and correct in all respects as of the applicable time would not, individually or in the aggregate, have a material adverse effect (as defined in the merger agreement) on Buyer or Applica, as applicable; in addition Applica s representations and warranties related to its capitalization shall have been true and correct in all material respects on the date of the merger agreement and shall be true and correct in all material respects as of the closing of the merger with the same effect as though made as of the closing;

each of the parties will have delivered closing certificates with respect to the satisfaction of the conditions relating to its representations, warranties and covenants;

the absence of any event, circumstance, change or effect since the date of the merger agreement that, individually or in the aggregate, with all other events, circumstances, changes and effects, is or could reasonably be expected to be materially adverse to the business, financial condition, assets, liabilities or results of operations of Applica and its subsidiaries, taken as a whole (except for changes in general economic conditions, general changes in the industry of designing, marketing and distributing small electronic kitchen and household appliances in which Applica and its subsidiaries operate that do not have a disproportionate effect (relative to overall industry performance) on Applica and its subsidiaries, taken as a whole);

no action shall be pending, or threatened in writing, which Buyer s board of directors determines, following the receipt of advice from its outside counsel, presents a reasonable likelihood of the occurrence of a material adverse effect on Applica or a material adverse effect on the business, financial condition or results of operations of the surviving corporation and its subsidiaries, taken as a whole; and

certain third-party consents must have been received in accordance with the terms and conditions of the merger agreement.

Termination of the Merger Agreement (page 53)

Buyer and Applica may mutually agree to terminate the merger agreement at any time, including after the special meeting of our shareholders. In addition, the merger agreement may be terminated:

by us (provided we are not then in material breach of any covenant or in breach of any representation or warranty or other agreement) if:

Buyer or Merger Co breaches any of their respective representations, warranties, covenants or agreements under the merger agreement or any such representation and warranty has become untrue, in either case such that certain conditions to closing are incapable of being satisfied, and such breach or condition either by its terms cannot be cured or if reasonably capable of being cured has not been cured within 30 calendar days following receipt by Buyer of notice of such breach; or

we represent to Buyer in writing that we have a bona fide good faith belief that the Harbinger Funds will not have sufficient cash on hand or capital commitments to satisfy their respective obligations on the anticipated closing of the merger agreement, and we request from Buyer evidence reasonably satisfactory to us that the Harbinger Funds will have sufficient cash on hand or capital commitments to satisfy their respective obligations on the anticipated closing of the merger agreement, and within 30 calendar days following Buyer s receipt of such request, we do not receive from Buyer evidence reasonably satisfactory to us that the Harbinger Funds will have sufficient cash on hand or capital commitments to satisfy their respective obligations on the anticipated closing of the merger;

by Buyer (provided neither Buyer nor Merger Co is then in material breach of any covenant or in breach of any representation or warranty or other agreement) if there has been a breach by us of any of our representations, warranties, covenants or agreements under the merger agreement or any such representation and warranty has become untrue, in either case such that certain conditions to closing are incapable of being satisfied, and such breach or condition either by its terms cannot be cured or if reasonably capable of being cured has not been cured within 30 calendar days following receipt by us of notice of such breach;

by either Buyer or Applica if any order preventing or prohibiting consummation of the transactions contemplated by the merger agreement has become final and non-appealable;

by either Buyer or Applica if the merger is not completed by May 1, 2007;

by either Buyer or Applica if our shareholders do not approve the merger at the special meeting;

by Buyer if our board modifies, withdraws or fails to confirm its recommendation that our shareholders vote in favor of adopting the merger agreement within four business days after Buyer s request to do so;

by Applica if its board authorizes it, subject to complying with the terms of the merger agreement, to enter into a written agreement with respect to a competing transaction proposal regarding a transaction that, if consummated, would result in a transaction more favorable to our shareholders than the merger, provided that Applica shall have, among other things:

not solicited, initiated or encouraged a competing transaction;

requested the return or destruction of all confidential information provided by or on behalf of Applica to all persons who have had discussions or negotiations or who have entered into confidentiality agreements with Applica pertaining to a competing transaction; and

promptly notified Buyer of Applica s or any of its officers , directors or representatives receipt of any inquiry or proposal relating to, a competing transaction;

given Buyer and Merger Co at least four business days prior written notice of its intention to terminate the merger agreement, attaching a description of all material terms and conditions of such competing transaction;

engaged in good faith negotiations with Buyer and Merger Co during the above mentioned four business day notice period with respect to such changes as Buyer and Merger Co may propose to the terms of the merger and the merger agreement;

had its board determine in good faith, after the board has consulted with its legal and financial advisors, that Buyer and Merger Co have not made a definitive, binding offer which is at least as favorable to our shareholders as the competing transaction; and

paid a termination fee in the amount of $4.0 million plus up to $2.0 million of reasonable, documented, third party, out of pocket expenses.

Termination Fees and Expenses (page 54)

Under certain circumstances, in connection with the termination of the merger agreement, we will be required to pay to Harbinger a termination fee equal to $4.0 million, plus up to $2.0 million of reasonable documented, third party, out-of-pocket expenses.

In addition, under certain limited circumstances, in connection with the termination of the merger agreement as a result of the inability to obtain necessary approvals under the Hart-Scott-Rodino Act, Harbinger will be required to pay us a termination fee equal to $75.0 million.

NACCO Litigation (page 58)

On November 13, 2006, NACCO Industries, Inc. filed a lawsuit against us, Harbinger and certain entities and individuals affiliated with Harbinger in the Delaware Chancery Court. The complaint alleges a number of contract and tort claims against us and Harbinger relating to the termination of the merger agreement between us, NACCO and a NACCO subsidiary. We and Harbinger believe the claims are without merit and intend to vigorously defend the lawsuit.

Market Price of Our Common Stock (page 59)

Our common stock is listed on the NYSE under the trading symbol APN . The closing price of our common stock on the NYSE as of September 13, 2006, the last trading day prior to the public announcement of the Harbinger offer, was $4.53 per share. The closing price of our common stock on the NYSE as of July 24, 2006, the day of the public announcement of the execution of the merger agreement with NACCO Industries, Inc. and HB-PS Holding Company, Inc., was $3.96 per share. The closing price of our common stock on the NYSE as of February 27, 2006, which was the last trading day before we announced that our board of directors was exploring strategic alternatives, including a potential sale of Applica, was $1.90 per share.

Appraisal Rights (page 42)

Under the Florida Business Corporation Act, shareholders of a Florida corporation are generally entitled to appraisal rights, and to obtain payment of the fair value of their shares in the event of certain corporate actions, including mergers. Certain exemptions under Florida law exist that deny or make unavailable the rights of shareholders to seek appraisal rights. One such exemption exists if a merging Florida corporation s shares of stock are listed on the NYSE and the shareholder is to receive cash for their shares in the merging corporation at the effective time of the merger. This exemption is not applicable and appraisal rights are available under Florida law if any of the shares of the Florida corporation are being acquired by a person, or an affiliate of a person, who is, or at any time during the one year period immediately preceding approval by the board of directors of the corporate action requiring appraisal rights (i.e., the merger), was, the beneficial owner of 20% or more of the voting power of the corporation.

Our shareholders have no dissenters rights of appraisal or other rights to demand fair value for their shares by reason of the merger for the following reasons:

our common stock is listed on the NYSE;

our shareholders will receive cash at the effective time of the merger as consideration for their shares; and

because of Florida s Control Share Act, Harbinger has no power to vote any of the shares of Applica common stock that it beneficially owns or has the power to direct the vote over, at the special meeting.

Accordingly, it is very important that you vote because even if you do not vote, if the merger is approved at the special meeting, you will cease to have any rights with respect to your shares other than the right to receive $6.00 in cash, without interest, for each share of our common stock that you own.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to address some commonly asked questions regarding the special meeting and the merger. These questions and answers may not address all questions that may be important to you as our shareholder. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement.

Q: What is the proposed transaction?

A: The proposed transaction is the merger of Applica with a subsidiary of the Harbinger Funds pursuant to the merger agreement. Once the merger agreement is adopted by our shareholders, the other closing conditions under the merger agreement have been satisfied or waived and the merger is consummated, we will become an indirect wholly-owned subsidiary of the Harbinger Funds and our common stock will be delisted from the NYSE and will be deregistered under the Securities Exchange Act of 1934, as amended.

Q: What will I receive in the merger?

A: Upon completion of the merger, you will receive $6.00 in cash, without interest, for each share of our common stock that you own. For example, if you own 100 shares of our common stock, you will receive $600.00 in cash in exchange for your shares of common stock. You will not own any shares in the surviving corporation.

Q: How does our board of directors recommend that I vote?

A: Our board unanimously recommends that our shareholders vote **FOR** the adoption of the merger agreement and, if necessary or appropriate, **FOR** the adjournment or postponement of the special meeting to solicit additional proxies.

Q: What happened to the proposed merger with NACCO Industries, Inc. and HB-PS Holding Company, Inc.?

A: On October 19, 2006, in accordance with the terms of the Agreement and Plan of Merger, dated as of July 23, 2006, by and between HB-PS Holding Company, Inc. and Applica and joined by NACCO Industries, Inc. for the specific purposes therein provided, the board terminated the NACCO merger agreement in order to proceed with the merger described in this proxy statement. In connection with the termination of the NACCO merger agreement, we paid NACCO a termination fee of $4.0 million and termination expenses of $2.0 million.

Q: When and where is the special meeting?

A: The special meeting of shareholders will be held at our executive offices located at 3633 Flamingo Road, Miramar, Florida 33027, on [___], at 10:00 a.m., Eastern Standard Time.

Q: May I attend the special meeting?

A: All shareholders as of the close of business on [___], the record date for the special meeting, may attend the special meeting. Seating will be limited and admission to the meeting will be on a first-come, first-served basis. Registration and seating will begin at 9:30 a.m. If you attend, please note that you may be asked to present valid picture identification, such as a driver s license or passport. Cameras, recording devices and other electronic devices will not be permitted at the meeting. Please also note that if you hold your shares in street name (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date and check in at the registration desk at the meeting.

Q: Who can vote at the special meeting?

A: All shareholders of record at the close of business on [___], the record date for the special meeting, will be entitled to vote at the special meeting, except that shares of our common stock that are beneficially owned by Harbinger are not eligible or entitled to vote at the special meeting.

Q: Do I hold my shares of record or in street name?

A: If on the record date, your shares were registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, then you are a shareholder of record. As a shareholder of record, you may vote in person at the meeting or vote by proxy. If on that date your shares were held in an account at a brokerage firm, bank, dealer or similar organization, then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the shareholder of record for purposes of voting at the special meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. You are also invited to attend the special meeting. However, because you are not the shareholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

Q: How are votes counted?

A: Votes will be counted by the inspector of election appointed for the special meeting, who will separately count For and Against votes, abstentions and broker non-votes. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not receive instructions with respect to the merger proposal from the beneficial owner. Because under Florida law adoption of the merger agreement requires the affirmative vote of holders of a majority of our shares of common stock entitled to vote, withheld votes, broker non-votes and abstentions will have the same effect as a vote against the merger. Withheld votes, broker non-votes and abstentions are counted, however, as present for the purpose of determining whether a quorum is present.

Q: How do I vote my shares of common stock held within my Applica Incorporated 401(k) Profit Sharing Plan and Trust account?

A. If you are a participant in our 401(k) plan and have funds invested in units that in part represent Applica common stock, your proxy card will serve as a voting instruction for the trustee of the plan with respect to the shares of Applica common stock represented by your units. The number of shares of Applica common stock represented by the units you hold in the 401(k) plan is printed on the proxy card and will be voted by the trustee in accordance with your instructions. If a proxy covering shares represented by your units in the 401(k) plan has not been received before the Applica special meeting, or if it is signed and returned without instructions, the shares represented by your units in the 401(k) plan will not be voted. This will have the same effect as a vote against the merger.

Q: How many votes are required to adopt the merger agreement?

A: Under Florida law, the affirmative vote of holders of a majority of our outstanding shares of common stock entitled to vote as of the close of business on [___], the record date for shareholders entitled to vote at the special meeting, is required to adopt the merger agreement.

Shares of our common stock that are beneficially owned by Harbinger are not eligible or entitled to vote on the merger at the special meeting.

The failure to vote at the special meeting (either in person or by proxy) will have the same effect as voting against the merger. In addition, if you hold shares of Applica common stock in street name, failure to instruct your broker to vote your shares will have the same effect as voting against the merger.

Q: How many votes do we already know will be voted in favor of the merger?

A: Each member of our board of directors and each of our current executive officers has advised us that they intend to vote all of their shares in favor of the merger. As of the record date, these persons owned 3,377,652 shares of our common stock, which is equivalent to approximately 13.5% of our outstanding common stock outstanding and [___]% of the common stock entitled to vote at the special meeting.

Q: How many votes do I have?

A: You have one vote for each share of our common stock you own as of [___], the record date for shareholders entitled to vote at the special meeting.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will vote your shares only if you provide instructions to your broker on how to vote. You should instruct your broker to vote your shares by following the directions provided to you by your broker.

Q: What if I fail to instruct my broker?

A: Failure to instruct your broker to vote your shares will have the same effect as voting against the merger.

Q: Will my shares held in street name or another form of ownership be combined for voting purposes with shares I hold of record?

A: No. Because any shares you may hold in street name will be deemed to be held by a different shareholder than any shares you hold of record, any shares so held will not be combined for voting purposes with shares you hold of record. Similarly, if you own shares in various registered forms, such as jointly with your spouse, as trustee of a trust or as custodian for a minor, you will receive, and will need to sign and return, a separate proxy card for those shares because they are held in a different form of record ownership. Shares held by a corporation or business entity must be voted by an authorized officer of the entity. Shares held in an IRA must be voted under the rules governing the account.

Q. What happens if I sell my shares before the special meeting?

A: The record date of the special meeting is earlier than the special meeting and the date that the merger is expected to be completed. If you transfer your shares of our common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting, but will have transferred the right to receive $6.00 per share in cash. In order to receive the $6.00 per share in cash, you must hold your shares through completion of the merger.

Q: What happens if I do not vote?

A: Because the vote required is based on the total number of eligible shares of our common stock outstanding on the record date, and not just the shares that are voted, if you do not vote, it will have the same effect as a vote against the merger. If the merger is completed, whether or not you vote for the merger, you will be paid the merger consideration for your shares of our common stock upon completion of the merger and surrender of your stock certificates.

Q: When should I send in my stock certificates?

A: **You should not return your stock certificates with the enclosed proxy card, and you should not forward your stock certificates to the paying agent without a letter of transmittal.** As soon as practicable, but in any event no later than five business days following the effective time of the merger, a paying agent will mail a letter of transmittal and instructions to you and the other Applica shareholders.

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The letter of transmittal and instructions will tell you how to surrender your stock certificates in exchange for the merger consideration.

Q: When can I expect to receive the merger consideration for my shares?

A: Once you have submitted your properly completed letter of transmittal, stock certificates and other required documents to the paying agent, the paying agent will send you the merger consideration.

Q: I lost my stock certificate how will I get my cash?

A: The materials the paying agent will send you after completion of the merger will include the procedures that you must follow if lost your stock certificate. This will include an affidavit that you will need to sign attesting that your certificate has been lost, stolen or destroyed. You will also be required to execute and deliver an indemnity agreement to provide indemnity against any claim that may be made against the surviving corporation and/or the paying agent on account of the alleged loss, theft or destruction of the certificate.

Q: What do I need to do now?

A: We urge you to read this proxy statement carefully, including its annexes, and to consider how the merger affects you. If you are a shareholder of record, then you can ensure that your shares are voted at the special meeting by completing, signing, dating and mailing each proxy card and returning it in the envelope provided. If you hold your shares in street name , you can ensure that your shares are voted at the special meeting by instructing to your broker on how to vote.

Q Can I change my vote after I have mailed in my proxy card?

A: Yes. You can change your vote at any time before we vote your proxy at the special meeting. You can do so by:

- delivering a written notice to the corporate secretary of Applica before the special meeting that states that you revoke your proxy;
- delivering a signed and dated new proxy card before the special meeting in accordance with the instructions included with the proxy card; or
- attending the special meeting and voting in person.

Simply attending the special meeting will not revoke your proxy. If your shares are held in street name by your broker, bank, dealer or other nominee, you must follow instructions received from such broker, bank or nominee with this proxy statement in order to revoke your vote or to vote at the special meeting.

Q: Do I have appraisal rights?

A: You have no dissenters rights of appraisal or other rights to demand fair value for your shares by reason of the merger. Accordingly, it is very important that you vote because even if you do not vote, if the merger is approved at the special meeting, you will cease to have any rights with respect to your shares other than the right to receive $6.00 in cash, without interest, for each share of our common stock that you own.

Q: Who can answer further questions?

A: If you would like additional copies of this proxy statement or a new proxy card or if you have questions about the merger, you should contact our proxy solicitor, Georgeson Inc. at 17 State Street, New York, New York 10004 or call them toll-free at (866) 857-2634. (Banks and brokerage firms, please call (212) 440-9800.) You may also contact our Investor Relations Department at (954) 883-1000.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement, and the documents to which we refer you in this proxy statement, contain forward-looking statements about our plans, objectives, expectations and intentions. Forward-looking statements include information concerning possible or assumed future results of operations of our company, the expected completion and timing of the merger and other information relating to the merger. Generally these forward-looking statements can be identified by the use of forward-looking terminology such as anticipate, believe, estimate, expect, may, should, plan, project and similar expressions. For each of these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You should read statements that contain these words carefully. They discuss our future expectations or state other forward-looking information, and may involve known and unknown risks over which we have no control. Those risks include, without limitation:

- the ability to obtain governmental approvals of the merger on the proposed terms and schedule;
- failure to obtain the approval of the merger proposal at the special meeting of shareholders;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement, including a termination under circumstances that could require us to pay a termination fee to Buyer in the amount of $4.0 million plus up to $2.0 million of reasonable documented, third party, out of pocket expenses;
- the amount of the costs, fees, expenses and charges related to the merger;
- the failure of the merger to close for any reason;
- disruption from the announcement of the merger, and the merger, making it more difficult to maintain relationships with customers, employees or suppliers;
- the risk that the merger may not be completed in a timely manner or at all, which may adversely affect our business and the price of our common stock;
- the potential adverse effect on our business, properties and operations because of certain covenants we agreed to in the merger agreement;
- the uncertainty as to the outcome of the pending litigation filed by NACCO Industries, Inc. and HB-PS Holding Company, Inc. related to the termination of their merger agreement with us and the impact of such litigation on the merger; and
- other risks detailed in our filings with the Securities and Exchange Commission (the SEC), including Item 1A. Risk Factors in our Annual Report on Form 10-K for our fiscal year ended December 31, 2005. See Where You Can Find More Information on page 64.

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THE PARTIES TO THE MERGER AGREEMENT

Applica Incorporated

We are a Florida corporation, which was incorporated in 1963, and a marketer and distributor of a broad range of branded small household appliances. We market and distribute kitchen products, home products, pest control products, pet care products and personal care products. We market products under licensed brand names, such as Black & Decker®, and our own brand names, such as LitterMaid®, Belson®, Windmere® and Applica®. Our customers include mass merchandisers, beauty supply distributors, specialty retailers, department stores, pet supply channels, home centers and appliance distributors primarily in North America, Latin America and the Caribbean.

Our principal executive office is located at 3633 Flamingo Road, Miramar, Florida 33027, and our telephone number is (954) 883-1000.

APN Mergersub, Inc.
APN Holding Company, Inc.
Harbinger Capital Partners Master Fund I, Ltd.
Harbinger Capital Partners Special Situations Fund, L.P.

APN Mergersub, Inc. is a Florida corporation formed in anticipation of the merger by the Harbinger Funds. Subject to the terms and conditions of the merger agreement and in accordance with Florida law, at the effective time of the merger APN Mergersub, Inc. will merge with and into Applica Incorporated. APN Mergersub, Inc. has *de minimis* assets and no operations. APN Holding Company, Inc. is a Delaware corporation that owns APN Mergersub, Inc., that was formed in anticipation of the merger by the Harbinger Funds and that is directly owned by them. APN Holding Company, Inc. has *de minimis* assets and no operations. APN Mergersub, Inc. and APN Holding Company, Inc. each have designated their principal executive offices at c/o 555 Madison Avenue, 16th Floor, New York, New York 10022, and their telephone number is (212) 521-6970.

The Harbinger Funds are affiliated investment funds that have committed to provide, at the effective time of the merger, an aggregate amount of up to $275 million of equity financing for the completion of the merger, including the approximately $93 million required to pay the merger consideration. The investment team responsible for the Harbinger Funds is located in New York City and manages in excess of $4 billion in capital through two complementary strategies. Harbinger Capital Partners Master Fund I, Ltd. is focused on restructurings, liquidations, event-driven situations, turnarounds and capital structure arbitrage, including both long and short positions in highly leveraged and financially distressed companies. Harbinger Capital Partners Special Situations Fund, L.P. is focused on distressed debt securities, special situation equities and private loans and notes in a predominantly long-only strategy. Harbinger has pursued from time to time, and will continue to pursue, other acquisition opportunities in the small home appliance industry. If successful, any such companies acquired by Harbinger might be combined with Applica.

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THE SPECIAL MEETING

Time, Place and Date

This proxy statement is being furnished to our shareholders as part of the solicitation of proxies by our board of directors for use at the special meeting to be held on [___], beginning at 10:00 a.m., local time, at our executive offices located at 3633 Flamingo Road, Miramar, Florida 33027, or at any postponement or adjournment thereof.

Purpose of the Meeting

The purpose of the special meeting is for our shareholders to consider and vote upon the adoption of the merger agreement. Our shareholders must adopt the merger agreement for the merger to occur. If our shareholders fail to adopt the merger agreement, the merger will not occur. A copy of the merger agreement is attached to this proxy statement as Annex A. This proxy statement and the enclosed form of proxy are first being mailed to our shareholders on or about [___].

Record Date, Voting and Quorum

All shareholders of record at the close of business on [___], the record date for the special meeting, will be entitled to vote at the special meeting, except that shares of our common stock that are beneficially owned by Harbinger are not eligible or entitled to vote. See The Florida Control Share Act and Harbinger s Share Ownership on page 57 for an explanation as to why Harbinger is not entitled to vote at the special meeting. Those shareholders entitled to vote at the special meeting, will have one vote for each share of Applica common stock that they owned on the record date. As of the record date, there were [___] shares of our common stock entitled to be voted at the special meeting.

The holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting at the close of business on the record date represented in person or by proxy will constitute a quorum for purposes of the special meeting. A quorum is necessary to hold the special meeting. Once a share is represented at the special meeting, it will be counted for the purpose of determining a quorum at the special meeting and any postponement or adjournment of the special meeting. However, if a new record date is set for the adjourned special meeting, then a new quorum will have to be established.

Shareholder Vote Required To Adopt the Merger Agreement

Completion of the merger requires the adoption of the merger agreement by the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote at the close of business on the record date for the special meeting. Each outstanding share of our common stock is entitled to one vote at the special meeting, except that shares of our common stock that are beneficially owned by Harbinger are not eligible or entitled to vote. Thus, the affirmative vote of holders of common stock representing at least [___] votes will be required to approve the merger. A failure to vote your shares of our common stock or an abstention will have the same effect as voting against the merger.

As of the record date, our directors and executive officers beneficially owned, in the aggregate, 3,377,652 shares of our common stock, or approximately 13.5% of the outstanding shares of our common stock entitled to vote at the special meeting. The directors and executive officers have informed us that they intend to vote all of their shares of our common stock **FOR** the adoption of the merger agreement and **FOR** any adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies.

Under Florida law, Harbinger and its affiliated entities are not entitled to vote any of the 9,830,800 shares of our common stock owned by them as of the record date. See The Florida Control Share Act and Harbinger s Share Ownership on page 57 for an explanation as to why Harbinger is not entitled to vote at the special meeting.

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Voting and Proxies

If you are a shareholder of record entitled to vote at the special meeting and submit a proxy by returning a signed proxy card by mail, your shares will be voted at the special meeting as you indicate on your proxy card. If no instructions are indicated on your proxy card, your shares of our common stock will be voted **FOR** the adoption of the merger agreement and **FOR** any adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies.

If your shares are held in street name by your broker, you should instruct your broker how to vote your shares using the instructions provided by your broker. If you have not received such voting instructions or require further information, contact your broker and they can give you directions on how to vote your shares. Under the rules of the NYSE, brokers who hold shares in street name for customers may not exercise their voting discretion with respect to the approval of non-routine matters such as the approval of the merger and thus, absent specific instructions from you, brokers are not empowered to vote your shares with respect to the adoption of the merger agreement (i.e., broker non-votes). Shares of our common stock held by persons attending the special meeting but not voting, or shares for which we have received proxies with respect to which holders have abstained from voting, will be considered abstentions. Abstentions and properly executed broker non-votes, if any, will be treated as shares that are present and entitled to vote at the special meeting for purposes of determining whether a quorum exists but will have the same effect as a vote against adoption of the merger agreement and any adjournment or postponement of the special meeting.

If you are a participant in our 401(k) plan and have funds invested in units that in part represent Applica common stock, your proxy card will serve as a voting instruction for the trustee of the plan with respect to the shares of our common stock represented by your units. The number of shares of our common stock represented by the units you hold in the 401(k) plan is printed on the proxy card and will be voted by the trustee in accordance with your instructions. If a proxy covering shares represented by your units in the plan has not been received before the special meeting, or if it is signed and returned without instructions, the shares represented by your units in the 401(k) plan will not be voted. This will have the same effect as a vote against the adoption of the merger agreement.

Revocability of the Proxy

Any shareholder of record entitled to vote at the special meeting who executes and returns a proxy card may revoke the proxy at any time before it is voted by:

- delivering a written notice to the corporate secretary of Applica before the special meeting that states that you revoke your proxy;
- delivering a signed and dated new proxy card(s) before the special meeting in accordance with the instructions included with the proxy card(s); or
- attending the special meeting and voting in person.

Simply attending the special meeting will not constitute revocation of a proxy. If you have instructed your broker to vote your shares, the above-described options for revoking your proxy do not apply and instead you must follow the directions provided by your broker to change your vote.

Other Matters at the Special Meeting

We do not expect that any matter other than the adoption of the merger agreement (and the approval of the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies) will be brought before the special meeting. If, however, any such other matter is properly presented at the special meeting or any adjournment or postponement of the special meeting, the persons appointed as proxies will have discretionary authority to vote the shares represented by duly executed proxies in accordance with their discretion and judgment.

Adjournments and Postponements

Although it is not currently expected, the special meeting may be adjourned or postponed for the purpose of soliciting additional proxies. Any adjournment may be made without notice (if the adjournment is not for more than thirty days), other than by an announcement made at the special meeting of the time, date and place of the adjourned meeting. Whether or not a quorum exists, holders of a majority of the shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote thereat may adjourn the special meeting. If no instructions are indicated on your proxy card, your shares of our common stock will be voted **FOR** any adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow our shareholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

Solicitation of Proxies

We will pay the cost of this proxy solicitation. In addition to soliciting proxies by mail, our directors, officers and employees may solicit proxies personally and by telephone, facsimile or other electronic means of communication. These persons will not receive additional or special compensation for such solicitation services. We will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions. We have retained Georgeson Inc. to assist us in the solicitation of proxies for the special meeting and will pay Georgeson a fee of up to $16,500, plus reimbursement of out-of-pocket expenses for its services.

How You Can Vote

If you hold your shares in record name, you may vote your shares as follows:

Voting by Mail. You can vote your proxy by mail. If you choose to vote by mail, simply mark your proxy, date and sign it, and return it in the postage paid envelope provided.

Voting in Person. You can vote by appearing and voting in person at the special meeting.

THE MERGER

Background of the Merger

In recent years, the small household appliance industry in which we compete has come under significantly increasing competitive pressures. Consolidation in the retail industry, product price deflation, increased raw material prices and competition from higher-priced brands have all impacted the competitive landscape. These pressures have combined to increase the need for us to improve our operations and to consider potential transactions with strategic partners. In response to these pressures, our board regularly evaluated our operations and financial plan and discussed ways to maximize shareholder value.

Over the past few years, our senior management had informal, high level conversations with the management teams of certain third parties in the household appliance industry regarding potential strategic transactions. In the spring of 2005, Alfred M. Rankin, Jr., Chairman and Chief Executive Officer of NACCO Industries, Inc., contacted Harry Schulman, our Chairman and Chief Executive Officer, to express NACCO s preliminary interest in pursuing discussions regarding a strategic transaction between Applica and Hamilton Beach/Proctor-Silex, a subsidiary of NACCO. In April 2005, NACCO and Applica entered into a confidentiality agreement in connection with preliminary discussions between management of NACCO and Applica in connection with a potential transaction. Representatives of NACCO and Applica continued to have high-level discussions regarding a potential transaction from time to time throughout the second half of 2005. In the fall of 2005, Mr. Schulman advised Mr. Rankin that we were pursuing an internal restructuring aimed at maximizing shareholder value and expressed his view that, until we had an opportunity to more fully explore the potential benefits of the internal restructuring, he believed that it was premature to discuss a potential business combination transaction. Mr. Schulman indicated he intended to discuss the possibility of pursuing a transaction with NACCO with the board and encouraged Mr. Rankin to contact him in 2006 if NACCO remained interested in pursuing further discussions.

As part of our restructuring efforts, we decided to close our remaining manufacturing operations in Mexico, which occurred in October 2005. In addition, the board retained Alvarez & Marsal, LLC, a global professional services firm specializing in turnaround management, to work with the board of directors and management team to identify actions to accelerate our financial turnaround. Alvarez & Marsal assisted senior management in evaluating our strategic plan, implementing various business initiatives and driving performance improvement. The board also appointed an employee of Alvarez & Marsal as interim Chief Operating Officer, who served in such position until May 2006.

In the second half of 2005, we were contacted by another industry participant (Party A), which expressed a preliminary interest in exploring a merger transaction with us. On November 1, 2005, a board meeting was held, which was attended by our senior management and financial advisor, Banc of America Securities. Mr. Schulman informed the board members of his conversations with Party A. Our financial advisor discussed with the board certain publicly available information relating to Party A s recent financial and stock price performance. At this meeting, the board authorized our senior management and financial advisor to have an initial meeting with Party A to preliminarily discuss the possibility of a combination. Members of senior management updated the board members on the conversations with Party A at a meeting held on December 7, 2005.

On January 9, 2006, Mr. Rankin called Mr. Schulman to express NACCO s continued interest in pursuing discussions regarding a potential transaction with us and advised Mr. Schulman that NACCO was considering a structure that NACCO believed would be attractive to us and our shareholders. Mr. Schulman advised Mr. Rankin that he would discuss NACCO s interest with the board at the next meeting.

On January 20, 2006, a meeting of the board was held, which was attended by our senior management and financial advisor. Representatives of Alvarez & Marsal, LLC were also present at the meeting. Our financial advisor provided the board with a general update on the small household appliance industry and discussed various issues that could potentially impact our ability to effect certain strategic alternatives that might provide shareholder value. These included our ability to finance stock repurchases, dividends or acquisitions and to achieve our business plan as an independent company given, among other things, our leverage and recent financial and stock price performance. Our financial advisor then updated the board on its recent conversations with Party A and discussed with the board the potential pro forma equity ownership in a combination with Party A and potential debt structure

of the resulting entity. The board members discussed the advantages and disadvantages of a combination with Party A with our senior management and financial advisor.

The representatives of Alvarez & Marsal discussed with the board members their views with respect to the small household appliance industry and our position in it. They also discussed their views of the strategic alternatives available to us, including selling our company, continuing as an independent company, undertaking further restructuring and then selling the company, and the sale of portions of our business.

Additionally, during the January 20, 2006 meeting, Mr. Schulman advised the board of the details of his call with Mr. Rankin regarding NACCO s interest in pursuing a strategic transaction with us through a spin-off of its Hamilton Beach/Proctor-Silex business followed by a merger with us. The board engaged in a general discussion regarding the potential merger transactions with NACCO and Party A. The directors noted Party A s financial performance and the significant leverage of the combined entity that would result from a transaction with Party A. They also discussed the potential synergies available in a transaction with either party. The board authorized our senior management and financial advisor to meet with NACCO, to continue discussions with Party A and to report back to the board regarding each.

During a regular meeting of the board held on February 17, 2006, attended by our senior management and Alvarez & Marsal, representatives of Alvarez & Marsal engaged in further discussion with the board regarding its analysis of our potential strategic alternatives given the challenges and opportunities presented by the changing competitive landscape and industry trends. Alvarez & Marsal informed the board members that it recommended that we continue our restructuring efforts while simultaneously commencing a process to sell or merge the company. The board discussed the potential benefits and risks of the strategic alternatives available to us, including those that did not involve a sale of the company. In deciding whether to formally pursue potential strategic alternatives, the directors discussed the risks that would be involved in moving forward with a sale process, including the potential disruption to the business arising from the uncertainty experienced by employees, suppliers and customers. The board also discussed our business and financial prospects if we remained independent in light of the potential effects of consolidation of the industry and the possibility that no attractive bids for us would materialize if the decision to commence a sale process were delayed. Following this discussion, the independent board members met in executive session to discuss theses issues. Following the executive session, the full board resumed its meeting and unanimously determined that it would be in the best interests of our shareholders to engage in an organized process to explore possible strategic alternatives for the sale or merger of the company in order to enhance shareholder value.

On February 21 and 22, 2006, senior representatives of NACCO met with our senior management and financial advisor to explore a potential transaction. On February 28, 2006, we publicly announced that we were exploring possible strategic alternatives to enhance shareholder value.

On March 7, 2006, the board held a meeting, which was attended by our senior management and financial advisor. At the meeting, our financial advisor discussed with the board matters pertaining to the strategic alternative process, including possible transaction structures and potential entities to be contacted in such process (including NACCO and Party A), and outlined for the board the mechanics for soliciting indications of interest from potential partners and a possible transaction timeline. Our General Counsel also reviewed with the board its fiduciary duties in evaluating merger and acquisition transactions.

On March 13, 2006, Harbinger Capital Partners Master Fund I, Ltd. filed a Schedule 13G indicating that it had acquired beneficial ownership of 2,079,330 shares, or 8.6% of the outstanding shares of our common stock, and certain other reporting persons named therein had acquired 2,154,600 shares, or 8.9% of the outstanding shares of our common stock.

In March 2006, at the direction of our board, 20 potential financial buyers and 26 potential strategic buyers (including Party A and NACCO) were contacted by Banc of America Securities to determine their interest in a potential transaction with us. Of the 46 parties contacted, seven expressed initial indications of interest (three of which expressed interest in all of our assets (including NACCO and Party A) and four of which expressed interest in parts of our business.

On March 31, 2006, NACCO s financial advisor contacted our financial advisor to discuss the strategic alternative process. NACCO s initial indication of interest dated April 19, 2006 proposed a transaction in which NACCO would spin off the holding company for Hamilton Beach/Proctor-Silex, which would immediately thereafter merge with us. The indication provided that the outstanding shares of our common stock would be converted into the right to receive a number of shares of the combined entity equal to 25% of the aggregate number of shares of the combined entity outstanding immediately following the spin off and merger. The proposal also included the payment of a cash dividend of between $100 million and $125 million from Hamilton Beach/Proctor-Silex to NACCO immediately preceding the spin off and merger, which was based on the pro forma capital structure of the combined company and the equity value of the merger consideration. Party A s initial indication of interest proposed a stock-for-stock merger of Party A with us. The third party that submitted an initial indication of interest for all of the company proposed an all cash transaction.

The board met on April 4, 2006 and April 19, 2006 and received updates from our financial advisor regarding the indications of interest that had been received.

On April 13, 2006, Harbinger Capital Partners Master Fund I, Ltd. filed an amendment to its Schedule 13G indicating that it had increased its ownership in Applica to 3,739,730 shares, or 15.5% of the outstanding shares of our common stock, and that certain other reporting persons named therein had increased their beneficial ownership in Applica to 3,815,000 shares, or 15.8% of the outstanding shares of our common stock.

In April and May 2006, our management made five separate presentations to parties that had expressed initial indications of interest. Three presentations were made to parties that had expressed interest in a transaction involving the entire company (including NACCO and Party A) and two presentations were made to those parties expressing interest in acquiring only certain of our businesses. Following these management presentations, each party was asked to confirm its initial views on value after participating in the management presentation. After the management presentations, the two parties expressing interest in acquiring only certain of our assets maintained their initial indications of interest, NACCO confirmed its proposal and Party A submitted a revised indication of interest that improved its initial merger proposal. The other party interested in acquiring the company verbally lowered its cash offer and also informed our financial advisor that it was likely to have difficulty completing a transaction on the terms proposed given that it was not currently a participant in the small household appliance industry and, consequently, there would be no potential for material synergies.

On May 2, 2006, a regular meeting of the board was held, at which the directors received an update from senior management on the strategic alternatives process and the management presentations. Additionally, on May 5, 2006, a meeting of the board was held, which was attended by our senior management and financial advisor. At this meeting, our management and financial advisor further updated the board members on the strategic alternative process and the indications of interest that had been received. Our financial advisor reviewed each of the proposals with the board and discussed certain publicly available financial and other information relating to the potential bidders.

The board of directors discussed the implications of selling certain of our businesses, as proposed in two of the indications of interest, and concluded that it was unlikely that a partial sale would meaningfully improve the market price of our common stock. The board members also discussed the three proposals regarding the sale or merger of the entire company. The board was informed by our financial advisor that the party offering to purchase the company for cash had indicated that it was likely to have difficulty completing a transaction on the terms proposed. Our financial advisor also relayed to the directors the reasons articulated by such party. The board then discussed various aspects of the proposals made by NACCO and Party A. The board also discussed the fact that a merger transaction would require diligence reviews by us of the proposed merger partner and that it would not be feasible to conduct diligence reviews of both Hamilton Beach/Proctor-Silex and Party A simultaneously. After comparing the proposals from NACCO and Party A with respect to the strategic fit with us, each party s historical and projected financial performance, the strategic rationale of each companies brand channels and the potential pro forma leverage of the combined company following a merger transaction, the board decided to pursue a potential transaction with NACCO. The directors instructed our financial advisor to inform NACCO that it could commence detailed due diligence and that the board would further assess the merits of its transaction proposal. The board also instructed our financial advisor to inform the other parties which had provided indications of interest (including Party A) that we would be focusing on another

proposal.

Following the May 5, 2006 meeting of our board, our senior management and legal and financial advisors began to discuss and negotiate a possible transaction with NACCO. We also began to conduct detailed due diligence investigations with respect to business, legal, tax and other matters.

On May 9, 2006, the board held its annual meeting. Mr. Schulman updated the directors on the status of the negotiations with NACCO and discussed a projected timeline for a possible transaction with NACCO. The directors discussed the due diligence process and the need to undertake extensive due diligence of Hamilton Beach/Proctor-Silex. Senior management reported to the directors that Greenberg Traurig P.A., our legal advisor, and an acquisition team from Deloitte & Touche were assisting us in our due diligence investigation. The directors also discussed strategic alternatives available to Applica in the event that an agreement relating to the NACCO transaction was not executed, including the proposal by Party A, remaining a stand-alone organization, selling certain divisions of the company and liquidating the company.

The independent directors on our board met in executive session on May 9, 2006 and discussed our pursuit of strategic alternatives. At this meeting, the non-management directors decided to engage Capitalink, L.C. as an independent financial advisor to the board to assist the board in its review of strategic alternatives. Capitalink was subsequently engaged as a financial advisor to the independent members of the board and received a fixed monthly fee for its services.

On May 17, 2006, Harbinger Capital Partners Master Fund I, Ltd. filed a Schedule 13D indicating that it had increased its ownership in Applica to 6,000,000 shares, or 24.7% of the outstanding shares of our common stock. Harbinger Capital Partners Master Fund I, Ltd. and the other reporting persons named therein disclosed in such Schedule 13D that the shares were acquired for, and being held for, investment purposes and that the acquisitions were made in the ordinary course of the reporting persons business or investment activities, as the case may be.

On May 18, 2006, the board held a special meeting, which was attended by our senior management and financial advisor, to discuss the status of negotiations with NACCO and the exploration of strategic alternatives generally. Various matters with respect to the NACCO merger were discussed at this meeting, including, among other things, the structure of the proposed transaction, the status of the due diligence investigations and the proposed dual class common stock structure.

On May 24, 2006, our senior management and legal and financial advisors attended a presentation by Hamilton Beach/Proctor-Silex s senior management. Following this presentation and during the remainder of the week, we conducted initial due diligence of Hamilton Beach/Proctor-Silex s operations. Throughout June, our management and advisors visited various Hamilton Beach/Proctor-Silex facilities and conducted diligence reviews. Members of our management also engaged in extensive conversations with NACCO and Hamilton Beach/Proctor-Silex regarding their business and operations.

On June 6, 2006, NACCO s legal advisor provided draft merger documentation to Greenberg Traurig and, over the next several weeks, the parties and their respective counsel negotiated the terms of the merger agreement, the spin-off agreement and other transaction documents while due diligence investigations continued.

Also on June 6, 2006, Harbinger Capital Partners Master Fund I, Ltd. and the other reporting persons named therein filed an amended Schedule 13D indicating that they had increased their ownership in Applica to 7,502,800 shares, or 30.8% of the outstanding shares of our common stock.

On June 15, 2006, the board held a meeting, which was attended by our senior management and financial advisor. At the meeting, our senior management provided the directors with the preliminary results of the due diligence investigation of Hamilton Beach/Proctor-Silex and discussed the status of the negotiations with NACCO.

On June 21, 2006, Harbinger Capital Partners Master Fund I, Ltd. and the other reporting persons named therein filed an amended Schedule 13D indicating that they had increased their ownership in Applica to 7,789,100 shares, or 32.0% of the outstanding shares of our common stock. The reporting persons disclosed in such amended Schedule 13D that the shares of Applica had been acquired for investment, and that the reporting persons would

evaluate such investment on a continual basis including, without limitation, for possible synergies with their other current investments. The reporting persons also reserved the right to contact our management and members of our board regarding alternatives that we could employ to maximize shareholder value and to act in concert with any other Applica shareholders for a common purpose, should they decide to do so and/or to recommend courses of action to our management, our board of directors and our shareholders.

On June 28, 2006, a meeting was held in order to update the board on the progress made to date with respect to the NACCO merger. Our senior management and legal and financial advisors participated in the meeting, as well as representatives of Capitalink. Senior management and representatives from Banc of America Securities provided the board with an overview of the proposed transaction with Hamilton Beach/Proctor-Silex. The directors, together with our management and financial advisor, also reviewed the strategic rationale for the NACCO merger.

On July 7, 2006, Mr. Schulman contacted Mr. Rankin to discuss the possible transaction and tasks that had to be completed. Over the next few weeks, NACCO s and Hamilton Beach/Proctor-Silex s legal advisors and Greenberg Traurig continued to negotiate definitive transaction documentation and finalize their respective due diligence reviews.

In mid-July, NACCO requested a change in the proposed dual class structure contemplated for the combined company. The original transaction provided that in the spin off, each holder of NACCO Class A common stock would receive a share of Hamilton Beach Class A common stock and each holder of NACCO Class B common stock would receive a share of Hamilton Beach Class B common stock. However, as the result of certain provisions of the NACCO Certificate of Incorporation which required all holders of NACCO shares to receive equal consideration in the spin off, NACCO requested that the transaction be revised such that each holder of NACCO Class A common stock and Class B common stock both receive one half of a share of Hamilton Beach Class A common stock and one half of a share of Hamilton Beach Class B common stock.

In mid-July, a representative of Harbinger Capital Partners Master Fund I, Ltd. contacted our financial advisor concerning the exploration of a possible strategic transaction. However, we were unable to reach agreement on the terms of a confidentiality and standstill agreement and it did not participate in our review of strategic alternatives.

On July 17, 2006, the board held a meeting which was attended by our senior management and Banc of America Securities, as well as representatives of Capitalink. At this meeting, our senior management reported on the results of the due diligence investigation and one of our directors reported on the results of an earlier conversation with Mr. Rankin and other persons regarding the proposed operation of the newly combined company. Also at this meeting, Banc of America Securities informed the board members of the modification requested by NACCO of the dual class structure contemplated for the combined company and discussed the revised structure with the board. Members of senior management discussed the current status of negotiations with NACCO and the terms of the current drafts of the merger agreement, spin-off agreement and other transaction documents. Mr. Schulman reported to the directors that our senior management supported the proposed transaction. After a comprehensive discussion, the directors instructed Banc of America Securities to request that NACCO enhance the financial terms of the transaction, in an effort to assure that the proposed terms represented the best value reasonably obtainable, and to confirm that the amount of the dividend to be paid to NACCO immediately prior to the spin-off and merger would be limited to $110 million. In connection with this request, Banc of America Securities subsequently proposed to NACCO s financial advisor the payment of a $25 million dividend to our shareholders immediately prior to the consummation of the merger. This proposal was rejected by NACCO.

During the week of July 17, 2006, substantial progress was made in negotiating the terms and conditions of the merger agreement, spin-off agreement and other transaction documents for the NACCO merger.

On July 19, 2006, we received a letter from Party A reconfirming its interest in a stock-for-stock merger with us. However, the letter did not specify the terms of an offer. In subsequent conversations with our financial advisor on that same day, Party A s financial advisor indicated that Party A might consider making a revised proposal that would permit our shareholders to elect to receive cash instead of Party A common stock. Party A was

advised that any revised proposal should be made as soon as possible. We did not receive a revised proposal from Party A.

Also on July 19, 2006, the board held a meeting, which was attended by our senior management and legal and financial advisors, as well as representatives of Capitalink, to discuss in detail the terms of the NACCO merger. Our financial advisor updated the directors with respect to the status of the merger discussions with NACCO and informed the directors that NACCO had indicated that it was unwilling to modify the financial terms of the merger and would not pay a dividend to our shareholders, but had confirmed that the dividend to be paid to NACCO immediately prior to the spin-off and merger would be limited to $110 million. Our financial advisor also informed the directors of the letter that had been received earlier in the day from Party A and the subsequent discussions with Party A s financial advisor regarding a revised proposal. The directors proceeded to discuss the terms of the NACCO merger and matters pertaining to Party A. A lengthy and detailed discussion ensued regarding Party A and the board s initial rationale for not exploring a potential transaction with Party A at that point in time. Following extensive discussion, the directors determined that the concerns initially expressed that led to a decision not to pursue a transaction with Party A remained primarily that the board believed that it was unlikely that Party A could match or exceed the value believed to be inherent in the NACCO merger and that no formal response to the letter was necessary, absent receipt of a revised proposal. The members of senior management then advised the directors on the status of the negotiations concerning the transaction documents.

On July 21, 2006, the board met to consider the NACCO merger. Our senior management and legal and financial advisors, as well as representatives of Capitalink, attended the meeting. Senior management reviewed for the directors the course of discussions and negotiations with NACCO following the last meeting of the board and summarized the terms and conditions of the NACCO merger agreement, the regulatory approval process and the financial and strategic implications of the merger. Also at this meeting, Banc of America Securities and Capitalink discussed with the board financial aspects of the NACCO merger. In addition, representatives of Greenberg Traurig discussed the fiduciary obligations of the directors in connection with their consideration of the proposed merger agreement.

After an extensive discussion of the proposed transaction, the board resolved that the NACCO merger agreement and the NACCO merger were advisable for, fair to and in the best interest of our shareholders and voted to approve and adopt the NACCO merger agreement and the NACCO merger.

Over the next few days, representatives of Applica, Hamilton Beach/Proctor-Silex and NACCO, as well as their legal and financial advisors, worked to finalize the transaction documentation. Late in the evening of July 23, 2006, NACCO, HB-PS Holding Company, Inc., and Applica executed the merger agreement. On July 24, 2006, prior to the opening of trading on the NYSE, NACCO and Applica issued a joint press release announcing the NACCO merger.

On July 31, 2006, a representative of Harbinger Capital Partners Master Fund I, Ltd. contacted a member of our senior management regarding the merger announcement and expressed dissatisfaction with the terms of the NACCO merger. The senior executive responded that management intended to promote acceptance of the NACCO merger and that a proxy statement would be filed shortly containing additional information about the proposed transaction. He further noted that we would meet with shareholders after the filing of the initial proxy statement to seek shareholder support for the NACCO merger.

On August 1, 2006, the board held its previously scheduled quarterly meeting to review our second quarter results. At such meeting, the directors discussed the timeline for the NACCO merger and employee and customer reactions to the announcement. The board also discussed Harbinger Capital Partners Master Fund I, Ltd. s expressed dissatisfaction with the NACCO merger.

On August 2, 2006, the Harbinger Funds and certain other persons delivered an Acquiring Person Statement and an accompanying letter to us pursuant to the Florida Control Share Act. Such persons sought at our next annual or special shareholders meeting to have restored any voting rights which may have been lost as a result of the application of the Florida Control Share Act to the shares of our common stock then owned, or acquired in the future, by the Harbinger Funds and the other persons named in the Acquiring Person Statement.

On August 3, 2006, the Harbinger Funds and the other reporting persons named therein filed an amended Schedule 13D indicating that they had increased their aggregate ownership in Applica to 7,921,200 shares, or 32.55% of the outstanding shares of our common stock. In addition, the Harbinger Funds and the other reporting persons disclosed that, during the July 31 call with one of our senior executives described above, the issue of the Florida Control Shares Act was discussed. Finally, the Harbinger Funds and the other reporting persons reported that they had filed the Acquiring Person Statement described above.

The reporting persons also reserved the right to be in contact with members of our management, the members of our board of directors, other significant shareholders, NACCO s management and directors and others regarding alternatives that we could employ to maximize shareholder value. The reporting persons also reserved the right to effect transactions that would change the number of shares they may be deemed to beneficially own and they also reserved the right to act in concert with any of our other shareholders, or other persons, for a common purpose should they determine to do so, and/or to recommend courses of action to our management, board of directors and our shareholders.

On August 8, 2006, a representative of Greenberg Traurig had a discussion with counsel for the Harbinger Funds and acknowledged our receipt of the Acquiring Person Statement. Among other things discussed, our counsel informed the Harbinger Funds counsel that we intended to include the issue on the agenda at the next special meeting of our shareholders, at which the NACCO merger would also be considered. The Harbinger Funds and the other reporting persons named therein filed an amendment to their Schedule 13D on the same date reflecting their view of such conversation. The amendment also indicated that the Harbinger Funds and the other reporting persons named therein had increased their aggregate ownership in Applica to 8,621,100 shares, or 35.20% of the outstanding shares of our common stock. The reporting persons also reserved the right to be in contact with members of our management, the members of our board of directors, other significant shareholders, NACCO s management and directors and others regarding alternatives that we could employ to maximize shareholder value. The reporting persons also reserved the right to effect transactions that would change the number of shares they may be deemed to beneficially own and they also reserved the right to act in concert with any of our other shareholders, or other persons, for a common purpose should they determine to do so, and/or to recommend courses of action to our management, board of directors and our shareholders.

On August 9, 2006, our counsel sent a letter to the Harbinger Funds counsel confirming the conversation of August 8 and clarifying our view of certain matters disclosed in the amended Schedule 13D filed by the Harbinger Funds and the other reporting persons named therein on August 2, including statements by our executive officer regarding the Florida Control Share Act. The Harbinger Funds and the other reporting persons named therein filed the letter on August 11, 2006 as an exhibit to an amendment to their Schedule 13D, which amendment also indicated that the reporting persons had increased their aggregate ownership in Applica to 9,201,000 shares, or 37.57% of the outstanding shares of our common stock.

On August 17, 2006, the Harbinger Funds and the other reporting persons named therein filed an amendment to their Schedule 13D indicating that they had sent a letter to us requesting inspection of our shareholder list and certain other records and that they had increased their aggregate ownership in Applica to 9,611,600 shares, or 39.24% of the outstanding shares of our common stock. We provided the Harbinger Funds with a copy of a shareholder list as of the record date of our 2006 annual meeting of shareholders, which was March 20, 2006.

On August 31, 2006, the board met to discuss the disclosures included in the proxy statement/prospectus/information statement to be filed in connection with the NACCO merger, and the inclusion of the proposal by the Harbinger Funds and certain other persons under the Florida Control Share Act for the restoration of voting rights on the agenda of the special shareholders meeting to be held to consider the NACCO merger.

On September 12, 2006, HB-PS Holding Company, Inc. filed a registration statement on Form S-4 containing a preliminary proxy statement for our special shareholders meeting to consider the proposal to approve and adopt the NACCO merger, as well as the proposal by the Harbinger Funds and certain other persons under the Florida Control Share Act.

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On the evening of September 13, 2006, a representative of the Harbinger Funds contacted a member of our senior management team and expressed continued dissatisfaction with the terms of the NACCO merger following a review of the preliminary proxy statement.

In the morning on September 14, 2006, a representative from the Harbinger Funds contacted a member of our senior management team and advised such person that Philip Falcone, Senior Managing Director of the Harbinger Funds, would be contacting Mr. Schulman prior to 9:00 a.m. that morning. Shortly thereafter, Mr. Falcone initiated a phone call and spoke to Mr. Schulman and two other members of our senior management. Mr. Falcone indicated that a letter from the Harbinger Funds to us setting forth the Harbinger Funds offer to acquire the shares of our common stock that they did not currently own for $6.00 per share in cash would shortly be delivered to us and thereafter be released publicly. Upon receipt, we provided written notice to NACCO that we had received the unsolicited, bona fide written offer from the Harbinger Funds. The Harbinger Funds and the other reporting persons named therein filed an amendment to their Schedule 13D indicating that they had made such offer and that they had increased their aggregate ownership in Applica to 9,830,800 shares, or 40.14% of the outstanding shares of our common stock, and included a copy of a second Acquiring Person Statement delivered to Applica by the Harbinger Funds and certain other persons named therein.

Later on September 14, 2006, the board held a meeting to discuss the Harbinger Funds offer and its obligations under the NACCO merger agreement. The meeting was attended by our senior management and legal and financial advisors, as well as representatives of Capitalink and the board s independent legal counsel, Boies, Schiller & Flexner LLP. At the meeting, the board reviewed and discussed the offer from the Harbinger Funds with management and the legal and financial advisors. The board also discussed with the legal advisors the provisions of the NACCO merger agreement relating to competing transactions. After consultation with the legal and financial advisors, the board determined that there was a reasonable likelihood that the Harbinger Funds offer would constitute a superior proposal (as defined in the NACCO merger agreement). After further consultation with the legal advisors, the board also determined that it was required by its fiduciary duties to engage in discussions and negotiations with the Harbinger Funds in response to their offer. The board then authorized senior management, subject to our compliance with the terms of the NACCO merger agreement, to negotiate and enter into a confidentiality agreement with the Harbinger Funds and to thereafter engage in discussions and negotiations with them.

On September 15, Greenberg Traurig notified NACCO s legal advisor in writing that the board had determined that there was a reasonable likelihood that the Harbinger Funds offer would constitute a superior proposal (as defined in the NACCO merger agreement).

Over the next few days, members of our senior management and representatives of Greenberg Traurig negotiated a confidentiality agreement with the Harbinger Funds and their legal advisor, Paul, Weiss, Rifkind, Wharton & Garrison LLP, which was executed on September 21, 2006. A copy of such agreement was provided to NACCO s counsel later that day. Thereafter, the Harbinger Funds and their legal and financial representatives commenced detailed due diligence on us and we commenced due diligence on the ability of the Harbinger Funds to pay the merger consideration. Over the next few weeks, members of senior management and our legal and financial advisors met with, and we responded to due diligence questions from, Harbinger and its legal and financial advisors.

On September 22, 2006, the Harbinger Funds and the other reporting persons named therein filed an amendment to their Schedule 13D including a copy of the confidentiality agreement.

On October 4, 2006, Paul Weiss provided a draft merger agreement to us and Greenberg Traurig and, over the next few days, the parties and their respective counsel negotiated the terms of the merger agreement while due diligence investigations continued.

On October 9, 2006, the board met to review the terms of the merger agreement. Our senior management and legal and financial advisors, as well as representatives of Capitalink, attended the meeting. Senior management reviewed with the directors the course of discussions and negotiations with the Harbinger Funds following the last meeting of the board and summarized the terms and conditions of the proposed merger agreement, the regulatory approval process and the financial and strategic implications of the merger. Also at this meeting, Banc of America Securities and Capitalink discussed with the board financial aspects of the merger. The board members also

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discussed financial aspects and terms of the NACCO merger with senior management and the legal and financial advisors, and compared the two transactions. Our legal advisor also discussed with the board the contractual requirements in the NACCO merger agreement that needed to be followed by us in accepting a superior proposal (as defined in the NACCO merger agreement).

On October 10, 2006, the board met again with senior management and our legal and financial advisors and the independent directors legal and financial advisors. At this meeting, the board reviewed and discussed the terms of the proposed merger agreement with senior management and the legal and financial advisors and determined that the Harbinger Funds offer, as further reflected in the proposed merger agreement, constituted a superior proposal (as defined in the NACCO merger agreement). The board further determined that we should provide NACCO with notice as to our intent to terminate the NACCO merger agreement in order to enter into an agreement with Harbinger with respect to its superior proposal if all of the conditions for terminating the NACCO merger agreement were satisfied.

Following the meeting, Mr. Schulman provided NACCO with written notice of the board s intention to terminate the NACCO merger agreement in four business days pursuant to the terms of such agreement. The notice included a copy of the proposed merger agreement.

On October 11, 2006, representatives of Greenberg Traurig had conversations with NACCO s legal representatives in which NACCO alleged that we had not complied with certain of the requirements of the NACCO merger agreement relating to a competing transaction. We strongly disagreed with this assertion. However, to attempt to satisfy NACCO s stated concerns, on October 12, 2006, Harbinger provided us with a letter confirming their offer to enter into the proposed merger agreement. On October 12, 2006, the board held a meeting to review such letter. Our senior management and legal advisors, as well as representatives of the independent directors legal and financial advisors, attended the meeting. At the meeting, the board reconfirmed (1) that the offer constituted a superior proposal (as defined in the NACCO merger agreement) and (2) its current intent to terminate the NACCO merger agreement if all of the conditions for terminating the NACCO merger agreement were satisfied. The board discussed NACCO s allegations with the legal advisors and, although it believed in good faith that we had properly complied with all requirements under the NACCO merger agreement, the board agreed to re-notify NACCO of its conclusions and provide NACCO with a new four business day period in which to propose changes to the terms of the NACCO merger and the NACCO merger agreement. We provided NACCO with written notification of such matters on October 12, 2006 and informed NACCO that we were available to engage in good faith negotiations with respect to such changes as NACCO and HB-PS Holding Company, Inc. may propose to the terms of the NACCO merger agreement. At no time did NACCO or HB-PS Holding Company, Inc. propose to modify the terms of the NACCO merger agreement.

On the morning of October 19, 2006, the board held a meeting, in which members of senior management and our legal and financial advisors, as well as the independent directors legal and financial advisors, participated. At the meeting:

- senior management reviewed for the directors the course of discussions and negotiations with the Harbinger Funds following the last meeting;

- the board reviewed the terms of the merger agreement with our legal and financial advisors and the independent directors legal and financial advisors;

- the board noted that at no time did NACCO or HB-PS Holding Company, Inc. propose to modify the terms of the NACCO merger agreement;

- Banc of America Securities reviewed with the board its financial analysis of the $6.00 per share merger consideration and delivered an oral opinion, which was confirmed by delivery of a written opinion, dated October 19, 2006, to the effect that, as of that date and based on and subject to various assumptions and limitations described in its opinion, the $6.00 per share merger consideration to be received by holders of our common stock, other than Harbinger and its affiliates, pursuant to the merger agreement was fair, from a financial point of view, to such holders;

Capitalink provided the board with their observations regarding the proposed transaction and the financial analyses performed by Banc of America Securities and advised the directors that they believed that the financial analyses performed by, and the conclusion of, Banc of America Securities appeared to be reasonable;

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the directors discussed the potential interests of certain of our officers and directors in the proposed transaction that were different from our shareholders generally;

the board determined that the Harbinger Funds offer remained a superior proposal (as defined in the NACCO merger agreement) following the expiration of a period during which NACCO could propose changes to the NACCO merger agreement of which was in excess of that required by the NACCO merger agreement, and that terminating the NACCO merger agreement was reasonably required by the board s fiduciary obligations under applicable law; and

the board approved the termination of the NACCO merger agreement and the payment of the termination fee and termination expenses to NACCO under the NACCO merger agreement.

After lengthy discussions and a thorough review with senior management and the legal and financial advisors, the board determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, were advisable for, fair to and in the best interest of our shareholders (other than Harbinger and its affiliates) and voted to approve and adopt the merger agreement and the merger.

Following the meeting, we provided NACCO with written notice of the termination and paid to NACCO a termination fee and expense reimbursement of $6 million pursuant to the terms of the NACCO merger agreement. After payment of such fees and expenses and delivery of the notice of termination, we executed the Harbinger merger agreement and thereafter issued a press release announcing the termination of the NACCO merger agreement and the execution of the merger agreement with Harbinger. A copy of the merger agreement is attached as Annex A to this proxy statement.

Reasons for the Merger

In evaluating the merger, the board consulted with our management and legal and financial advisors and considered a variety of factors in reaching its conclusion to approve the merger and the merger agreement and to recommend that the shareholders vote **FOR** the adoption of the merger agreement, including the material factors described below.

Financial and Business Considerations

The board considered the following financial and business factors:

after signing our initial merger agreement with NACCO and HB-PS Holdings Company, Inc. on July 23, 2006 (the NACCO merger agreement), we received an unsolicited bona fide written offer from the Harbinger Funds to acquire all outstanding shares of our common stock (other than shares held by Harbinger and its affiliates) for $6.00 per share in cash;

after consultation with senior management and the financial advisors and following receipt of the advice of the legal advisors, the board determined that such offer constituted a superior proposal (as defined in the NACCO merger agreement);

the merger consideration of $6.00 per share in cash represents a premium of approximately (a) 32% over the closing sale price per share for our common stock on the NYSE as of September 13, 2006 of $4.53 per share, the last trading day prior to the public announcement of the Harbinger offer, (b) 52% over the closing sale price as of July 24, 2006 of $3.96, the day of the public announcement of the execution of the NACCO merger agreement, and (c) 273% over the 30-day weighted average closing price of $1.61 from January 17, 2006 to February 27, 2006, the last trading day prior to the public announcement of exploring strategic alternatives;

our prospects and potential future financial performance as an independent company in light of the consolidation occurring in the small household appliance industry;

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- the opinion of Banc of America Securities, including its financial presentation, dated October 19, 2006, to the board as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be received by holders of our common stock, other than Harbinger and its affiliates, pursuant to the merger agreement, as more fully described below in the section entitled The Merger Opinion of Our Financial Advisor;
- the merger consideration would be paid entirely in cash, which provides certainty of value to our shareholders; and
- the transaction is not subject to any financing condition.

Other Positive Transaction Considerations

The board also considered the following factors:

- we, with the assistance of our financial advisor, conducted a full and complete process to explore strategic alternatives, engaging in conversations with 46 parties;
- the board s judgment, after consultation with our management and financial advisors, that the transaction would provide a greater value to our shareholders than the NACCO merger;
- the merger agreement permits us, under certain circumstances, to provide non-public information to, and engage in discussions with, any unsolicited third party that proposes an alternative transaction and to terminate the merger agreement to accept a superior proposal;
- the board s judgment that, although certain terms of the merger agreement, including the $4 million termination fee and the requirement to reimburse Harbinger for up to $2 million in reasonable, documented, third party, out-of-pocket expenses, may make it more costly for a third party to effect an alternative transaction with us, those terms should not preclude a third party with the financial ability to complete a transaction from proposing an alternative transaction in view of the fact that $6 million represents a relatively small percentage of the aggregate consideration that would be payable in an alternative transaction;
- the triggers for the payment of the termination fee are generally consistent with the termination fee triggers in other public company merger transactions;
- the consideration by the board, after consultation with counsel, of the likelihood that the merger will be approved by the requisite authorities, without the imposition of conditions that would prevent or materially delay the merger, and of the required efforts of the parties to obtain such approvals; and
- the employee benefit arrangements, which the board believed are designed to ensure the retention of our employees in the unlikely event that the merger is not completed.

Potential Negative Considerations

The board considered a variety of risks and other potentially negative factors, including the following:

- we will no longer exist as an independent public company and our shareholders will forgo any future increase in our value that might result from our growth;
- the gain realized by our shareholders as a result of the merger generally will be taxable to our shareholders;
- the requirement to pay a termination fee of $4 million to NACCO and reimburse NACCO for up to $2 million in reasonable, documented, third party out-of-pocket expenses in order for us to terminate the NACCO merger agreement and accept Harbinger s superior proposal;

- the conditions to Harbinger s obligation to complete the merger and the right of Harbinger to terminate the merger agreement under certain circumstances;

- risks of the type and nature described above under Special Note Regarding Forward Looking Statements beginning on page 14;

- there are no appraisal rights for our shareholders because the shares of our common stock are listed on the NYSE;

- the merger ultimately may not be completed as the result of conditions imposed by regulatory authorities or otherwise that may have a material adverse effect on our business;

- certain provisions of the merger agreement may have the effect of discouraging proposals for alternative transactions with us, including:
  - the restriction on our ability to solicit proposals for alternative transactions;
  - the requirement that we provide Harbinger with information with respect to proposals for alternative transactions and to a four business day negotiating period after receipt by us of a superior proposal before the board may terminate the merger agreement and accept the superior proposal; and
  - the requirement that we pay a termination fee of $4 million to Harbinger and reimburse Harbinger for up to $2 million in reasonable, documented, third party, out-of-pocket expenses in order for us to terminate the merger agreement and accept a superior proposal;

- that we would also be required to pay a termination fee of $4 million (plus expense reimbursement of up to $2 million in reasonable, documented, third party, out-of-pocket expenses) if the merger agreement is terminated under the following circumstances:
  - because the board, subject to complying with the terms of the merger agreement, authorizes us to enter into a written agreement with respect to a superior proposal;
  - because the board modifies or withdraws its recommendation or fails to confirm its recommendation within four business days after Harbinger s request that it do so;
  - because the merger does not occur prior to May 1, 2007, and prior to such termination a competing transaction has been communicated to the board and not withdrawn and within nine months thereafter, we enter into an agreement to complete or complete a competing transaction with another party; or
  - if the approval of the merger agreement by our shareholders is not obtained and prior to such termination a competing transaction has been communicated to the board and not withdrawn and within nine months thereafter, we enter into an agreement to complete or complete a competing transaction with another party;

- the prohibition in the merger agreement on the ability of the board to withdraw its recommendation of the merger or modify its recommendation, other than in connection with our receipt of a superior proposal;

- the circumstances under which Harbinger may terminate the merger agreement, including Harbinger s right to terminate the merger agreement if the board withdraws its recommendation of the merger or modifies its recommendation;

certain of our directors and officers may have conflicts of interest in connection with the merger, as they will receive certain benefits that are different from and in addition to those of our other shareholders as more fully described below in the section entitled Interests of Our Directors and Executive Officers in the Merger ; and

the risks that the merger might not be completed, the potential impact of the restrictions under the merger agreement on our ability to take certain actions during the pendency of the merger agreement, the potential of diversion of management and employee attention and for employee attrition during that period, and the potential effect on our business and relations with customers and suppliers.

The board considered all of the foregoing factors as a whole and concluded that it supported a favorable determination to adopt the merger agreement and recommend the merger agreement to our shareholders.

The foregoing discussion of the information and the factors discussed by the board is not exhaustive but does include the material factors considered by the board members. The board did not quantify or assign any relative or specific weight to the various factors that it considered. Rather, the board based its recommendation on the totality of the information presented to and considered by it. In addition, individual members of the board may have given no weight or different weight to different factors.

Recommendation of Our Board of Directors

After careful consideration, the board of directors unanimously approved the merger agreement and the merger.

THE BOARD OF DIRECTORS RECOMMENDS THAT OUR SHAREHOLDERS VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT.

Opinion of Our Financial Advisor

We retained Banc of America Securities to act as our financial advisor in connection with the merger on the basis of Banc of America Securities experience in transactions similar to the merger, its reputation in the consumer products industry and investment community, and its familiarity with us and our business. Banc of America Securities is an internationally recognized investment banking firm which is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions.

On October 19, 2006, at a meeting of our board of directors held to evaluate the merger, Banc of America Securities delivered to the board an oral opinion, which was confirmed by delivery of a written opinion, dated October 19, 2006, to the effect that, as of the date of the opinion and based on and subject to various assumptions and limitations described in Banc of America Securities opinion, the merger consideration to be received by holders of our common stock, other than Harbinger and its affiliates, pursuant to the merger agreement was fair, from a financial point of view, to such holders.

The full text of Banc of America Securities written opinion to the board, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex B to this proxy statement and is incorporated by reference into this proxy statement. You are encouraged to read the opinion carefully in its entirety. The following summary of Banc of America Securities opinion is qualified in its entirety by reference to the full text of the opinion. Banc of America Securities provided its opinion to our board for its benefit and use in connection with and for purposes of its evaluation of the merger consideration from a financial point of view. Banc of America Securities opinion does not address any other aspect of the merger and does not constitute a recommendation as to how shareholders should vote or act in connection with the merger.

For purposes of its opinion, Banc of America Securities:

reviewed certain publicly available financial statements and other business and financial information of Applica;

reviewed certain internal financial statements and other financial and operating data concerning Applica;

- reviewed certain financial forecasts relating to Applica prepared by our management, taking into account net operating losses anticipated by management to be utilized by Applica;

- discussed the past and current operations, financial condition and prospects of Applica with our senior executives;

- reviewed the reported prices and trading activity for Applica common stock;

- compared the financial performance of Applica and the prices and trading activity of our common stock with that of certain other publicly traded companies Banc of America Securities deemed relevant;

- compared certain financial terms of the merger to financial terms, to the extent publicly available, of certain other business combination transactions that Banc of America Securities deemed relevant;

- participated in discussions and negotiations among representatives of Applica, Harbinger and their respective advisors;

- reviewed the merger agreement;

- reviewed certain public filings and statements made by the Harbinger Funds with respect to the proposed merger;

- considered the fact that Applica publicly announced on February 28, 2006 that it was exploring its strategic alternatives and the results of Banc of America Securities efforts, prior to the execution of the NACCO merger agreement, to solicit, at our direction, third-party indications of interest in the possible acquisition of all or a portion of Applica, including indications of interest and proposals received as a result of such public announcement and such solicitation process; and

- performed other analyses and considered other factors as Banc of America Securities deemed appropriate.

Banc of America Securities assumed and relied on, without independent verification, the accuracy and completeness of the financial and other information reviewed by it for the purposes of its opinion. With respect to the financial forecasts relating to Applica prepared by our management, Banc of Securities assumed, at our direction, that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of our management as to the future financial performance of Applica. Banc of America Securities did not make any independent valuation or appraisal of our assets or liabilities, contingent or otherwise, and Banc of America Securities was not furnished with any such valuations or appraisals. Banc of America Securities assumed, with our consent, that the merger would be consummated as provided in merger agreement, with full satisfaction of all covenants and conditions contained in the merger agreement and without any waivers, and in compliance with all applicable laws and contractual and other requirements. Banc of America Securities also assumed, with our consent, that all third-party consents and approvals necessary for the consummation of the merger would be obtained without any adverse effect on Applica or the merger.

Banc of America Securities expressed no view or opinion as to any terms or aspects of the merger, other than the merger consideration to the extent expressly specified in its opinion, including, without limitation, the form or structure of the merger. Banc of America Securities expressed no opinion as to the relative merits of the merger in comparison to other transactions available to us or in which we might engage or as to whether any transaction might be more favorable to us as an alternative to the merger, nor did Banc of America Securities express any opinion as to the underlying business decision of our board of directors to proceed with or effect the merger. Except as described above, the board of directors imposed no other limitations on the investigations made or procedures followed by Banc of America Securities in rendering its opinion.

Banc of America Securities opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to Banc of America Securities as of, the date of its opinion.

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Accordingly, although subsequent developments may affect its opinion, Banc of America Securities does not have any obligation to update, revise or reaffirm its opinion.

The following represents a brief summary of the material financial analyses, each of which is a standard valuation methodology customarily undertaken in transactions of this type, presented by Banc of America Securities to the board of directors in connection with its opinion. **The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses performed by Banc of America Securities, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses performed by Banc of America Securities. Considering the data set forth in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by Banc of America Securities.**

Selected Publicly Traded Companies Analysis

Banc of America Securities reviewed publicly available financial and stock market information for the following eight selected publicly traded companies in the consumer products industry:

Central Garden & Pet Company

Chattem, Inc.

Dorel Industries Inc.

Helen of Troy Limited

Jarden Corporation

Prestige Brands Holdings, Inc.

The Scotts Miracle-Gro Company

Spectrum Brands, Inc.

Banc of America Securities reviewed, among other things, enterprise values of the selected companies, calculated as fully-diluted market value based on closing stock prices on October 18, 2006, plus debt and minority interests, less cash and cash equivalents, as a multiple of calendar year 2006 estimated earnings before interest, taxes, depreciation and amortization, referred to as EBITDA, a financial measure commonly used to estimate enterprise value. Banc of America Securities applied a range of selected multiples of calendar year 2006 estimated EBITDA derived from the selected companies to Applica s calendar year 2006 estimated EBITDA, as adjusted to add-back non-recurring expense items, referred to as adjusted EBITDA. Estimated financial data of the selected companies were based on publicly available research analysts estimates. Estimated financial data of Applica were based on internal estimates of our management. This analysis indicated the following implied per share equity reference range for Applica, as compared to the merger consideration:

Implied Per Share Equity Reference Range for Applica	Merger Consideration
$1.90 $2.80	$6.00

No company or business used in this analysis is identical or directly comparable to Applica or its business. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies or business segments to which Applica was compared.

Selected Precedent Transactions Analysis

Banc of America Securities reviewed financial information relating to the following ten selected transactions in the consumer products industry:

Announcement Date	Acquiror	Target
6/29/2005	Jarden Corporation	The Holmes Group, Inc.
1/4/2005	Rayovac Corporation	United Industries Corporation
9/20/2004	Jarden Corporation	American Household, Inc.
6/8/2004	Castle Harlan, Inc.	Ames True Temper, Inc.
8/13/2003	Jarden Corporation	Lehigh Consumer Products Corporation
12/17/2002	TechTronic Industries Company Limited	Royal Appliance Mfg. Co.
6/18/2001	Libbey Inc.	Anchor Hocking Corporation (Newell Rubbermaid Inc.)
5/2/2001	Salton, Inc.	Pifco Holdings PLC
12/17/1998	Holmes Products Corp.	The Rival Company
3/2/1998	Sunbeam Corporation	Signature Brands USA, Inc.

Banc of America Securities reviewed transaction values in the selected transactions, calculated as the equity value implied for the target company based on the consideration payable in the selected transaction, plus debt and minority interests, less cash and cash equivalents, as multiples of latest 12 months adjusted EBITDA. Banc of America Securities applied a range of selected multiples of latest 12 months adjusted EBITDA derived from the selected transactions to Applica s calendar year 2006 estimated adjusted EBITDA, a financial measure commonly used to estimate transaction value. Multiples for the selected transactions were based on publicly available financial information at the time of announcement of the relevant transaction. Estimated financial data of Applica were based on internal estimates of our management. This analysis indicated the following implied per share equity reference range for Applica, as compared to the merger consideration:

Implied Per Share Equity Reference Range for Applica	Merger Consideration
$0.90 $1.90	$6.00

No company, business or transaction used in this analysis is identical or directly comparable to Applica, its business or the merger. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the acquisition or other values of the companies, business segments or transactions to which Applica and the merger were compared.

Discounted Cash Flow Analysis

Banc of America Securities performed a discounted cash flow analysis of Applica to calculate the estimated present value as of June 30, 2006 of the standalone unlevered, after-tax free cash flows that Applica could generate during the second half of fiscal year 2006 through the full fiscal year 2010 based on internal estimates of Applica s management. Banc of America Securities also calculated a range of estimated terminal values by applying a range of adjusted EBITDA terminal value multiples of 7.5x to 8.5x to Applica s fiscal year 2010 estimated adjusted EBITDA, a financial measure commonly used to estimate terminal values when performing a discounted cash flow analysis. The present value of the cash flows and terminal values were then calculated using discount rates ranging from 13.0% to 15.0%. This analysis indicated the following implied per share equity reference range for Applica, as compared to the merger consideration:

Implied Per Share Equity Reference Range for Applica	Merger Consideration
$2.65 $4.10	$6.00

Banc of America Securities also took into account net operating losses, referred to as NOLs, anticipated by our management to be utilized by us. Banc of America Securities noted that the estimated per share present value

attributable to such NOLs, together with the implied per share equity reference range referenced above, yielded an implied per share equity reference range for Applica of approximately $3.70 to $5.15.

Miscellaneous

As noted above, the discussion set forth above is only a summary of the material financial analyses presented by Banc of America Securities to our board in connection with its opinion and is not a comprehensive description of all analyses undertaken by Banc of America Securities in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to partial analysis or summary description. Banc of America Securities believes that its analyses summarized above must be considered as a whole. Banc of America Securities further believes that selecting portions of its analyses and the factors considered or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying Banc of America Securities analyses and opinion. Banc of America Securities did not assign any specific weight to any of the analyses described above. The fact that any specific analysis has been referred to in the summary above is not meant to indicate that such analysis was given greater weight than any other analysis referred to in the summary.

In performing its analyses, Banc of America Securities considered industry performance, general business and economic conditions and other matters, many of which are beyond Applica s control. The estimates of the future performance of Applica provided by our management in or underlying Banc of America Securities analyses are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those estimates or those suggested by Banc of America Securities analyses. These analyses were prepared solely as part of Banc of America Securities analysis of the fairness, from a financial point of view, of the merger consideration and were provided to the Applica board in connection with the delivery of Banc of America Securities opinion. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities have traded or may trade at any time in the future. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described above are inherently subject to substantial uncertainty and should not be taken to be Banc of America Securities view of the actual value of Applica.

The type and amount of consideration payable in the merger were determined through negotiations between us and Harbinger, rather than by any financial advisor, and were approved by our board. The decision to enter into the merger agreement was solely that of our board. As described above, Banc of America Securities opinion and analyses were only one of many factors considered by the board of directors in its evaluation of the proposed merger and should not be viewed as determinative of the views of the our board or management with respect to the merger or the merger consideration.

We have agreed to pay Banc of America Securities for its services in connection with the merger an aggregate fee of $2.8 million, portions of which were payable in connection with Banc of America Securities engagement and upon rendering Banc of America Securities opinion and $2.2 million of which is contingent upon the completion of the merger. As part of its engagement, Banc of America Securities also acted as our financial advisor in connection with the NACCO merger, for which services additional compensation was payable. We also have agreed to reimburse Banc of America Securities for all reasonable expenses (including any reasonable fees and disbursements of its counsel) incurred in connection with its engagement, and have agreed to indemnify Banc of America Securities, any controlling person of Banc of America Securities and each of their respective directors, officers, employees, agents, affiliates and representatives against specified liabilities, including liabilities under the federal securities laws.

Banc of America Securities or its affiliates in the past have provided and currently are providing financial advisory and financing services to us unrelated to the proposed merger, for which services Banc of America Securities and its affiliates have received and expect to receive compensation, including acting as administrative agent, lead arranger, collateral agent and lender under our senior revolving credit facility, which credit facility is expected to be repaid in connection with the merger. Since January 1, 2004, Banc of America Securities and its affiliates have received aggregate fees from us for corporate and investment banking services unrelated to the

merger of approximately $1.7 million. In the ordinary course of its businesses, Banc of America Securities and its affiliates may actively trade or hold securities or loans of Applica and Harbinger for their own accounts or for the accounts of customers and, accordingly, Banc of America Securities or its affiliates may at any time hold long or short positions in these securities or loans.

Interests of Our Directors and Executive Officers in the Merger

In considering the recommendation of the board to vote in favor of the adoption of the merger agreement, our shareholders should be aware that members of the board of directors and certain of our executive officers have interests in the merger that are different from, or are in addition to, the interests of Applica shareholders generally and that may create potential conflicts of interest. During its deliberations in determining to recommend to its shareholders that they vote in favor of the merger proposal, the board was aware of these interests.

Treatment of Stock Options

As of the record date, there were 761,000 shares of our common stock subject to outstanding stock options granted under our equity incentive plans to our current executive officers and directors with a per share exercise price of less than $6.00. As of the effective time of the merger, all options to acquire Applica common stock outstanding immediately prior to the effective time of the merger, whether or not then exercisable or vested, shall become:

fully exercisable and vested; and

shall be cancelled, retired and extinguished and shall no longer be outstanding following the effective time of the merger.

In the merger, each director and executive officer holding stock options that have an exercise price of less than $6.00 per share will receive an amount in cash, without interest, less any required withholding taxes, equal to the excess of $6.00 over the applicable per share exercise price for each stock option held, multiplied by the aggregate number of shares of our common stock into which the applicable stock option was exercisable immediately prior to the effective time of the merger. Options with a per share exercise price equal to or in excess of $6.00 will be terminated and cancelled without any consideration therefor if not exercised prior to the effective time of the merger.

The following table summarizes the outstanding vested and unvested options held by our executive officers and directors as of the record date, and the consideration that each of them will receive pursuant to the merger agreement in connection with the cancellation of their options:

Name	No. of Shares Underlying In-The-Money Vested and Unvested Options	Weighted Average Exercise Price of In-The-Money Vested and Unvested Options	Resulting Consideration
Susan J. Ganz	3,000	$ 3.48	$ 7,560
Leonard Glazer	3,000	$ 3.48	$ 7,560
Ware H. Grove	3,000	$ 3.48	$ 7,560
Brian Guptill	40,000	$ 4.575	$ 57,000
J. Maurice Hopkins	3,000	$ 3.48	$ 7,560
Thomas J. Kane	3,000	$ 3.48	$ 7,560
Christopher B. Madison		$	$
Terry L. Polistina	150,000	$ 4.553	$ 217,050
Jerald I. Rosen	3,000	$ 3.48	$ 7,560
Harry D. Schulman	550,000	$ 4.227	$ 975,150
Paul K. Sugrue	3,000	$ 3.48	$ 7,560

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Existing Employment Agreements and Severance Arrangements with Our Executive Officers

Harry D. Schulman. Effective May 1, 2004, we entered into an employment agreement with Harry D. Schulman, our Chairman, President and Chief Executive Officer. If there is a change of control and Mr. Schulman s employment is terminated within 18 months of the date of the change of control, by us other than for cause, death, disability, or by Mr. Schulman for good reason (as defined below), then he will be entitled to receive a lump sum payment equal to 2.5 times his severance base (as defined below), plus any base salary and incentive bonus which has been accrued but not yet paid as of the effective date of termination, as well as reimbursement for all business expenses incurred before the termination date which have not yet been reimbursed. In the event that Mr. Schulman is terminated by us for cause (as defined in the employment agreement), or he terminates his employment without good reason, he will be entitled only to receive any base salary and incentive bonus which has been accrued but not yet paid as of the effective date of termination and reimbursement for all business expenses incurred before the termination date which have not yet been reimbursed. The term severance base is defined in the employment agreement as the sum of (1) Mr. Schulman s base salary, plus (2) the higher of:

the target-level incentive bonus (which is 100% of his base salary) for the year during which the termination occurs; and

the average of the incentive bonuses paid to Mr. Schulman for the three years immediately preceding the year in which the termination occurs.

Pursuant to his employment agreement, subject to certain limitations, if any portion of the change of control payment made to Mr. Schulman is subject to an excise tax pursuant to Section 4999 of the Internal Revenue Code, we must also make a payment to him on an after-tax basis in an amount equal to the excise tax imposed. However, if the so-called golden parachute payment does not exceed 115% of the safe harbor (defined as 2.99 times Mr. Schulman s base amount, within the meaning of Section 280G(b)(3) of the Internal Revenue Code), then the payment will be cut back to the safe harbor amount. If the merger occurred on the date of this proxy statement and Mr. Schulman was immediately terminated by us without cause, he would be entitled to receive an excise tax gross-up payment of approximately $1.3 million.

For purposes of Mr. Schulman s employment agreement, good reason means the occurrence of any of the following events:

a reduction in his base salary or incentive bonus opportunity or a material reduction of any other type of compensation or benefit which is not cured by us within ten days following written notice by Mr. Schulman;

Mr. Schulman no longer reports directly to the board;

Mr. Schulman fails to be elected or appointed (or reelected or reappointed) to the position of President and Chief Executive Officer of Applica;

a material diminution of Mr. Schulman s duties or responsibilities which is not cured by us within ten days following written notice by Mr. Schulman;

a material breach of the employment agreement by us without the express written consent of Mr. Schulman which is not cured within ten days following written notice delivered by Mr. Schulman; or

Mr. Schulman s services are required to be performed primarily at a location other than our corporate headquarters.

On October 31, 2006, we delivered a written notice to Mr. Schulman of non-renewal pursuant to his employment agreement. Accordingly, the employment agreement will terminate and expire on May 1, 2007 in accordance with its terms. While no agreements, arrangements or understandings have been entered into, Mr. Schulman has discussed and will continue to discuss with Applica and Harbinger his continued employment with Applica.

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Terry L. Polistina and Brian S. Guptill. On May 1, 2005, we entered into substantially similar employment agreements with each of Terry L. Polistina, our Chief Operating Officer and Chief Financial Officer, and Brian S. Guptill, our Senior Vice President of Engineering. We refer to each of them as an executive. If there is a change of control and the executive s employment is terminated within 12 months following the date of the change of control by us other than for cause (as defined in the employment agreement), death or disability or by the executive for good reason (as defined below), then the executive will be entitled to receive a lump sum payment equal to 1.5 times his severance base, plus any base salary and incentive bonus which has been accrued but not yet paid as of the effective date of termination and reimbursement for all business expenses incurred before the termination date which have not yet been reimbursed. In the event that the executive is terminated by us for cause, or he terminates his employment without good reason, he will be entitled only to receive any base salary and incentive bonus which has been accrued but not yet paid as of the effective date of termination and reimbursement for all business expenses incurred before the termination date which have not yet been reimbursed. The term severance base is defined in the employment agreement as the sum of (1) the executive s base salary, plus (2) the higher of:

the target-level incentive bonus (which is 50% of the executive s base salary) for the year during which the termination occurs; and

the average of the incentive bonuses paid to the executive for the three years immediately preceding the year in which the termination occurs.

Good reason is defined in the employment agreements to mean a material breach of the employment agreement by us, without the executive s express written consent, for any reason other than cause (as defined in the employment agreement) or the executive s death or disability, which we do not cure within ten days following written notice by the executive. The employment agreements for Messrs. Polistina and Guptill were amended as of April 19, 2006 to provide that the executive will also have good reason if he is required to perform his services primarily at a location outside a fifty mile radius from Miramar, Florida.

Executive Change of Control Severance Plan. Effective April 19, 2006, our board adopted the Executive Change of Control Severance Plan, which covers four employees including Messrs. Schulman, Polistina and Guptill. Under the severance plan, in the event of a change of control before May 1, 2007, each of the covered executives is entitled to continuation of the payment of his base salary for 18 months if employment is terminated within 18 months after the change of control for reasons other than cause (as defined in the employment agreement), death or disability or if executive terminates for good reason, as defined in the executive s employment agreement. Payments under the severance plan will be made in monthly installments starting on the later of the executive s termination date and execution of a release, or if the executive is a specified employee and benefits are subject to Section 409A of the Internal Revenue Code six months after termination of employment. The amount of severance payable under the severance plan will be reduced by any severance amounts paid under the executive s employment agreement. In addition, the severance plan provides for the continued coverage of the executive and his eligible dependents under our medical plan for 18 months after the date of termination of employment in the event of a termination entitling the executive to severance.

The following table lists the estimated value of the aggregate cash severance payment to which each of Messrs. Schulman, Polistina and Guptill would be entitled under his employment agreement and the severance plan if his employment was terminated following the merger under circumstances entitling him to severance. The following table reflects the cash payments that would be payable based on compensation rates in effect on record date, and if the merger was completed on or before December 31, 2006(which amounts may change if the merger is completed on a later date).

Name	Cash Severance Payment
Harry D. Schulman	$ 3,500,120
Terry L. Polistina	$ 708,786
Brian S. Guptill	$ 573,768

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Other Interests of Our Directors and Executive Officers in the Merger

Repayment of Debt. Certain of our indebtedness will be repaid in connection with the merger, including our 10% notes, $110,000 principal amount of which are owned by one of our executive officers.

Mast Capital Management. Christopher B. Madison, a member of our board of directors, is a principal of Mast Capital Management, LLC, a Boston-based investment management company. A fund managed by Mast made a $20 million secured term loan to us in October 2005, which will be repaid in connection with the merger. In connection with the repayment of the term loan, after June 30, 2006 we are required to pay an exit fee that increases on a periodic basis from 1% to 4% of the principal amount of the loan.

Directors and Officers Indemnification and Insurance

The merger agreement provides that in the event of any threatened or actual action, whether civil or administrative, including any such action in which any present or former director of Applica or any of its subsidiaries is, or is threatened to be, made a party based whole or in part, or arising in whole or in part out of, pertaining in whole or in part to, any action or failure to take action by any such person in such capacity taken prior to the effective time of the merger, the surviving corporation will, from and after the effective time of the merger, indemnify, defend and hold harmless, as and to the fullest extent permitted or required by applicable law in effect on the date of the merger agreement, against any losses, claims, damages, liabilities, costs, legal and other expenses (including reimbursement for legal and other fees and expenses incurred in advance of the final disposition of any such claim, suit, proceeding or investigation by such person), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such claim action, subject to the surviving corporation receiving an undertaking by such indemnified person to repay such legal and other fees and expenses paid in advance if it is ultimately determined that such indemnified person is not entitled to indemnification under applicable law (except that the surviving corporation will not be liable for any settlement effected without the surviving corporation s prior written consent (which may not be unreasonably delayed or withheld) and will not be obligated to pay the fees and expenses of more than one counsel for all indemnified persons in any jurisdiction with respect to any single such action, except to the extent that two or more of such indemnified persons have conflicting interests in the outcome of such claim, action, suit, proceeding or investigation).

The merger agreement also provides that the surviving corporation will either:

- maintain in effect for a period of six years after the effective time of the merger, if available, the current policies of directors and officers liability insurance maintained by us (provided that the surviving corporation may substitute these policies of at least the same coverage and amounts containing terms and conditions which are not less advantageous to our officers and directors); or

- obtain as of the effective time of the merger tail insurance policies with a claims period of six years from the effective time of the merger with at least the same coverage and amounts and containing terms and conditions which are no less advantageous to our directors and officers, in each case, with respect to claims arising out of or relating to events which occurred before or at the effective time of the merger;

provided, however, that in no event will the surviving corporation be required to expend an annual premium for such coverage in excess of 250% of the last annual premium paid by us for such insurance before July 23, 2006.

Employee Benefit Plans

Pursuant to the merger agreement, certain of our employee benefit plans, which are applicable to all employees, will remain in place in accordance with their terms.

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Delisting and Deregistration of Our Common Stock

If the merger is completed, our common stock will be delisted from the NYSE and deregistered under the Exchange Act, and we will no longer be required to file periodic reports with the SEC.

Material United States Federal Income Tax Consequences of the Merger

The following discussion addresses the material U.S. federal income tax consequences of the merger to U.S. holders who exchange their shares of our common stock for cash pursuant to the merger. This discussion is based on the Internal Revenue Code, Treasury regulations, administrative positions of the Internal Revenue Service and judicial decisions in effect on the date of this proxy statement, all of which are subject to change, possibly with retroactive effect, or to different interpretations. This discussion does not consider all aspects of U.S. federal income taxation that might be relevant to our shareholders. It applies only to a shareholder who, on the date the merger is completed, holds shares of our common stock as capital assets. It does not address a taxpayer subject to special treatment under U.S. federal income tax laws, like an insurance company, a financial institution, a securities dealer, a tax-exempt organization, a mutual fund, a real estate investment trust, an investor in a pass-through entity, an S corporation or a taxpayer subject to the alternative minimum tax. In addition, this discussion may not apply to a shareholder who acquired his or her shares of our common stock upon the exercise of an employee stock option or otherwise as compensation for services or through a tax-qualified retirement plan or who holds his or her shares as part of a hedge, straddle, conversion transaction or other integrated transaction. If our common stock is held through a partnership, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A partnership that holds our common stock and a partner in that partnership are urged to consult their own tax advisers regarding the tax consequences of the merger to them.

The following discussion does not address potential state, local, foreign or other tax consequences of the merger. **Each shareholder is urged to consult his own tax adviser regarding the U.S. federal income tax consequences, as well as the state, local, foreign and any other tax consequences, of the disposition of his shares in the merger.**

For purposes of this summary, a U.S. holder is a holder of shares of our common stock that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation) created or organized in or under the law of the United States, any state of the United States or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (1) a U.S. court is able to exercise primary supervision over the trust s administration, and one or more United States persons are authorized to control all substantial decisions of the trust, or (2) it was in existence on August 20, 1996 and has a valid election in place to be treated as a domestic trust for U.S. federal income tax purposes.

Except with respect to the discussion of backup withholding below, this discussion does not address the tax consequences to any shareholder that, for U.S. federal income tax purposes, is not a U.S. holder.

For U.S. federal income tax purposes, the merger will be treated as a sale of our common stock for cash by each of our shareholders. Accordingly, the U.S. federal income tax consequences to a shareholder receiving cash in the merger in general will be as follows:

- The shareholder will recognize capital gain or loss for U.S. federal income tax purposes upon disposition of his shares of our common stock pursuant to the merger.

The amount of capital gain or loss that each shareholder recognizes will be equal to the difference, if any, between the amount of cash he receives pursuant to the merger and his adjusted tax basis in the shares of our common stock he surrenders pursuant to the merger. Gain or loss will be determined separately for each block of shares (*i.e.*, shares acquired at the same cost in the same transaction).

A shareholder s capital gain or loss, if any, will be long-term in the case of shares of our common stock in which he has a holding period of more than one year at the time of the merger. Net long-term capital gain of individuals is eligible for a reduced rate of taxation. There are limitations on the deductibility of capital losses.

We will report cash payments made pursuant to the merger to our shareholders and to the Internal Revenue Service to the extent the Internal Revenue Code and applicable Treasury regulations require. Those amounts ordinarily will not be subject to withholding of U.S. federal income tax. However, backup withholding at the rate of 28% will apply to all cash payments to which a U.S. holder is entitled pursuant to the merger agreement if the holder:

fails to supply the paying agent with the shareholder s taxpayer identification number (Social Security number, in the case of individuals, or employer identification number, in the case of other shareholders), certify that that number is correct and otherwise comply with the backup withholding rules;

has received notice from the Internal Revenue Service of a failure to report all interest and dividends required to be shown on the holder s U.S. federal income tax returns; or

is subject to backup withholding in certain other cases.

Accordingly, each U.S. holder will be asked to complete and sign a substitute Form W-9, which is to be included in the appropriate letter of transmittal for the shares of our common stock, in order to provide the information and certification necessary to avoid backup withholding or otherwise to establish an exemption from backup withholding, unless an exemption applies and is established in a manner satisfactory to the paying agent. Shareholders who are not United States persons should complete and sign a Form W-8BEN (or other applicable tax form) and return it to the paying agent in order to provide the information and certification necessary to avoid backup withholding or otherwise establish an exemption from backup withholding. Certain of our shareholders will be asked to provide additional tax information in the appropriate letter of transmittal for the shares of our common stock.

Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules will be allowed as a refund or as a credit against your U.S. federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

The foregoing discussion of certain material U.S. federal income tax consequences is included for general informational purposes only. We urge you to consult your own tax adviser to determine the particular tax consequences to you (including the application and effect of any state, local, foreign and other income or other tax laws) of the receipt of cash in exchange for shares of our common stock pursuant to the merger.

Regulatory Approvals

Under the merger agreement, we and the other parties to the merger agreement have agreed to use our reasonable best efforts to complete the transactions contemplated by the merger agreement as promptly as practicable, including obtaining all necessary governmental approvals. The Hart-Scott-Rodino Act provides that certain merger and acquisition transactions that meet certain reporting thresholds may not be consummated until after both parties file separate pre-merger notification forms with the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice and observe the statutory waiting period. Applica, Buyer

and Merger Co filed pre-merger notification forms with the Department of Justice and the Federal Trade Commission under the Hart-Scott-Rodino Act on November 2, 2006. On November 14, 2006, the Federal Trade Commission, on behalf of itself and the Antitrust Division of the Department of Justice, granted early termination of the statutory waiting period with respect to the merger.

Except as noted above with respect to the required filings under the Hart-Scott-Rodino Act and the filing of articles of merger in Florida at or before the effective time of the merger, we are unaware of any material federal, state or foreign regulatory requirements or approvals required for the execution of the merger agreement or completion of the merger.

Appraisal Rights

Under the Florida Business Corporation Act, shareholders of a Florida corporation are generally entitled to appraisal rights, and to obtain payment of the fair value of their shares in the event of certain corporate actions, including mergers. Certain exemptions under Florida law exist that deny or make unavailable the rights of shareholders to seek appraisal rights. One such exemption exists if a merging Florida corporation s shares of stock are listed on the NYSE and the shareholder is to receive cash for their shares in the merging corporation at the effective time of the merger. This exemption is not applicable and appraisal rights are available under Florida law if any of the shares of the Florida corporation are being acquired by a person, or an affiliate of a person, who is, or at any time during the one year period immediately preceding approval by the board of directors of the corporate action requiring appraisal rights (i.e., the merger), was, the beneficial owner of 20% or more of the voting power of the corporation.

Our shareholders have no dissenters rights of appraisal or other rights to demand fair value for their shares by reason of the merger for the following reasons:

- our common stock is listed on the NYSE;
- our shareholders are to receive cash at the effective time of the merger as consideration for their shares; and
- because of Florida s Control Share Act, Harbinger has no power to vote any of the shares of Applica common stock that it beneficially owns or has the power to direct the vote over, at the special meeting.

Accordingly, it is very important that you vote because even if you do not vote, if the merger is approved at the special meeting, you will cease to have any rights with respect to your shares other than the right to receive $6.00 in cash, without interest, for each share of our common stock that you own.

Financing of the Merger

The merger is not subject to any financing conditions. In connection with the execution of the merger agreement, Buyer received equity funding letters from the Harbinger Funds, that, subject to the conditions therein, provide for an aggregate amount of up to $275 million of equity financing for completion of the merger, including the approximately $93 million required to pay the merger consideration. The obligations of the Buyer pursuant to the merger agreement are not subject to any financing condition. Copies of the equity funding letters are attached as Annexes C1 and C2 to this proxy statement. We encourage you to carefully read the equity funding letters as they are the legal documents that contain the terms and conditions of the equity funding obligations of the Harbinger Funds in connection with the merger.

THE MERGER AGREEMENT

The following discussion summarizes the material provisions of the merger agreement and is qualified by reference to the merger agreement, a copy of which is attached as Annex A to this proxy statement and is incorporated by reference into this proxy statement. The rights and obligations of the parties are governed by the express terms and conditions of the merger agreement and not by this summary or any other information contained in this proxy statement. We urge you to read the merger agreement carefully and in its entirety, as well as this proxy statement, before making any decisions regarding the merger.

Structure and Effective Time

Subject to the terms and conditions of the merger agreement and in accordance with Florida law, at the effective time of the merger, Merger Co will merge with and into Applica, or, at Buyer s election, Applica will merge with and into Merger Co or another subsidiary of Buyer, subject to certain conditions. The separate corporate existence of Merger Co will cease, and Applica will continue as the surviving corporation, wholly owned by Buyer, which is a subsidiary of the Harbinger Funds. The surviving corporation will be a privately held corporation and our current shareholders will cease to have any ownership interest in the surviving corporation or rights as our shareholders. Therefore, such current shareholders will not participate in any future earnings or growth of the surviving corporation and will not benefit from any appreciation in value of the surviving corporation.

The merger will become effective as set forth in the articles of merger relating thereto that will be filed on the closing date of the merger agreement with the Secretary of State of the State of Florida and that will state, unless the parties otherwise agree, that the effective time of the merger will occur on such closing date. The closing of the merger will occur as soon as practicable, but in no event later than the third business day after the conditions to completion of the merger have been satisfied or waived, unless otherwise agreed by the parties to the merger agreement.

Consideration To Be Received in the Merger

Common Stock. At the effective time, each share of our common stock issued and outstanding immediately prior to the effective time of the merger will automatically be cancelled and will cease to exist and will be converted into the right to receive $6.00 in cash, without interest, other than shares of our common stock owned by Applica, Buyer (or any of its stockholders), Merger Co or any direct or indirect wholly owned subsidiary of Applica, Buyer or Merger Co (other than, in any such case, trust accounts, managed accounts, custodial accounts and the like that are beneficially owned by third parties), which shares will be cancelled without conversion or payment.

After the effective time of the merger, each of our stock certificates representing shares of our outstanding common stock converted in the merger will represent only the right to receive the merger consideration of $6.00 in cash per share, without interest. The merger consideration paid upon surrender of each certificate will be paid in full satisfaction of all rights pertaining to the shares of our common stock represented by that certificate.

Stock Options. As of the effective time of the merger, each option to acquire Applica common stock outstanding immediately prior to the effective time of the merger, whether or not then exercisable or vested, will become:

- fully vested and immediately exercisable; and

- will be cancelled, retired and extinguished and will no longer be outstanding following the effective time of the merger.

In the merger, each holder of Applica stock options will receive an amount in cash, without interest, less any required withholding taxes, equal to the excess, if any, of $6.00 over the applicable per share exercise or purchase price for each stock option held, multiplied by the aggregate number of shares of Applica common stock into which the applicable stock option was exercisable immediately prior to the effective time of the merger.

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Procedure for Receiving Merger Consideration

Concurrently with the effective time of the merger, Buyer will provide, or will cause the surviving corporation to provide, funds to the paying agent in amounts necessary for the payment of the aggregate merger consideration upon surrender of the stock certificates. As soon as practicable, but in any event no later than five business days after the effective time of the merger, the paying agent will mail a letter of transmittal and instructions to you and the other shareholders (other than Harbinger). The letter of transmittal and instructions will tell you how to surrender your common stock certificates in exchange for the merger consideration. **You should not return your stock certificates with the enclosed proxy card, and you should not forward your stock certificates to the paying agent without a letter of transmittal.**

You will not be entitled to receive the merger consideration until you surrender your stock certificate or certificates to the paying agent, together with a duly completed and executed letter of transmittal and any other documents as may reasonably be required by the paying agent. The merger consideration may be paid to a person other than the person in whose name the corresponding certificate is registered if the certificate is properly endorsed or is otherwise in the proper form for transfer, as reasonably acceptable to the paying agent. In addition, the person who surrenders such certificate must either make an advance payment of any transfer or other taxes required by reason of such payment or for any other reason, or establish to the satisfaction of the paying agent that such tax has been paid or is not payable.

No interest will be paid or will accrue on the cash payable upon surrender of the certificates. The surviving corporation or the paying agent will be entitled to deduct and withhold from any merger consideration, and pay to the appropriate taxing authorities, any applicable taxes from the merger consideration. Any sum which is withheld and paid to a taxing authority by the surviving corporation or the paying agent will be treated as having been paid to the person with regard to whom it is withheld.

At the effective time of the merger, our stock transfer books will be closed, and there will be no further registration of transfers of the shares of our common stock that were outstanding immediately prior to the effective time. If, after the effective time of the merger, certificates are presented to the surviving corporation for transfer, they will be canceled and exchanged for the merger consideration.

None of the surviving corporation, Buyer or any other person will be liable to any Applica shareholder for any amount properly paid in good faith to a governmental entity pursuant to any applicable abandoned property, escheat or similar law. Any portion of the merger consideration deposited with the paying agent that remains unclaimed by Applica shareholders one year after the effective time of the merger, will be delivered by the paying agent to the surviving corporation together with any interest or other income accrued through such time as a result of the paying agent s investment of such funds. Holders of certificates who have not surrendered their certificates prior to the delivery of such funds to the surviving corporation may only look to the surviving corporation for, and the surviving corporation the payment of the merger consideration, without any interest thereon. Any portion of the merger consideration that remains unclaimed that would otherwise escheat to or become property of any governmental entity will, to the extent permitted by applicable laws, become the property of the surviving corporation free and clear of any claims or interest of any person previously entitled thereto.

If you have lost a certificate, or if it has been stolen or destroyed, then before you will be entitled to receive the merger consideration, you will have to sign an affidavit attesting that your certificate has been lost, stolen or destroyed. You will also be required to execute and deliver an indemnity agreement to provide indemnity against any claim that may be made against the surviving corporation and/or the paying agent on account of the alleged loss, theft or destruction of the certificate.

Representations and Warranties

The merger agreement contains customary representations and warranties made by us to Buyer and Merger Co and customary representations and warranties made by Buyer to us. Our representations and warranties relate to, among other things:

- due organization, good standing and corporate power;
- authorization and validity of agreement;
- required consents, approvals, orders and authorizations; and no violations;
- accuracy of information supplied or to be supplied by Applica in connection with this proxy statement;
- capitalization;
- absences of a material adverse effect since December 31, 2005;
- litigation;
- title to properties, encumbrances;
- our SEC filings since January 1, 2003, including the financial statements contained therein;
- the absence of undisclosed liabilities;
- compliance with laws;
- insurance;
- regulatory matters;
- broker s or finder s fees;
- taxes;
- employee benefit matters;
- intellectual property;
- environmental liabilities;
- material contracts;
- labor relations;
- state takeover laws;
- voting requirements, board approval;
- opinion of our financial advisor;
- transactions with related parties; and
- customers.

In addition, Buyer s representations and warranties relate to, among other things:

- due organization, good standing and corporate power;

authorization and validity of agreement;

required consents, approvals, orders and authorizations, and no violations;

accuracy of information supplied or to be supplied by Buyer or Merger Co in connection with this proxy statement;

litigation;

broker s and finder s fees;

vote required to adopt the merger agreement;

the interim operations of Buyer and Merger Co; and

financing.

Most of the representations and warranties contained in the merger agreement are subject to materiality qualifications and/or knowledge qualifications, and none of the representations and warranties survive the effective time of the merger.

This description of the representations and warranties is included to provide you with information regarding the terms of the merger agreement. The assertions embodied in the representations and warranties are qualified by information in confidential disclosure schedules that the parties have exchanged in connection with the execution of the merger agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts at the time they were made or otherwise because the confidential disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties.

Conduct of Our Business Pending Completion of the Merger

Under the merger agreement, we have agreed that, subject to certain exceptions and unless Buyer gives its prior written consent, between October 19, 2006 and the effective time of the merger, we will, and will cause each of our subsidiaries to:

carry on our business in the ordinary course, in substantially the same manner as before conducted and use commercially reasonable efforts to preserve intact our present business organizations, keep available the services of our current officers and other key employees and preserve our relationships with customers, suppliers and others having business dealings with us, except that no action by us or our subsidiaries specifically addressed by any other covenant will be deemed a breach of this covenant unless such action would constitute a breach of one or more other provisions in the merger agreement;

take no action to enter into a new material line of business;

take no action to enter into any contract with a supplier, distributor or customer representative that involves the purchase, distribution or sale of goods or services with a term extending more than one year that is not terminable by Applica or any of its subsidiaries upon less than 30 days prior written notice;

take no action to enter into any contract with respect to licensing of any of our intellectual property with a term extending more than one year that is not terminable by us or any of our subsidiaries without penalty or premiums upon less than 30 days prior written notice;

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take no action to incur or commit to any capital expenditures or any obligations or liabilities in connection with any capital expenditures other than related capital expenditures or obligations or liabilities incurred or committed in the ordinary course of business consistent with our past practice.

take no action, and cause our foreign subsidiaries to take no action, to declare or pay any dividends on or make other distributions (whether in cash, stock or property) in respect of our capital stock, nor will we:

split, combine or reclassify any of our capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for, shares of our capital stock; or

repurchase, redeem or otherwise acquire any shares of our capital stock or any securities convertible into or exercisable for any shares of our capital stock, except for transactions pursuant to the terms of our outstanding stock options as of September 30, 2006;

take no action to offer, issue, deliver, sell, pledge or otherwise encumber, or authorize or propose the offering, issuance, delivery, sale, pledge or encumbrance of, any shares of our capital stock, or any securities convertible into or exercisable for, or any rights, warrants, calls or options to acquire, any such shares, or enter into commitment, arrangement, undertaking or agreement with respect to any of the foregoing;

except as required to comply with the merger agreement or applicable laws, take no action to amend our articles of incorporation, bylaws or other governing documents;

except in the case of internal reorganizations or consolidations involving our subsidiaries in existence as of October 19, 2006, or the creation of new direct or indirect wholly-owned subsidiaries organized to conduct or continue activities otherwise permitted by the merger agreement, take no action to acquire by merger or consolidation, or by purchasing a substantial equity interest in or a substantial portion of the assets of, or by any other manner, any business organization or division thereof or otherwise acquire or agree to acquire any material assets (excluding the acquisition of assets in the ordinary course of business consistent with our past practice);

other than internal reorganizations or consolidations involving existing subsidiaries or as may be required by or in conformance with applicable laws to permit or facilitate the merger, take no action to sell, lease, license or otherwise encumber or subject to any encumbrance or otherwise dispose of, or agree to sell, lease, license or otherwise encumber or subject to any encumbrance or otherwise dispose of, any of its assets (including the capital stock of any Applica subsidiary, but excluding inventory and obsolete equipment in the ordinary course of business consistent with past practice);

take no action to make any of the following:

loans, advances or capital contributions to, or investments in, any other person (other than investments by Applica or any of its subsidiaries to or in Applica or any other wholly-owned subsidiary of Applica, or pursuant to any contract or other legal obligation of Applica as in effect as of October 19, 2006, or employee loans or advances for travel, business, relocation or other reimbursable expenses made in the ordinary course of business); or

create, incur, assume or suffer to exist any indebtedness, issuances of debt securities, guarantees, loans or advances not in existence as of October 19, 2006, other than:

in the ordinary course of business pursuant to its existing revolving credit facility in an amount not to exceed $125 million in the aggregate; or

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for trade payables incurred in the ordinary course of business or as otherwise permitted by the merger agreement;

use commercially reasonable efforts to maintain our listing on the NYSE and to satisfy any and all related listing qualifications and criteria;

except as required by applicable laws or contract in effect on October 19, 2006 that relates to our employees, or as required under the merger agreement, take no action to:

increase the amount of compensation or employee benefits of any employee, consultant or director, pay any severance, pension, retirement, savings or profit-sharing allowance to any employee, consultant or director that is not required by any existing plan or agreement;

enter into any contract with any employee, consultant or director regarding his or her employment or service, compensation or benefits;

increase or commit to increase any benefits for employees, consultants or directors;

adopt or amend or may any commitment to adopt or amend, other than amendments required by law, any benefit plan for the benefit of any person;

accelerate the vesting of, or the lapsing of restrictions with respect to any stock options or other equity based compensation, except as may be required by any plan or agreement in effect on the date of the merger agreement pursuant to which such stock options or other equity based compensation was granted, any applicable laws or in accordance with the merger agreement;

take no action to make any material change in method of accounting in effect as of the date of the merger agreement, except as may be required by a governmental entity or as required by changes to generally accepted accounting principles as concurred by our independent, registered accounting firm;

take no action to change the fiscal year or make any material tax election or settle or compromise any material income tax liability with respect to matters that will be a liability of the surviving corporation other than in the ordinary course of business consistent with our past practice;

take no action to enter into any contract that will limit or otherwise restrict, after the effective time of the merger, the surviving corporation or any of its subsidiaries, or any of their respective affiliates or any of their successors, from engaging or competing in any line of business in any geographic area or by any means, which contracts, individually or in the aggregate, would reasonably be expected to have a material adverse effect on the business, financial condition or results of operations of the surviving corporation and its subsidiaries, taken as a whole, following the effective time of the merger;

effective at (or, at the election of Buyer, immediately prior to) the effective time of the merger, take or cause to be taken the actions set forth in the merger agreement with respect to its benefit plans, and, will cause its employee benefit plans to be amended, if requested by Buyer, to freeze or eliminate the Applica stock fund under the Applica 401(k) profit sharing plan or amend the Applica 401(k) profit sharing plan as necessary to preserve its tax qualifications; or

take actions to grant such approvals and take such other actions (except with respect to any shares of Applica common stock owned by Buyer and/or its affiliates as of the date of the merger agreement), to the extent permitted by law as may be required so that the merger may be consummated as promptly as practicable on the terms as set forth in the merger agreement, if the provisions of any potentially applicable anti-takeover or similar statute is or becomes applicable to the merger or Buyer, Merger Co or their affiliates.

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Actions Related to Regulatory Approvals

Neither Merger Co nor Applica will be required to take, or consent to the other taking, any of the following actions in order to obtain the consent, authorization, order, approval or exemption of any governmental entity in order to satisfy the requirements under the Hart-Scott-Rodino Act if the board of directors of Merger Co or Applica, as applicable, determines, after consulting with counsel, such actions would be materially adverse to the surviving corporation:

- sell, hold separate or otherwise dispose of assets of such party or its subsidiaries or conduct its business in a specified manner;

- agree to sell, hold separate or otherwise dispose of assets of such party or its subsidiaries or conduct its business in a specified manner; or

- permit assets of such party or its subsidiaries to be sold, held separate or disposed of or permit its business to be conducted in a specified manner.

In addition, neither Buyer nor any of its affiliates will be required to take any of the aforementioned actions.

Each of Buyer, Merger Co and Applica will be required to comply with all applicable notification, reporting and other requirements under any antitrust laws and shall file any required notifications with the appropriate governmental entity pursuant to and in compliance with antitrust laws within 10 business days after the date of this agreement.

Efforts To Close

Each of Buyer, Merger Co and Applica (