

Spectrum Brands, Inc.
Form 10-Q
February 11, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 28, 2008

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-13615

Spectrum Brands, Inc.

(Exact name of registrant as specified in its charter)

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Wisconsin
(State or other jurisdiction of
incorporation or organization)

22-2423556
(I.R.S. Employer
Identification Number)

Six Concourse Parkway,

Suite 3300, Atlanta, Georgia
(Address of principal executive offices)

30328
(Zip Code)

(770) 829-6200

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report.)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the Registrant's common stock, \$.01 par value, as of February 9, 2009, was 52,803,341.

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SPECTRUM BRANDS, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTER ENDED December 28, 2008

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SPECTRUM BRANDS, INC.****Condensed Consolidated Balance Sheets****December 28, 2008 and September 30, 2008****(Unaudited)****(Amounts in thousands, except per share figures)**

	December 28, 2008	September 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 100,692	\$ 104,773
Receivables:		
Trade accounts receivable, net of allowances of \$16,690 and \$18,102, respectively	305,574	353,949
Other	40,883	40,756
Inventories	407,617	383,260
Deferred income taxes	17,276	13,957
Assets held for sale	6,635	7,452
Prepaid expenses and other	40,695	49,450
Total current assets	919,372	953,597
Property, plant and equipment, net	203,479	234,805
Deferred charges and other	40,164	44,129
Goodwill	231,989	235,468
Intangible assets, net	723,536	742,809
Debt issuance costs	34,713	36,671
Total assets	\$ 2,153,253	\$ 2,247,479
LIABILITIES AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Current maturities of long-term debt	\$ 54,583	\$ 48,637
Accounts payable	259,509	278,126
Accrued liabilities:		
Wages and benefits	49,827	72,299
Income taxes payable	20,688	10,272
Restructuring and related charges	40,642	34,559
Accrued interest	45,605	50,514
Other	81,149	87,672
Total current liabilities	552,003	582,079
Long-term debt, net of current maturities	2,550,340	2,474,782
Employee benefit obligations, net of current portion	43,133	47,694
Deferred income taxes	128,265	114,674
Other	41,916	55,488
Total liabilities	3,315,657	3,274,717

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Commitments and contingencies

Shareholders' deficit:

Common stock, \$.01 par value, authorized 150,000 shares; issued 69,372 and 69,202 shares, respectively; outstanding 52,928 and 52,775 shares, respectively	691	692
Additional paid-in capital	674,351	674,370
Accumulated deficit	(1,807,587)	(1,694,915)
Accumulated other comprehensive income	47,027	69,445
	(1,085,518)	(950,408)
Less treasury stock, at cost, 16,443 and 16,427 shares, respectively	(76,886)	(76,830)
 Total shareholders' deficit	 (1,162,404)	 (1,027,238)
 Total liabilities and shareholders' deficit	 \$ 2,153,253	 \$ 2,247,479

See accompanying notes which are an integral part of these condensed consolidated financial statements

(Unaudited).

Table of Contents**SPECTRUM BRANDS, INC.****Condensed Consolidated Statements of Operations****For the three month periods ended December 28, 2008 and December 30, 2007****(Unaudited)****(Amounts in thousands, except per share figures)**

	THREE MONTHS	
	2009	2008
Net sales	\$ 564,189	\$ 604,684
Cost of goods sold	364,033	386,881
Restructuring and related charges	55,172	121
Gross profit	144,984	217,682
Selling	118,062	136,301
General and administrative	37,965	39,246
Research and development	5,605	5,799
Restructuring and related charges	25,931	4,892
Total operating expenses	187,563	186,238
Operating (loss) income	(42,579)	31,444
Interest expense	52,464	57,172
Other expense (income), net	3,677	(109)
Loss from continuing operations before income taxes	(98,720)	(25,619)
Income tax expense	13,937	16,445
Loss from continuing operations	(112,657)	(42,064)
Loss from discontinued operations, net of tax		(1,338)
Net loss	\$ (112,657)	\$ (43,402)
Basic earnings per share:		
Weighted average shares of common stock outstanding	51,406	50,971
Loss from continuing operations	\$ (2.19)	\$ (0.82)
Loss from discontinued operations		(0.03)
Net loss	\$ (2.19)	\$ (0.85)
Diluted earnings per share:		
Weighted average shares and equivalents outstanding	51,406	50,971
Loss from continuing operations	\$ (2.19)	\$ (0.82)
Loss from discontinued operations		(0.03)
Net loss	\$ (2.19)	\$ (0.85)

See accompanying notes which are an integral part of these condensed consolidated financial statements

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(Unaudited).

Table of Contents**SPECTRUM BRANDS, INC.****Condensed Consolidated Statements of Cash Flows****For the three month periods ended December 28, 2008 and December 30, 2007****(Unaudited)****(Amounts in thousands)**

	THREE MONTHS	
	2009	2008
Cash flows from operating activities:		
Net loss	\$ (112,657)	\$ (43,402)
Loss from discontinuing operations		(1,338)
Loss from continuing operations	(112,657)	(42,064)
Non-cash adjustments to income from continuing operations:		
Depreciation	18,566	10,773
Amortization	13,808	5,458
Amortization of debt issuance costs	1,958	2,243
Other non-cash adjustments	104,484	16,968
Net changes in assets and liabilities, net of discontinued operations	(116,566)	(83,914)
Net cash used by operating activities of continuing operations	(90,407)	(90,536)
Net cash used by operating activities of discontinued operations		(389)
Net cash used by operating activities	(90,407)	(90,925)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,880)	(6,476)
Proceeds from sale of equipment	18	44
Net cash used by investing activities of continuing operations	(1,862)	(6,432)
Net cash provided by investing activities of discontinued operations		14,456
Net cash (used) provided by investing activities	(1,862)	8,024
Cash flows from financing activities:		
Reduction of debt	(7,703)	(59,012)
Proceeds from debt financing	100,656	155,816
Debt issuance costs		22
Treasury stock purchases	(56)	(683)
Net cash provided by financing activities	92,897	96,143
Effect of exchange rate changes on cash and cash equivalents	(4,709)	1,785
Net (decrease) increase in cash and cash equivalents	(4,081)	15,027
Cash and cash equivalents, beginning of period	104,773	69,853
Cash and cash equivalents, end of period	\$ 100,692	\$ 84,880

See accompanying notes which are an integral part of these condensed consolidated financial statements

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(Unaudited).

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(Amounts in thousands, except per share figures)

1 DESCRIPTION OF BUSINESS

Spectrum Brands, Inc. and its subsidiaries (the Company) is a global branded consumer products company with positions in seven major product categories: consumer batteries; pet supplies; electric shaving and grooming; electric personal care; portable lighting; lawn and garden and household insect control.

The Company manages its business in three reportable segments: (i) Global Batteries & Personal Care, which consists of the Company's worldwide battery, shaving and grooming, personal care and portable lighting business (Global Batteries & Personal Care); (ii) Global Pet Supplies, which consists of the Company's worldwide pet supplies business (Global Pet Supplies); and (iii) Home and Garden Business, which consists of the Company's lawn and garden and household insect control businesses (the Home and Garden Business).

The Company's operations include the worldwide manufacturing and marketing of alkaline, zinc carbon and hearing aid batteries, as well as aquariums and aquatic supplies and the designing and marketing of rechargeable batteries, battery-powered lighting products, electric shavers and accessories, grooming products and hair care appliances. The Company's operations also include the manufacturing and marketing of specialty pet supplies. The Company also manufactures and markets lawn fertilizers, herbicides, insecticides and repellents in North America. The Company's operations utilize manufacturing and product development facilities located in the United States, Europe, China and Latin America.

The Company sells its products in approximately 120 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers and enjoys name recognition in its markets under the Rayovac, VARTA and Remington brands, each of which has been in existence for more than 80 years, and under the Tetra, 8in1, Spectracide, Cutter and various other brands.

The Company historically pursued a strategy of strategic acquisitions in furtherance of its goal of being a diversified global consumer products company competing in high-growth markets. In August 1999, the Company acquired ROV Limited's battery business, which operations had an extensive network of distribution and production facilities in Central America, the Dominican Republic, Mexico, Venezuela, Argentina, and Chile. In September 2003, the Company acquired Remington Products Company, L.L.C. in order to expand its products portfolio and become a more diversified consumer products company that did not solely focus on the battery and lighting product markets. In 2005, the Company acquired United Industries Corporation (United) and Tetra Holding GmbH and its affiliates and subsidiaries in the aquatics business (Tetra) to further diversify its business and leverage its distribution strengths through expansion into the home and garden and pet product markets. These acquisitions were financed in substantial part with debt from a variety of sources.

In July 2006, in response to the Company's substantial leverage and operating performance, the Company engaged advisors to assist it in exploring possible strategic options, including divesting certain assets, in order to reduce its outstanding indebtedness. The Company also continued to pursue initiatives to reduce manufacturing and operating costs. In connection with this undertaking, during the first quarter of the Company's fiscal year ended September 30, 2007 the Company approved and initiated a plan to sell the Home and Garden Business, which at the time was comprised of United States (U.S.) and Canadian divisions. As a result, the Company designated certain assets and liabilities related to the Home and Garden Business as held for sale and designated the Home and Garden Business as discontinued operations.

In November 2007, the Company sold the Canadian division of the Home and Garden Business. See Note 2, Significant Accounting Policies - Discontinued Operations, for further details on the sale of the Canadian division of the Home and Garden Business.

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

During the second quarter of the Company's fiscal year ended September 30, 2008 (Fiscal 2008), the Company determined that in view of the difficulty in predicting the timing or probability of a sale of the Home and Garden Business, the requirements of Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144), necessary to classify the Home and Garden Business as discontinued operations were no longer met. As a result, effective December 31, 2007, the Company reclassified the Home and Garden Business, which had been designated as a discontinued operation since October 1, 2006, as a continuing operation. Accordingly, the presentation herein of the results of continuing operations includes the Home and Garden Business, without the Canadian division which, as indicated above, was sold on November 1, 2007, for all periods presented.

In May 2008, the Company entered into a definitive agreement for the sale of Global Pet Supplies with Salton Inc. (Salton) and Applica Pet Products LLC (Applica), each controlled affiliates of Harbinger Capital Partners Master Fund I, Ltd. and Harbinger Capital Partners Special Situations Fund, L.P. The Company was unable to obtain the consent of the lenders under its senior credit facilities, and, in July 2008, the Company entered into a termination agreement with Salton and Applica to mutually terminate the definitive agreement. Pursuant to the termination agreement, as a condition to the termination, the Company paid Salton and Applica \$3,000 as a reimbursement of expenses.

In November 2008, the Company's board of directors committed to the shutdown of the growing products portion of the Home and Garden Business, which includes fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing product portion of the Home and Garden Business for the Company's fiscal year ending September 30, 2009 (Fiscal 2009). The Company believes the shutdown is consistent with what the Company has done in other areas of its business to eliminate unprofitable products from its portfolio. As of January 31, 2009, the Company had substantially completed the shutdown of the growing products portion of the Home and Garden Business.

On December 15, 2008, the Company was notified that the Company's common stock would be suspended from trading on the New York Stock Exchange (the NYSE) prior to market opening on December 22, 2008. The Company was advised that the decision to suspend the Company's common stock was reached in view of the fact that the Company has recently fallen below the NYSE's continued listing standard regarding average global market capitalization over a consecutive 30 trading day period of not less than \$25,000, the minimum threshold for listing on the NYSE. The Company's common stock had been delisted from the NYSE effective January 23, 2009. The Company's common stock is currently quoted on the Pink Sheet Electronic Quotation Service. However there can be no assurances that a broker-dealer will make a market in its common stock.

Chapter 11 Filing

On February 3, 2009, the Company announced that it reached agreements with certain noteholders, representing, in the aggregate, approximately 70% of the face value of its outstanding bonds (the Significant Noteholders), to pursue a refinancing that, if implemented as proposed, will significantly reduce the Company's outstanding debt. The agreements contemplated that the refinancing would occur pursuant to a pre-arranged plan of reorganization that would be supported by each of the Significant Noteholders. On the same day, the Company and its wholly owned United States subsidiaries filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code, in the United States Bankruptcy Court (the Bankruptcy Court) for the Western District of Texas (the Bankruptcy Filing). The Company has filed with the Bankruptcy Court a proposed plan of reorganization (the Proposed Plan), as discussed below, that details its proposed terms for the refinancing. The Chapter 11 cases are being jointly administered by the Bankruptcy Court as Case No. 09-50456 (the Bankruptcy Cases).

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

The refinancing provided for in the Proposed Plan would effect the cancellation of existing obligations evidenced by its public senior subordinated notes and the creation of new common stock and a new series of notes to be issued by the reorganized Company to the noteholders. Existing common stock would be extinguished under the Proposed Plan, and no distributions will be made to holders of the existing equity. The Company's obligations to pay principal and interest on its senior debt would remain unchanged. The claims of existing secured and other general unsecured creditors other than the noteholders would be reinstated or unimpaired, and thus would receive payment of their claims on existing terms either in the ordinary course or upon consummation of the Proposed Plan.

Each of the Significant Noteholders has agreed, pursuant to a restructuring support agreement (the "Restructuring Support Agreement") and upon the terms and subject to the conditions in the agreement, to support the Proposed Plan and, upon receipt of a Bankruptcy Court approved disclosure statement and when properly solicited to do so, to vote all of their respective claims under the notes in favor of the Proposed Plan. The Restructuring Support Agreement is subject to termination upon the occurrence of certain events including, among others, the Company's withdrawal of the Proposed Plan, the Company's failure to secure Bankruptcy Court approval of debtor-in-possession financing in accordance with the terms of the Restructuring Support Agreement or the failure of the Bankruptcy Court to approve a disclosure statement, confirm the Proposed Plan or declare the Proposed Plan effective as of specified dates.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: These condensed consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC") and, in the opinion of the Company, include all adjustments (which are normal and recurring in nature) necessary to present fairly the financial position of the Company at December 28 and September 30, 2008, and the results of operations and cash flows for the three month periods ended December 28, 2008 and December 30, 2007. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or omitted pursuant to such SEC rules and regulations. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2008. Certain prior period amounts have been reclassified to conform to the current period presentation.

Significant Accounting Policies and Practices: The condensed consolidated financial statements include the condensed consolidated financial statements of Spectrum Brands, Inc. and its subsidiaries and are prepared in accordance with generally accepted accounting principles in the United States of America. All intercompany transactions have been eliminated. The Company's fiscal year ends September 30. References herein to Fiscal 2009 and Fiscal 2008 refer to the fiscal years ended September 30, 2009 and 2008, respectively.

The preparation of condensed consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Discontinued Operations: In the third quarter of the Company's fiscal year ended September 30, 2006, the Company engaged advisors to assist it in exploring possible strategic options, including divesting certain assets,

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(Amounts in thousands, except per share figures)

in order to reduce its outstanding indebtedness. In connection with this undertaking, during the first quarter of the Company's fiscal year ended September 30, 2007 the Company approved and initiated a plan to sell the Home and Garden Business, which at the time was comprised of United States (U.S.) and Canadian divisions. As a result, the Company designated certain assets and liabilities related to the Home and Garden Business as held for sale and designated the Home and Garden Business as discontinued operations.

On November 1, 2007, the Company sold the Canadian division of the Home and Garden Business, which operated under the name Nu-Gro, to a new company formed by RoyCap Merchant Banking Group and Clarke Inc. Cash proceeds received at closing, net of selling expenses, totaled \$14,931 and were used to reduce outstanding debt. These proceeds are included in net cash provided by investing activities of discontinued operations in the Condensed Consolidated Statements of Cash Flows (Unaudited) included in this Quarterly Report on Form 10-Q. On February 5, 2008, the Company finalized the contractual working capital adjustment in connection with this sale which increased proceeds received by the Company by \$500. As a result of the finalization of the contractual working capital adjustments the Company recorded a loss on disposal of \$1,209, net of tax benefit.

During the second quarter of Fiscal 2008 the Company determined that in view of the difficulty in predicting the timing or probability of a sale of the Home and Garden Business, the requirements of SFAS 144, necessary to classify the Home and Garden Business as discontinued operations were no longer met. As a result, effective December 31, 2007, the Company reclassified the Home and Garden Business, which had been designated as a discontinued operation since October 1, 2006, as a continuing operation. Accordingly, the presentation herein of the results of continuing operations includes the Home and Garden Business, without the Canadian division which, as indicated above, was sold on November 1, 2007, for all periods presented.

The presentation herein of the results of continuing operations has been changed to exclude the Canadian division of its Home and Garden Business for the three months ended December 30, 2007. The following amounts have been segregated from continuing operations and are reflected as discontinued operations during the three months ended December 30, 2007:

	Three Months 2008^(A)
Net sales	\$ 4,732
Loss from discontinued operations before income taxes	\$ (1,989)
Provision for income tax benefit	(651)
Loss from discontinued operations (including loss on disposal of \$1,209), net of tax	\$ (1,338)

^(A) Represents results from discontinued operations from October 1, 2007 through November 1, 2007, the date of sale.

Assets Held for Sale: As of December 28, 2008 and September 30, 2008, the Company had \$6,635 and \$7,452, respectively, included in Assets held for sale in its Condensed Consolidated Balance Sheets (Unaudited) related to certain assets and liabilities of a distribution facility in the Dominican Republic and manufacturing facilities in France and Brazil.

Intangible Assets: Intangible assets are recorded at cost or at fair value if acquired in a purchase business combination. Customer lists and proprietary technology intangibles are amortized, using the straight-line method,

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

over their estimated useful lives of approximately 5 to 19 years. Excess of cost over fair value of net assets acquired (goodwill) and trade name intangibles are not amortized. Goodwill is tested for impairment at least annually at the reporting unit level. If an impairment is indicated, a write-down to fair value (normally measured by discounting estimated future cash flows) is recorded. Trade name intangibles are tested for impairment at least annually by comparing the fair value with the carrying value. Any excess of carrying value over fair value is recognized as an impairment loss in income from operations.

SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142) requires that goodwill and indefinite-lived intangible assets be tested for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. Management uses its judgment in assessing whether assets may have become impaired between annual impairment tests. Indicators such as unexpected adverse business conditions, economic factors, unanticipated technological change or competitive activities, loss of key personnel, and acts by governments and courts may signal that an asset has become impaired. The fair values of the Company's goodwill and indefinite-lived intangible assets were not tested for impairment during the three month period ended December 28, 2008 and December 30, 2007, respectively, as no event or circumstance arose which indicated that an impairment loss may have been incurred.

Shipping and Handling Costs: The Company incurred shipping and handling costs of \$42,994 and \$49,165 for the three month periods ended December 28, 2008 and December 30, 2007, respectively. These costs are included in Selling expenses. Shipping and handling costs include costs incurred with third-party carriers to transport products to customers as well as salaries and overhead costs related to activities to prepare the Company's products for shipment from its distribution facilities.

Concentrations of Credit Risk: Trade receivables subject the Company to credit risk. Trade accounts receivable are carried at net realizable value. The Company extends credit to its customers based upon an evaluation of the customer's financial condition and credit history, and generally does not require collateral. The Company monitors its customers' credit and financial condition based on changing economic conditions and makes adjustments to credit policies as required. Provision for losses on uncollectible trade receivables are determined principally on the basis of past collection experience applied to ongoing evaluations of the Company's receivables and evaluations of the risks of nonpayment for a given customer.

The Company has a broad range of customers including many large retail outlet chains, one of which accounts for a significant percentage of its sales volume. This customer represented approximately 22% and 19% of the Company's Net sales during the three month periods ended December 28, 2008 and December 30, 2007, respectively. This customer also represented approximately 12% and 22% of the Company's Trade accounts receivable, net as of December 28, 2008 and September 30, 2008, respectively.

Approximately 47% and 54% of the Company's Net sales during the three month periods ended December 28, 2008 and December 30, 2007, respectively, occurred outside the United States. These sales and related receivables are subject to varying degrees of credit, currency, political and economic risk. The Company monitors these risks and makes appropriate provisions for collectibility based on an assessment of the risks present.

Stock-Based Compensation: The Company uses or has used two forms of stock based compensation. Shares of restricted stock have been awarded to certain employees and members of management since the fiscal year ended September 30, 2001. Prior to the fourth quarter of the fiscal year ended September 30, 2004, the Company also issued stock options to employees, some of which remained unvested as of October 1, 2005, the date the Company adopted SFAS No. 123(R), *Share Based Payment* (SFAS 123(R)). Restricted stock is now the only form of stock based compensation used by the Company.

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

SFAS 123(R) requires the Company to recognize expense related to the fair value of its employee stock option awards. Total stock compensation expense associated with both stock options and restricted stock awards recognized by the Company during the three month periods ended December 28, 2008 and December 30, 2007 was \$(21), or \$(13), net of taxes, and \$1,861, or \$1,154, net of taxes, respectively. The amounts before tax are included in General and administrative expenses in the Condensed Consolidated Statements of Operations (Unaudited). The Company expects that total stock compensation expense for Fiscal 2009 will be approximately \$3,461 before the effect of income taxes. As of December 28, 2008, there was \$4,706 of unrecognized compensation cost related to restricted stock that is expected to be recognized over a weighted average period of approximately 3 years.

Stock options previously awarded generally vest under a combination of time-based and performance-based vesting criteria. Under the time-based vesting, the stock options become exercisable primarily in equal increments over a three year period, while under the performance-based vesting such options become exercisable over the same time period, if performance criteria are met, or one day prior to the end of the exercise period, if certain performance criteria are not met. The period during which such options, if vested, may be exercised generally extends ten years from the date of grant.

Restricted stock shares granted through the fiscal year ended September 30, 2006 generally have vesting periods of three to five years. Approximately 50% of the restricted stock shares are purely time-based and vest on a pro rata basis over either a three or four year vesting period and approximately 50% are time-based and performance-based. Vesting of such performance based restricted stock will occur upon achievement of certain performance goals established by the Board of Directors of the Company. Generally, performance targets consist of Earnings Per Share (EPS), segment Earnings Before Interest and Taxes (EBIT) and cash flow components. If such performance targets are not met, the performance component of a restricted stock award will not vest in the year that the performance targets applied to and instead will automatically vest one year after the originally scheduled vesting date, effectively making the award time based. The Company recognizes amortization on the time-based component on a straight-line basis over the vesting period. The Company recognizes amortization on the performance-based component over the vesting period, assuming performance targets will not be met, unless and until it is probable that the performance targets will be met. At the point in time when it is probable that the performance target will be met, the recognition period is shortened one year to account for the accelerated vesting requirement of the performance-based component.

Restricted stock shares granted in Fiscal 2008 and 2007 generally have vesting periods which can range from one to five years. Approximately 61% of the shares granted in Fiscal 2008 and 89% of the shares granted in Fiscal 2007 are purely performance based and vest only upon the achievement of certain performance goals. Such performance goals consist of reportable segment and consolidated company Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) and cash flow components, each as defined by the Company for purposes of such awards. The remaining shares granted in Fiscal 2008 and Fiscal 2007 are time based, which vest either 100% after three years or on a pro rata basis over three years.

During the three month period ended December 28, 2008, the Company granted approximately 229 shares of restricted stock. All shares granted are purely performance based and vest only upon achievement of certain performance goals which consist of reportable segment and consolidated company EBITDA and cash flow components, each as defined by the Company for purposes of such awards. All vesting dates are subject to the recipient's continued employment with the Company, except as otherwise permitted by the Company's Board of Directors.

The Company currently has one active incentive plan under which additional shares may be issued to employees as equity compensation. In 2004, the Board adopted the 2004 Rayovac Incentive Plan (2004 Plan).

Table of Contents**SPECTRUM BRANDS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

Up to 3,500 shares of common stock, net of forfeitures and cancellations, may be issued under the 2004 Plan, which expires in July 2014. As of December 28, 2008, 2,632 of restricted shares had been granted, net of forfeitures and shares surrendered by employees for payment of taxes on such awards, and 1,200 restricted shares were outstanding under the 2004 Plan. No options have been granted under the 2004 Plan.

The Company also has two expired plans under which there remain equity based awards outstanding; the 1997 Rayovac Incentive Plan (1997 Plan), which expired on August 31, 2007, and the 1996 Rayovac Corporation Stock Option Plan (1996 Plan), which expired on September 12, 2006. As of December 28, 2008 there were options with respect to 394 shares of common stock and 410 restricted shares outstanding under the 1997 Plan, and options with respect to 89 shares of common stock outstanding under the 1996 Plan.

The fair value of restricted stock is determined based on the market price of the Company's shares on the grant date. A summary of the status of the Company's non-vested restricted stock as of December 28, 2008 is as follows:

Restricted Stock	Shares	Weighted Average Grant Date Fair Value	Fair Value
Restricted stock at September 30, 2008	1,873	\$ 10.74	\$ 20,111
Granted	229	0.66	150
Vested	(433)	12.12	(5,251)
Forfeited	(59)	8.77	(522)
Restricted stock at December 28, 2008	1,610	\$ 9.00	\$ 14,488

The following table summarizes the stock option transactions for the three month period ended December 28, 2008:

	Options	Weighted- Average Exercise Price
Outstanding, beginning of period	510	\$ 15.06
Granted		
Exercised		
Forfeited	(27)	15.62
Outstanding, end of period	483	\$ 15.03
Options exercisable, end of period	393	\$ 15.28

Table of Contents**SPECTRUM BRANDS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

The following table summarizes information about options outstanding and options outstanding and exercisable as of December 28, 2008:

Range of Exercise Prices		Number of Shares	Options Outstanding			Options Outstanding and Exercisable	
			Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price	
\$11.32	\$14.60	405	3.60 years	\$ 13.54	322	\$ 13.64	
\$18.60	\$21.50	7	4.24	20.28	4	20.35	
\$21.63	\$27.13	71	1.20	23.06	67	22.84	
		483	3.26	\$ 15.03	393	\$ 15.28	

Derivative Financial Instruments: Derivative financial instruments are used by the Company principally in the management of its interest rate, foreign currency and raw material price exposures. The Company does not hold or issue derivative financial instruments for trading purposes. When entered into, the Company formally designates the financial instrument as a hedge of a specific underlying exposure if specific criteria are met, and documents both the risk management objectives and strategies for undertaking the hedge. The Company formally assesses, both at inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in either the fair value or cash flows of the related underlying exposure. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. Any ineffective portion of a financial instrument's change in fair value is immediately recognized in earnings.

The Company uses interest rate swaps to manage its interest rate risk. The swaps are designated as cash flow hedges with the changes in fair value recorded in Accumulated Other Comprehensive Income (AOCI) and as a derivative hedge asset or liability, as applicable. The swaps settle periodically in arrears with the related amounts for the current settlement period payable to, or receivable from, the counter-parties included in accrued liabilities or receivables, respectively, and recognized in earnings as an adjustment to interest expense from the underlying debt to which the swap is designated. During the three month periods ended December 28, 2008 and December 30, 2007, \$822 and \$1,602 of pretax derivative losses and gains, respectively, from such hedges were recorded as an adjustment to Interest expense. During the three month periods ended December 28, 2008 and December 30, 2007, no gains or losses were recorded as adjustments to interest expense for ineffectiveness from such hedges. At December 28, 2008 the Company had a portfolio of USD-denominated interest rate swaps outstanding which effectively fixes the interest rates on floating rate debt, exclusive of lender spreads, at rates as follows: 5.49% for a notional principal amount of \$225,000 through March 2010 and 3.01% for a notional principal amount of \$80,000 through April 2010. The derivative net loss on these contracts recorded in AOCI at December 28, 2008 was \$5,632, net of tax benefit of \$3,452. The derivative net loss on these contracts recorded in AOCI at September 30, 2008 was \$3,604, net of tax benefit of \$2,209. At December 28, 2008, the portion of derivative net losses estimated to be reclassified from AOCI into earnings over the next 12 months was \$3,900, net of tax benefit.

The Company periodically enters into forward foreign exchange contracts to hedge the risk from forecasted foreign denominated third party and inter-company sales or payments. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Euros, Pounds Sterling, Australian Dollars, Brazilian Reals, Canadian Dollars or Japanese Yen. These foreign exchange contracts are cash flow hedges of fluctuating

Table of Contents**SPECTRUM BRANDS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****(Amounts in thousands, except per share figures)**

foreign exchange related to sales or product or raw material purchases. Until the sale or purchase is recognized, the fair value of the related hedge is recorded in AOCI and as a derivative hedge asset or liability, as applicable. At the time the sale or purchase is recognized, the fair value of the related hedge is reclassified as an adjustment to Net sales or purchase price variance in Cost of goods sold. During the three month periods ended December 28, 2008 and December 30, 2007, \$37 and \$958 of pretax derivative losses, respectively, from such hedges were recorded as an adjustment to Net sales. During the three month periods ended December 28, 2008 and December 30, 2007, \$3,344 and \$2,894 of pretax derivative gains and losses, respectively, from such hedges were recorded as an adjustment to Cost of goods sold. During the three month periods ended December 28, 2008 and December 30, 2007, the pretax derivative adjustment to earnings for ineffectiveness from these contracts was \$0. The derivative net gain on these contracts recorded in AOCI at December 28, 2008 was \$8,042, net of tax expense of \$3,531. The derivative net gain on these contracts recorded in AOCI at September 30, 2008 was \$3,591, net of tax expense of \$1,482. During the three month period ended December 28, 2008, the Company terminated a series of such contracts prior to their scheduled maturities at a gain receiving \$13,571 in cash. The hedged transactions are expected to occur in the future as forecast therefore, the related pretax derivative gains remain recorded in AOCI and are included in the amounts above. These pretax derivative gains will be reclassified from AOCI into earnings upon the contracts normal scheduled maturities. At December 28, 2008, the portion of derivative net gains estimated to be reclassified from AOCI into earnings over the next 12 months was \$6,977, net of tax benefit. As a result of the early termination of such contracts, the portion of non-cash derivative net gains to be reclassified from AOCI into earnings over the next 12 months included in the amounts above is \$7,874 net of tax benefit.

The Company is exposed to risk from fluctuating prices for raw materials, including zinc, used in its manufacturing processes. Prior to closure of the growing products division of the Home & Garden business, the company was exposed to risk from fluctuating prices for raw materials, including urea and DAP. The Company hedges a portion of the risk associated with these materials through the use of commodity call options and swaps. The hedge contracts are designated as cash flow hedges with the fair value changes recorded in AOCI and as a hedge asset or liability, as applicable. The unrecognized changes in fair value of the hedge contracts are reclassified from AOCI into earnings when the hedged purchase of raw materials also affects earnings. The call options effectively cap the floating price on a specified quantity of raw materials through a specified date. The swaps effectively fix the floating price on a specified quantity of raw materials through a specified date. During the three month periods ended December 28, 2008 and December 30, 2007, \$5,674 and \$163 of pretax derivative losses, respectively, were recorded as an adjustment to Cost of goods sold for swap or option contracts settled at maturity. The hedges are generally highly effective, however, during the three month periods ended December 28, 2008 and December 30, 2007, \$282 and \$327 of pretax derivative gains and losses, respectively, were recorded as an adjustment to Cost of goods sold for ineffectiveness. During the three month period ended December 28, 2008, in connection with closure of the growing products division of the Home & Garden business, all amounts related to remaining urea and DAP hedge contracts were deemed ineffective and reclassified from AOCI into earnings. As a result, and in addition to the amounts for ineffectiveness above, \$12,729 of pretax derivative losses were recorded as an adjustment to Restructuring and related charges in Cost of goods sold for ineffectiveness. At December 28, 2008, the Company had a series of urea and DAP swap contracts outstanding through April 2009 with a contract value of \$12,585. At December 28, 2008, the Company had a series of zinc swap contracts outstanding through December 2010 with a contract value of \$29,237. At September 30, 2008, \$60,204 of urea, DAP and zinc commodity contracts were outstanding. The derivative net loss on zinc contracts recorded in AOCI at December 28, 2008 was \$7,444, net of tax benefit of \$4,002. The derivative net loss on urea, DAP and zinc contracts recorded in AOCI at September 30, 2008 was \$7,282, net of tax benefit of \$4,038. At December 28, 2008, the portion of derivative net losses for zinc contracts estimated to be reclassified from AOCI into earnings over the next 12 months was \$6,154, net of tax benefit.

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

The Company periodically enters into forward and swap foreign exchange contracts to hedge the risk from third party and inter-company payments resulting from existing obligations. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Euros, Pounds Sterling, Brazilian Reals or Canadian Dollars. These foreign exchange contracts are fair value hedges of a related liability or asset recorded in the Condensed Consolidated Balance Sheets (Unaudited). The gain or loss on the derivative hedge contracts is recorded in earnings as an offset to the change in value of the related liability or asset at each period end. During the three month periods ended December 28, 2008 and December 30, 2007, \$1,495 and \$6,436 of pretax derivative gains and losses, respectively, from such hedges were recorded as an adjustment to earnings in Other income, net. At December 28, 2008, \$107,255 of such foreign exchange derivative contracts were outstanding. At September 30, 2008, \$110,174 of such foreign exchange derivative contracts were outstanding.

Fair Value of Financial Instruments: Effective October 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements* (SFAS 157), for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. SFAS 157 establishes a new framework for measuring fair value and expands related disclosures. Broadly, the SFAS 157 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. SFAS 157 establishes market or observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. The adoption of SFAS 157 did not have a material affect on the Company's statements of operations, financial position or cash flows.

The valuation techniques required by SFAS 157 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by the Company. These two types of inputs create the following fair value hierarchy:

Level 1	Quoted prices for identical instruments in active markets.
Level 2	Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
Level 3	Significant inputs to the valuation model are unobservable.

The Company maintains policies and procedures to value instruments using the best and most relevant data available. In addition, the Company has risk management teams that review valuation, including independent price validation for certain instruments. Further, in other instances, the Company retains independent pricing vendors to assist in valuing certain instruments.

The following section describes the valuation methodologies the Company uses to measure various financial instruments at fair value.

Table of Contents**SPECTRUM BRANDS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

Derivatives

The Company's derivatives are valued using internal models, which are based on market observable inputs including interest rate curves and both forward and spot prices for currencies and commodities. The Company's derivative portfolio contains Level 2 instruments and represents interest rate swaps and foreign currency and commodity forward contracts.

	Level 1	Level 2	Level 3	Total
Liabilities:				
Foreign currency derivatives	\$	\$ (1,558)	\$	\$ (1,558)
Interest rate derivatives		(9,759)		(9,759)
Commodity derivatives		(19,919)		(19,919)
Total Liabilities	\$	\$ (31,236)	\$	\$ (31,236)

Effective October 1, 2008, the Company also adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115*, (SFAS 159), which permits an entity to measure many financial instruments and certain other items at fair value by electing a fair value option. Once elected, the fair value option may be applied on an instrument by instrument basis, is irrevocable and is applied only to entire instruments. SFAS 159 also requires companies with trading and available-for-sale securities to report the unrealized gains and losses for which the fair value option has been elected. The adoption of SFAS 159 did not affect the Company's results of operations, financial position or cash flows as the Company did not elect the fair value option for any of its financial instruments.

3 OTHER COMPREHENSIVE LOSS

Comprehensive loss and the components of other comprehensive loss, net of tax, for the three month periods ended December 28, 2008 and December 30, 2007, respectively, are as follows:

	Three Months	
	2009	2008
Net loss	\$ (112,657)	\$ (43,402)
Other comprehensive loss:		
Foreign currency translation	(24,299)	9,400
Valuation allowance adjustments	(472)	(1,367)
Pension liability adjustments		103
Net unrealized gain (loss) on derivative instruments	2,340	(3,257)
Net change to derive comprehensive loss for the period	(22,431)	4,879
Comprehensive loss	\$ (135,088)	\$ (38,523)

Net exchange gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries are accumulated in the AOCI section of Shareholders' deficit. Also included are the effects of exchange rate changes on intercompany balances of a long-term nature and transactions designated as hedges of net foreign investments. The changes in accumulated foreign currency translation for the three month periods ended

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December 28, 2008 and December 30, 2007 were primarily attributable to the impact of translation of the net assets of the Company's European operations, primarily denominated in Euros and Pounds Sterling.

Table of Contents**SPECTRUM BRANDS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

4 NET LOSS PER COMMON SHARE

Net loss per common share for the three month periods ended December 28, 2008 and December 30, 2007, respectively, is calculated based upon the following number of shares:

	Three Months	
	2009	2008
Basic	51,406	50,971
Effect of restricted stock and assumed conversion of options		
Diluted	51,406	50,971

For the three month periods ended December 28, 2008 and December 30, 2007, the Company has not assumed the exercise of common stock equivalents as the impact would be antidilutive.

5 INVENTORIES

Inventories, which are stated at the lower of cost or market, consist of the following:

	December 28, 2008	September 30, 2008
Raw materials	\$ 87,329	\$ 89,811
Work-in-process	31,779	26,160
Finished goods	288,509	267,289
	\$ 407,617	\$ 383,260

6 GOODWILL AND ACQUIRED INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

	Global Batteries & Personal Care	Home and Garden	Global Pet Supplies	Total
Goodwill:				
Balance as of September 30, 2008	\$ 117,649	\$	\$ 117,819	\$ 235,468
Effect of translation	(2,512)		(967)	(3,479)
Balance as of December 28, 2008	\$ 115,137	\$	\$ 116,852	\$ 231,989

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Intangible Assets:

Trade names Not Subject to Amortization

Balance as of September 30, 2008	\$	286,260	\$ 57,000	\$ 218,345	\$ 561,605
Reclassification ^(A)			(12,000)		(12,000)
Effect of translation		(1,827)		(2,351)	(4,178)

Balance as of December 28, 2008	\$	284,433	\$ 45,000	\$ 215,994	\$ 545,427
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Intangible Assets Subject to Amortization

Balance as of September 30, 2008, net	\$	11,829	\$ 58,357	\$ 111,018	\$ 181,204
Additions ^(A)		500	12,000	17	12,517
Amortization during period ^(A)		(263)	(10,366)	(3,200)	(13,829)
Effect of translation		(341)		(1,442)	(1,783)

Balance as of December 28, 2008, net	\$	11,725	\$ 59,991	\$ 106,393	\$ 178,109
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Total Intangible Assets, net	\$	296,158	\$ 104,991	\$ 322,387	\$ 723,536
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Table of Contents**SPECTRUM BRANDS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

(A) During the three month period ended December 28, 2008, the Company reclassified the Home and Garden Business growing products trade names not subject to amortization to intangible trade names subject to amortization as the trade names have been assigned a useful life through the term of the shutdown period, which the Company has substantially completed as of January 31, 2009. See Note 1, Description of Business, for further details on the committed shutdown of the growing products portion of the Home and Garden Business. Intangible assets subject to amortization include proprietary technology, customer relationship intangibles and certain trade names. The carrying value of technology assets was \$31,306, net of accumulated amortization of \$15,596, at December 28, 2008 and \$32,120, net of accumulated amortization of \$14,660, at September 30, 2008. The carrying value of customer relationship intangibles was \$141,831, net of accumulated amortization of \$62,958, at December 28, 2008 and \$147,264, net of accumulated amortization of \$58,913, at September 30, 2008. The carrying value of trade name intangibles was \$4,972, net of accumulated amortization of \$17,983 at December 28, 2008 and \$1,820, net of accumulated amortization of \$9,135 at September 30, 2008. Of the intangible assets acquired in the United acquisition and the Company's acquisition of Jungle Laboratories Corporation (Jungle Labs), customer relationships and technology assets have been assigned a life of approximately 12 years and other intangibles have been assigned lives of 1 year to 4 years. Of the intangible assets acquired in the Company's acquisition of Tetra, customer relationships have been assigned an estimated useful life of approximately 12 years and technology assets have been assigned a 6 year life.

Amortization expense for the three month periods ended December 28, 2008 and December 30, 2007, respectively, is as follows:

	Three Months	
	2009	2008
Proprietary technology amortization	\$ 936	\$ 952
Customer relationships amortization	4,045	2,545
Trade names amortization	8,848	100
	\$ 13,829	\$ 3,597

The Company estimates annual amortization expense for the next five fiscal years will approximate \$19,873 per year.

7 DEBT

Debt consists of the following:

	December 28, 2008		September 30, 2008	
	Amount	Rate ^(A)	Amount	Rate ^(A)
Senior Subordinated Notes, due February 1, 2015	\$ 700,000	7.4%	\$ 700,000	7.4%
Senior Subordinated Notes, due October 1, 2013	2,873	8.5%	2,873	8.5%
Senior Subordinated Notes, due October 2, 2013	347,012	12.5%	347,012	12.0%
Term Loan B, U.S. Dollar, expiring March 30, 2013	976,458	6.7%	976,458	6.8%
Term Loan, Euro, expiring March 30, 2013	358,461	7.6%	369,283	9.6%
Revolving Credit Facility, expiring September 28, 2011	167,000	3.8%	80,000	5.0%
Other notes and obligations	40,193	8.5%	34,210	9.7%
Capitalized lease obligations	12,926	4.9%	13,583	4.9%

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	2,604,923	2,523,419
Less current maturities	54,583	48,637
Long-term debt	\$ 2,550,340	\$ 2,474,782

^(A) Interest rates on senior credit facilities represent the period-end weighted average rates on balances outstanding exclusive of the effects of any interest rate swaps.

Table of Contents**SPECTRUM BRANDS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****(Amounts in thousands, except per share figures)****Defaults on Current Indebtedness**

The Bankruptcy Filing, as described above in Note 1, Description of Business, constitutes an event of default under the Company's senior secured term credit facility agreement. As a result of such default, the commitments under the senior secured term credit facility immediately terminated and all borrowings, with accrued interest thereon, and all other amounts owed by the Company, including all amounts under outstanding letters of credit, became immediately due and payable. As further described under *ABL Facility and Debtor-In-Possession Financing* below, the Company's senior secured asset-based loan facility credit agreement has been amended and excludes the filing of the Bankruptcy Cases as an event of default. In addition, the filing constituted an event of default under the respective indentures governing the Company's Variable Rate Toggle Senior Subordinated Notes due 2013 (the Variable Rate Notes), the Company's 7³/₈% Senior Subordinated Notes due 2015 (the 7³/₈ Notes) and the Company's 8¹/₂% Senior Subordinated Notes due 2013 (the 8¹/₂ Notes). As a result of such default, the principal amount plus accrued and unpaid interest on the respective related notes is due and payable. As of February 1, 2009, the aggregate principal amounts outstanding under the senior secured term loan facility is approximately \$1,304,557, and the aggregate principal amounts outstanding under the 7³/₈ Notes, the Variable Notes and the 8¹/₂ Notes are approximately \$700,000, \$347,000 and \$3,000, respectively.

Also on February 2, 2009, the Company failed to make a \$25,800 interest payment due February 2, 2009 on the Company's 7³/₈ Notes.

As a result of the bankruptcy filing, the ability of creditors to seek remedies to enforce their rights under all such agreements have been stayed and creditor rights of enforcement are subject to the applicable provisions of the Bankruptcy Code.

Senior Term Credit Facility and ABL Facility

During the second quarter of Fiscal 2007, the Company refinanced its outstanding senior credit facilities with new senior secured credit facilities (collectively, the Senior Term Credit Facility) pursuant to a new senior credit agreement (the Senior Credit Agreement) consisting of a \$1,000,000 U.S. Dollar Term B Loan facility (the U.S. Dollar Term B Loan), a \$200,000 U.S. Dollar Term B II Loan facility (the U.S. Dollar Term B II Loan), a \$262,000 Term Loan facility (the Euro Facility), and a \$50,000 synthetic letter of credit facility (the L/C Facility). The proceeds of borrowings under the Senior Credit Agreement were used to repay all outstanding obligations under the Company's Fourth Amended and Restated Credit Agreement, dated as of February 7, 2005, to pay fees and expenses in connection with the refinancing and the exchange offer completed on March 30, 2007 relating to certain of the Company's senior subordinated notes and for general corporate purposes. Subject to certain mandatory prepayment events, the term loan facilities under the Senior Credit Agreement are subject to repayment according to a scheduled amortization, with the final payment of all amounts outstanding, plus accrued and unpaid interest, due on March 30, 2013. Letters of credit issued pursuant to the L/C Facility are required to expire, at the latest, five business days prior to March 30, 2013.

On September 28, 2007, as provided for in the Senior Credit Agreement, the Company entered into a \$225,000 U.S. Dollar Asset Based Revolving Loan Facility (the ABL Facility) and together with the Senior Term Credit Facility, the Senior Credit Facilities) pursuant to a credit agreement (the ABL Credit Agreement). The ABL Facility replaced the U.S. Dollar Term B II Loan, which was simultaneously prepaid using cash on hand generated from the Company's operations and available cash from prior borrowings under its Senior Credit Agreement in connection with the above-referenced refinancing. Obligations under the ABL Facility were secured pursuant to a guarantee and collateral agreement.

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

During the three month period ended December 28, 2008, the Company made no prepayments of term loan indebtedness under its Senior Credit Agreement.

At December 28, 2008, the aggregate amount outstanding under the Company's Senior Credit Facilities totaled a U.S. Dollar equivalent of \$1,560,237, including principal amounts of \$976,458 under the U.S. Dollar Term B Loan, 255,843 under the Euro Facility (USD \$358,461 at December 28, 2008), and \$176,000 under the ABL Facility, including \$9,000 in letters of credit. Letters of credit outstanding under the L/C Facility totaled \$49,318 at December 28, 2008.

The Senior Credit Agreement contains financial covenants with respect to debt, including, but not limited to, a maximum senior secured leverage ratio, which covenants, pursuant to their terms, become more restrictive over time. In addition, the Senior Credit Agreement contains customary restrictive covenants, including, but not limited to, restrictions on the Company's ability to incur additional indebtedness, create liens, make investments or specified payments, give guarantees, pay dividends, make capital expenditures and merge or acquire or sell assets. Pursuant to a guarantee and collateral agreement, the Company and its domestic subsidiaries have guaranteed their respective obligations under the Senior Credit Agreement and related loan documents and have pledged substantially all of their respective assets to secure such obligations.

The Senior Credit Agreement also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness. As discussed above, the Bankruptcy Filing constituted an event of default under the senior term credit facility and the indebtedness under the facility has been accelerated.

The ABL Credit Agreement and the related guarantee and collateral agreement have been amended in connection with the Bankruptcy Cases to provide new debtor-in-possession financing. A description of the terms of the ABL Credit Agreement as so amended is set forth in *Debtor-In-Possession Financing* below.

Debtor-In-Possession Financing

On February 5, 2009, the Company received interim approval from the Bankruptcy Court (the *Interim Financing Order*) to access new financing pursuant to a \$235,000 senior secured debtor-in-possession revolving credit facility (the *DIP Facility*). The DIP Facility is being provided pursuant to a Ratification and Amendment Agreement with Wachovia Bank, National Association as administrative and collateral agent (the *Agent*), certain of the existing lenders under the ABL Facility with a participating interest from the Significant Noteholders. The agreement amends the ABL Credit Agreement and the related guarantee and collateral agreement (the ABL Credit Agreement as so amended, the *DIP Credit Agreement*). The DIP Facility consists of (a) revolving loans (the *Revolving Loans*), with a portion available for letters of credit and a portion available as swing line loans, in each case subject to the terms and limits described therein, and (b) a supplemental loan (the *Supplemental Loan*), in the form of an asset based loan, in an amount up to \$45,000.

The Revolving Loans may be drawn, repaid and reborrowed without premium or penalty. The Supplemental Loan shall be repaid after payment in full of the Revolving Loans and all other obligations due and payable under the DIP Facility. The proceeds of borrowings under the DIP Facility are to be used for costs, expenses and fees in connection with the DIP Facility, for working capital of the Company and its subsidiaries restructuring costs, and other general corporate purposes, in each case consistent with a budget. Proceeds from the Supplemental Loan shall be used by the Company consistent with the budget, including, without limitation, to repay a portion of the revolving loans outstanding as of the filing of the Bankruptcy Cases.

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

The DIP Facility carries an interest rate, at the Company's option, of either (a) the base rate plus 3.50% per annum or (b) the reserve-adjusted LIBOR rate (the Eurodollar Rate) plus 4.50% per annum, except that the Supplemental Loan carries an interest rate, payable in cash, equal to the Eurodollar Rate plus 14.50% per annum. No amortization will be required with respect to the DIP Facility. For purposes of the Revolving Loans, the Eurodollar Rate shall at no time be less than 3.50%. For purposes of the Supplemental Loans, the Eurodollar Rate shall at no time be less than 3.00%.

The DIP Facility will mature on the earliest of (a) February 5, 2010, (b) 45 days after the entry of the Interim Financing Order if the Permanent Financing Order (as defined in the DIP Credit Agreement) has not been entered prior to the expiration of such 45 day period, (c) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which shall be no later than the effective date) of a plan of reorganization filed in the Bankruptcy Cases that is confirmed pursuant to an order entered by the Bankruptcy Court or (d) the termination of the commitment with respect to the DIP Facility.

The Supplemental Loan will mature on the earliest of (a) February 5, 2010, (b) 45 days after the entry of the Interim Financing Order if the Permanent Financing Order (as defined in the DIP Credit Agreement), in form and substance satisfactory to the Supplemental Loan participants, has not been entered prior to the expiration of such 45-day period, (c) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which shall be no later than the effective date) of a plan of reorganization filed in the Bankruptcy Cases that is confirmed pursuant to an order entered by the Bankruptcy Court, such plan and order on terms and conditions satisfactory to the Supplemental Loan participants or (d) the termination of the Commitment with respect to the DIP Facility; provided that if certain exit conditions are satisfied prior to the maturity of the Supplemental Loan pursuant to clauses (a) through (d) above, the maturity of the Supplemental Loan shall be automatically extended to March 31, 2012.

As collateral security for the performance, observance and payment in full of all of the obligations (including pre-petition obligations and the post-petition obligations), Agent has valid, enforceable and perfected first priority and senior security interests in and liens upon all pre-petition collateral granted under the Company's guarantee and collateral agreement with respect to the ABL Facility, as well as valid and enforceable first priority and senior security interests in and liens upon all post-petition collateral granted to Agent, for the benefit of itself and the other secured parties, under the Interim Financing Order, subject only to liens or encumbrances that were expressly permitted by the ABL Credit Agreement and the guarantee and collateral agreement and any other liens or encumbrances expressly permitted by any financing order that may have priority over the liens in favor of Agent and the secured parties.

The DIP Credit Agreement contains various representations and warranties and covenants, including, without limitation, enhanced collateral reporting, a maximum variance to budget covenant and other provisions directly relating to the Bankruptcy Cases. The DIP Credit Agreement also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness. If an event of default occurs and is continuing, amounts outstanding due under the DIP Facility may be accelerated and the rights and remedies of the lenders under the DIP Facility available under the applicable loan documents may be exercised, including rights with respect to the collateral securing obligations under the DIP Facility.

Senior Subordinated Notes

At December 28, 2008, the Company had outstanding principal of \$700,000 under the 7^{3/8} Notes, outstanding principal of \$2,873 under the 8^{1/2} Notes, and outstanding principal of \$347,012 under its Variable Rate Notes (collectively, the Senior Subordinated Notes). The Variable Rate Toggle Senior Subordinated

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

Notes due 2013 are subject to a variable rate of interest that increases semi-annually, varying depending on whether interest is paid in cash or increased principal. As of December 28, 2008, the Variable Rate Notes bore interest at a rate of 12 ¹/₂%.

The Company may redeem all or a part of the Variable Rate Notes upon not less than 30 nor more than 60 days notice, at specified redemption prices. The terms of the 8 ¹/₂ Notes and the 7 ³/₈ Notes do not currently permit redemption. Further, the indentures governing the Senior Subordinated Notes each require the Company to make an offer to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control of the Company, as defined in such indentures and each require prepayment in connection with certain asset sales.

The indentures governing the Senior Subordinated Notes contain customary covenants that limit the ability of the Company and certain of its subsidiaries to, among other things, incur additional indebtedness, pay dividends on or redeem or repurchase its equity interests, make certain investments, expand into unrelated businesses, create liens on assets, merge or consolidate with another company, transfer or sell all or substantially all of its assets, and enter into transactions with affiliates.

In addition, the indentures governing the Senior Subordinated Notes each provide for customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to make payments on or acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the respective indentures arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the notes subject to that indenture. If any other event of default under an indenture occurs and is continuing, the trustee for that indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of those notes, may declare the acceleration of the amounts due under those notes.

As discussed above, the Company failed to make its February 2, 2009 interest payment on the 7 ³/₈ Notes. In addition, the Bankruptcy Filing constituted an event of default under the Senior Subordinated Notes, and the indebtedness under the Senior Subordinated Notes has been accelerated.

8 EMPLOYEE BENEFIT PLANS

The Company has various defined benefit pension plans covering some of its employees in the United States and certain employees in other countries, primarily the United Kingdom and Germany. Plans generally provide benefits of stated amounts for each year of service. The Company funds its U.S. pension plans at a level to maintain, within established guidelines, the IRS-defined 92 percent current liability funded status. At January 1, 2008, the date of the most recent calculation, all U.S. funded defined benefit pension plans reflected a current liability funded status equal to or greater than 92 percent. Additionally, in compliance with the Company's funding policy, annual contributions to non-U.S. defined benefit plans are equal to the actuarial recommendations or statutory requirements in the respective countries.

The Company also sponsors or participates in a number of other non-U.S. pension arrangements, including various retirement and termination benefit plans, some of which are covered by local law or coordinated with government-sponsored plans, which are not significant in the aggregate and therefore are not included in the information presented below.

The Company also has various nonqualified deferred compensation agreements with certain of its employees. Under certain of these agreements, the Company has agreed to pay certain amounts annually for the

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(Amounts in thousands, except per share figures)

first 15 years subsequent to retirement or to a designated beneficiary upon death. It is management's intent that life insurance contracts owned by the Company will fund these agreements. Under the remaining agreements, the Company has agreed to pay such deferred amounts in up to 15 annual installments beginning on a date specified by the employee, subsequent to retirement or disability, or to a designated beneficiary upon death.

The Company's results of operations for the three month periods ended December 28, 2008 and December 30, 2007, respectively, reflect the following pension and deferred compensation benefit costs:

Components of net periodic pension benefit and deferred compensation benefit cost	Three Months	
	2009	2008
Service cost	\$ 2,403	\$ 668
Interest cost	6,906	1,669
Expected return on assets	(4,589)	(1,207)
Settlement and Curtailment		
Amortization of prior service cost	220	64
Recognized net actuarial loss	158	69
Employee contributions	(115)	
Net periodic benefit cost	\$ 4,983	\$ 1,263

Pension and deferred compensation contributions	Three Months	
	2009	2008
Contributions made during period	\$ 537	\$ 671

Under the Rayovac postretirement plan the Company provides certain health care and life insurance benefits to eligible retired employees. Participants earn retiree health care benefits after reaching age 45 over the next 10 succeeding years of service and remain eligible until reaching age 65. The plan is contributory; retiree contributions have been established as a flat dollar amount with contribution rates expected to increase at the active medical trend rate. The plan is unfunded. The Company is amortizing the transition obligation over a 20-year period.

The Company sponsors a defined contribution pension plan for its domestic salaried employees, which allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Company contributes annually from 3% to 6% of participants compensation based on age or service, and may make additional discretionary contributions. The Company also sponsors defined contribution pension plans for employees of certain foreign subsidiaries. Company contributions charged to operations, including discretionary amounts, for the three month period ended December 28, 2008 were \$1,214.

The measurement date provisions of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, (SFAS 158), which for the Company becomes effective for the fiscal year ending September 30, 2009, will require the Company to measure all of its defined benefit pension and postretirement plan assets and obligations as of September 30, its fiscal year end. The Company currently measures plan assets and obligations of its domestic pension plans as of June 30 each year and either June 30 or September 30 each year for its foreign pension plans and its domestic other postretirement plans. The Company is currently evaluating the impact of adopting the measurement date provisions of SFAS 158 on its consolidated financial statements.

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

9 INCOME TAXES

The Company files income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions and is subject to ongoing examination by the various taxing authorities. The Company's major taxing jurisdictions are the U.S. and Germany. In the U.S, federal tax filings for years prior to and including the Company's fiscal year ended September 30, 2004 are closed. However, the federal net operating loss carryforward from the Company's fiscal year ended September 30, 2004 is subject to Internal Revenue Service (IRS) examination until the year that such net operating loss carryforward is utilized and that year is closed for audit. The Company's fiscal years ended September 30, 2005, 2006, 2007, and 2008 remain open to examination by the IRS. Filings in various U.S. state and local jurisdictions are also subject to audit and to date no significant audit matters have arisen.

During Fiscal 2009, certain of the Company's German legal entities are undergoing audits for the fiscal years ended 2002 through 2005. The Company cannot predict the ultimate outcome of the examinations; however, it is reasonably possible that during the next 12 months some portion of previously unrecognized tax benefits could be recognized.

10 SEGMENT RESULTS

The Company manages its business in three vertically integrated, product-focused reporting segments; (i) Global Batteries & Personal Care; (ii) Global Pet Supplies; and (iii) the Home and Garden Business.

Global strategic initiatives and financial objectives for each reportable segment are determined at the corporate level. Each reportable segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a general manager responsible for the sales and marketing initiatives and financial results for product lines within that segment.

Net sales and Cost of goods sold to other business segments have been eliminated. The gross contribution of intersegment sales is included in the segment selling the product to the external customer. Segment net sales are based upon the segment from which the product is shipped.

The operating segment profits do not include restructuring and related charges, interest expense, interest income, impairment charges and income tax expense. Accordingly, corporate expenses include primarily general and administrative expenses associated with corporate overhead and global long-term incentive compensation plans. All depreciation and amortization included in income from operations is related to operating segments or corporate expense. Costs are identified to operating segments or corporate expense according to the function of each cost center.

All capital expenditures are related to operating segments. Variable allocations of assets are not made for segment reporting.

Table of Contents**SPECTRUM BRANDS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

Segment information for the three month periods ended December 28, 2008 and December 30, 2007, respectively, is as follows:

	Three Months	
	2009	2008
<i>Net sales from external customers</i>		
Global Batteries & Personal Care	\$ 389,358	\$ 418,059
Global Pet Supplies	132,360	142,461
Home and Garden	42,471	44,164
Total segments	\$ 564,189	\$ 604,684

	Three Months	
	2009	2008
<i>Segment profit</i>		
Global Batteries & Personal Care	\$ 53,261	\$ 47,091
Global Pet Supplies	12,056	16,813
Home and Garden	(18,376)	(19,084)
Total segments	46,941	44,820
Corporate expense	8,417	8,363
Restructuring and related charges	81,103	5,013
Interest expense	52,464	57,172
Other expense (income), net	3,677	(109)
Income from continuing operations before income taxes	\$ (98,720)	\$ (25,619)

	December 28,	September 30,
	2008	2008
<i>Segment total assets</i>		
Global Batteries & Personal Care	\$ 1,139,354	\$ 1,182,515
Global Pet Supplies	695,346	700,475
Home and Garden	247,707	289,628
Total segments	2,082,407	2,172,618
Corporate	70,846	74,861
Total assets at period end	\$ 2,153,253	\$ 2,247,479

11 RESTRUCTURING AND RELATED CHARGES

The Company reports restructuring and related charges associated with manufacturing and related initiatives in Cost of goods sold. Restructuring and related charges reflected in Cost of goods sold include, but are not limited to, termination and related costs associated with manufacturing

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employees, asset impairments relating to manufacturing initiatives, and other costs directly related to the restructuring or integration initiatives implemented.

The Company reports restructuring and related charges relating to administrative functions in Operating expenses, such as initiatives impacting sales, marketing, distribution, or other non-manufacturing related functions. Restructuring and related charges reflected in Operating expenses include, but are not limited to, termination and related costs, any asset impairments relating to the functional areas described above, and other costs directly related to the initiatives implemented.

Table of Contents**SPECTRUM BRANDS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

The following table summarizes restructuring and related charges incurred by segment for the three month periods ended December 28, 2008 and December 30, 2007, respectively:

	Three Months	
	2009	2008
Cost of goods sold:		
Global Batteries & Personal Care	\$ 10,140	\$ 134
Home and Garden	45,026	
Global Pet Supplies	6	(13)
Total restructuring and related charges in cost of goods sold	55,172	121
Operating expense:		
Global Batteries & Personal Care	4,541	1,776
Home and Garden	16,597	1,239
Global Pet Supplies	2,485	279
Corporate	2,308	1,598
Total restructuring and related charges in operating expense	25,931	4,892
Total restructuring and related charges	\$ 81,103	\$ 5,013

2009 Restructuring Initiatives

The Company implemented an initiative within the Home and Garden Business to reduce operating costs and eliminate unprofitable products from its portfolio. These initiatives include the plan to discontinue the growing products portion of its Home and Garden Business segment, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed (the Growing Products Exit Plan). The Company recorded \$60,016 of pretax restructuring and related charges during the three month period ended December 28, 2008 in connection with the Growing Products Exit Plan. Costs associated with these initiatives, which are expected to be incurred through September 30, 2013, are projected at approximately \$84,050.

Growing Products Exit Plan Summary

The following table summarizes the remaining accrual balance associated with the 2009 initiatives and activity that occurred during Fiscal 2009:

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2008	\$	\$	\$
Provisions	5,569	11,013	16,582
Cash expenditures	(1,044)		(1,044)
Non-cash items		(7,785)	(7,785)
Accrual balance at December 28, 2008	\$ 4,525	\$ 3,228	\$ 7,753

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Expensed as incurred ^(A)	\$	\$ 43,434	\$ 43,434
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^(A) Consists of amounts not impacting the accrual for restructuring and related charges.

Table of Contents**SPECTRUM BRANDS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

2008 Restructuring Initiatives

The Company implemented an initiative within the Global Batteries & Personal Care segment in China to reduce operating costs and rationalize the Company's manufacturing structure. These initiatives include the plan to exit the Company's Ningbo Baowang China battery manufacturing facility (the Ningbo Exit Plan). The Company recorded \$10,395 of pretax restructuring and related charges during the three month period ended December 28, 2008 and \$26,794 of pretax restructuring and related charges since the inception of the Ningbo Exit Plan. Costs associated with these initiatives, which are expected to be incurred through September 30, 2009, are projected at approximately \$30,295.

Ningbo Exit Plan Summary

The following table summarizes the remaining accrual balance associated with the 2008 initiatives and activity that occurred during Fiscal 2009:

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2008	\$ 911	\$ 233	\$ 1,144
Provisions	659	52	711
Cash expenditures	(860)	(126)	(986)
Non-cash items	(27)	1	(26)
Accrual balance at December 28, 2008	\$ 683	\$ 160	\$ 843
Expensed as incurred ^(A)	\$	\$ 9,684	\$ 9,684

^(A) Consists of amounts not impacting the accrual for restructuring and related charges.

2007 Restructuring Initiatives

The Company has implemented a series of initiatives within the Global Batteries & Personal Care segment in Latin America to reduce operating costs (the Latin American Initiatives). These initiatives, which are substantially complete, include the reduction of certain manufacturing operations in Brazil and the restructuring of management, sales, marketing and support functions. The Company recorded \$86 of pretax restructuring and related charges during the three month period ended December 28, 2008, in connection with the Latin American Initiatives. The Company has recorded pretax restructuring and related charges of \$11,323 since the inception of the Latin American Initiatives.

The following table summarizes the remaining accrual balance associated with the Latin American Initiatives and activity that occurred during Fiscal 2009:

Latin American Initiatives Summary

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2008	\$ 124	\$ 777	\$ 901
Cash expenditures	(373)		(373)

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Non-cash items		(252)	(252)
Accrual balance at December 28, 2008	\$	(249)	\$ 525
Expensed as incurred ^(A)	\$	86	\$ 86

^(A) Consists of amounts not impacting the accrual for restructuring and related charges.

Table of Contents**SPECTRUM BRANDS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

In Fiscal 2007, the Company began managing its business in three vertically integrated, product-focused reporting segments; Global Batteries & Personal Care, Global Pet Supplies and the Home and Garden Business. As part of this realignment, the Company's Global Operations organization, previously included in corporate expense, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, is now included in each of the operating segments. In connection with these changes the Company undertook a number of cost reduction initiatives, primarily headcount reductions, at the corporate and operating segment levels (the Global Realignment Initiatives). The Company recorded \$6,941 of pretax restructuring and related charges during the three month period ended December 28, 2008, in connection with the Global Realignment Initiatives. Costs associated with these initiatives, which are expected to be incurred through December 31, 2009, relate primarily to severance and are projected at approximately \$95,900, the majority of which will be cash costs.

The following table summarizes the remaining accrual balance associated with the Global Realignment Initiatives and activity that have occurred during Fiscal 2009:

Global Realignment Initiatives Summary

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2008	\$ 17,575	\$ 3,688	\$ 21,263
Provisions	3,556	(5)	3,551
Cash expenditures	(5,047)	(114)	(5,161)
Non-cash items	51	(665)	(614)
Accrual balance at December 28, 2008	\$ 16,135	\$ 2,904	\$ 19,039
Expensed as incurred ^(A)	\$ 1,677	\$ 1,713	\$ 3,390

^(A) Consists of amounts not impacting the accrual for restructuring and related charges.

The following table summarizes the expenses as incurred during the three month period ending December 28, 2008, the cumulative amount incurred to date and the total future expected costs incurred associated with the Global Realignment Initiatives by operating segment:

	Global Batteries and Personal Care	Home and Garden	Corporate	Total
Restructuring and related charges during Fiscal 2009	\$ 4,207	\$ 426	\$ 2,308	\$ 6,941
Restructuring and related charges since initiative inception	\$ 46,702	\$ 6,691	\$ 26,757	\$ 80,150
Total future restructuring and related charges expected	\$ 2,943	\$ 7,164	\$ 5,629	\$ 15,736

2006 Restructuring Initiatives

The Company implemented a series of initiatives within the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize the Company's manufacturing structure (the European Initiatives). These initiatives, which are substantially complete, include the relocation of certain operations at the Ellwangen, Germany packaging center to the Dischingen, Germany battery plant and restructuring its sales, marketing and support functions. The Company recorded no pretax restructuring and related charges during the three month period ended

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December 28, 2008, in connection with the European Initiatives. The Company has recorded pretax restructuring and related charges of \$27,039 since the inception of the European Initiatives.

Table of Contents**SPECTRUM BRANDS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

The following table summarizes the remaining accrual balance associated with the 2006 initiatives and activity that have occurred during Fiscal 2009:

European Initiatives Summary

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2008	\$ 3,054	\$ 479	\$ 3,533
Cash expenditures	(39)	(47)	(86)
Non-cash items	(90)	(14)	(104)
Accrual balance at December 28, 2008	\$ 2,925	\$ 418	\$ 3,343

2005 Restructuring Initiatives

In connection with the acquisitions of United and Tetra in 2005, the Company implemented a series of initiatives to optimize the global resources of the combined companies. These initiatives included: integrating all of United's home and garden administrative services, sales and customer service functions into the Company's operations in Madison, Wisconsin; converting all information systems to SAP; consolidating United's home and garden manufacturing and distribution locations in North America; rationalizing the North America supply chain; and consolidating administrative, manufacturing and distribution facilities of the Company's Global Pet Supplies business. In addition, certain corporate finance functions were shifted to the Company's global headquarters in Atlanta, Georgia.

Effective October 1, 2006, initiatives to integrate the activities of the Home and Garden Business into the Company's operations in Madison, Wisconsin were suspended. The Company recorded \$1,181 of pretax restructuring and related charges during the three month period ended December 28, 2008, representing the finalization of expenditures in connection with the integration of the United home and garden business. The Company recorded pretax restructuring and related charges of \$31,907 since the inception of the initiatives.

Integration activities within Global Pet Supplies were substantially complete as of December 28, 2008. Global Pet Supplies integration activities consisted primarily of the rationalization of manufacturing facilities and the optimization of the distribution network. As a result of these integration initiatives, two pet supplies facilities were closed in 2005, one in Brea, California and the other in Hazleton, Pennsylvania, one pet supply facility was closed in 2006, in Hauppauge, New York and one pet supply facility was closed in 2007 in Moorpark, California. The Company recorded \$2,491 of pretax restructuring and related charges during the three month period ended December 28, 2008, representing the finalization of expenditures in connection with its integration activities within the Global Pet Supplies business. The Company has recorded pretax restructuring and related charges of \$37,053 since the inception of the integration activities within Global Pet Supplies.

During the fiscal year ended September 30, 2005, the Company also announced the closure of a zinc carbon manufacturing facility in Breitenbach, France within Global Batteries and Personal Care. The Company recorded \$(7) of pretax restructuring and related charges during the three month period ended December 28, 2008, in connection with this closure. The costs associated with the initiative are complete and totaled \$10,948.

Table of Contents**SPECTRUM BRANDS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

The following tables summarize the remaining accrual balance associated with the 2005 initiatives and activity that have occurred during Fiscal 2009:

2005 Restructuring Initiatives Summary

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2008	\$ 1,214	\$ 1,519	\$ 2,733
Provisions	2,259	1,071	3,330
Cash expenditures	(371)	(1,024)	(1,395)
Non-cash items	(1)	42	41
Accrual balance at December 28, 2008	\$ 3,101	\$ 1,608	\$ 4,709
Expensed as incurred ^(A)	\$ 209	\$ 126	\$ 335

^(A) Consists of amounts not impacting the accrual for restructuring and related charges.

2005 Restructuring Initiatives Summary Pursuant to Acquisition^(A)

	Other Costs
Accrual balance at September 30, 2008	\$ 4,985
Provisions	73
Cash expenditures	(335)
Non-cash expenditures	(44)
Accrual balance at December 28, 2008	\$ 4,679

^(A) Represents costs to exit activities of the acquired United and Tetra businesses. These costs, which include severance, lease termination costs, inventory disposal costs and other associated costs, relate to the closure of certain acquired Global Pet Supplies and home and garden manufacturing and distribution facilities. Such amounts are recognized as liabilities assumed as part of the United acquisition and included in the allocation of the acquisition cost in accordance with the provisions of EITF Issue 95-3.

12 COMMITMENTS AND CONTINGENCIES

The Company has provided for the estimated costs associated with environmental remediation activities at some of its current and former manufacturing sites. The Company believes that any additional liability in excess of the amounts provided of approximately \$3,865, which may result from resolution of these matters, will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

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Included in long-term liabilities assumed in connection with the acquisition of Microlite S.A. (Microlite) is a provision for presumed credits applied to the Brazilian excise tax on Manufactured Products, or IPI taxes . Although a previous ruling by the Brazilian Federal Supreme Court has been issued in favor of a specific Brazilian taxpayer with similar tax credits, on February 15, 2007 the Brazilian Federal Supreme Court ruled against certain Brazilian taxpayers with respect to the legality and constitutionality of the IPI presumed credits. This decision is applicable to all similarly-situated taxpayers. At December 28 and September 30, 2008, these amounts totaled approximately \$7,277 and \$14,243, respectively, and are included in Other long-term liabilities in the Condensed Consolidated Balance Sheets (Unaudited).

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

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The Company is a defendant in various other matters of litigation generally arising out of the normal course of business. Such litigation includes legal proceedings with Philips in Europe and Latin America with respect to trademark or other intellectual property rights.

A final award has been issued in the Company's ongoing arbitration proceeding with Tabriza Brasil Empreendimentos Ltda. (Tabriza), Administração e Participações Ltda and VARTA AG, the former owners of the Company's subsidiary, Microlite, with respect to a number of matters arising out of the Company's acquisition of Microlite in September 2004. These proceedings included, among other things, the right to receive indemnification for various alleged breaches of representations, warranties, covenants and agreements made by the selling shareholders in the acquisition agreement and the Company's obligation to pay additional amounts to Tabriza pursuant to its earn-out rights under the acquisition agreement.

In November 2007, the arbitration panel resolved certain matters at the summary judgment stage. Among the matters decided at the summary judgment stage, the panel found that Tabriza was entitled to receive from the Company interest on certain earn-out payments previously made and that Tabriza was entitled to receive an additional amount with respect to the earn-out as a result of a decision issued by an independent auditor engaged by the parties to determine certain disputed matters submitted to it with respect to the earn-out calculation.

On January 23, 2009, the arbitration panel issued a final award regarding the matters it decided at summary judgment. Under the final award, the total net amount owed by the Company arising out of the arbitration proceedings is approximately \$6,707.

The Company does not believe that any other matters or proceedings presently pending will have a material adverse effect on the results of operations, financial condition, liquidity or cash flow of the Company.

13 NEW ACCOUNTING PRONOUNCEMENTS

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities - An Amendment of SFAS No. 133* (SFAS 161). SFAS 161 seeks to improve financial reporting for derivative instruments and hedging activities by requiring enhanced disclosures regarding the impact on financial position, financial performance, and cash flows. To achieve this increased transparency, SFAS 161 requires (1) the disclosure of the fair value of derivative instruments and gains and losses in a tabular format; (2) the disclosure of derivative features that are credit risk-related; and (3) cross-referencing within footnote disclosures to enable financial statement users to locate important information about derivative instruments. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact that SFAS 161 will have on its financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), *Business Combinations* (SFAS 141(R)). SFAS 141(R) will significantly change the accounting for future business combinations after adoption. SFAS 141(R) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquired business. SFAS 141(R) also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company is currently evaluating the impact that SFAS 141(R) will have on its financial position, results of operations and cash flows.

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160), an amendment of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, which changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company does not believe the adoption of SFAS 160 will have a material impact on its financial position, results of operations or cash flows.

In April 2008, the FASB issued FASB Staff Position (FSP) No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under SFAS No. 142, *Goodwill and Other Intangible Assets*. Its intent is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The Company does not believe the adoption of FSP 142-3 will have a material impact on its financial position, results of operations or cash flows.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. SFAS 162 is effective 60 days following SEC approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. The adoption of this statement is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

14 CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

In connection with the acquisitions of Remington, United and Tetra, the Company completed debt offerings of Senior Subordinated Notes. Payment obligations of the Senior Subordinated Notes are fully and unconditionally guaranteed on a joint and several basis by all of the Company's domestic subsidiaries.

The following consolidating financial data illustrates the components of the condensed consolidated financial statements. Investments in subsidiaries are accounted for using the equity method for purposes of illustrating the consolidating presentation. Earnings of subsidiaries are therefore reflected in the Company's and Guarantor Subsidiaries' investment accounts and earnings. The elimination entries presented herein eliminate investments in subsidiaries and intercompany balances and transactions. Separate condensed consolidated financial statements of the Guarantor Subsidiaries are not presented because management has determined that such financial statements would not be material to investors.

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Condensed Consolidating Balance Sheet****December 28, 2008****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 35,457	\$ 3,805	\$ 61,430	\$	\$ 100,692
Receivables, net	330,435	388,502	252,173	(624,653)	346,457
Inventories	75,566	163,537	173,796	(5,282)	407,617
Assets held for sale		316	6,319		6,635
Prepaid expenses and other	406	34,623	22,208	734	57,971
Total current assets	441,864	590,783	515,926	(629,201)	919,372
Property, plant and equipment, net	44,788	55,953	102,738		203,479
Goodwill		58,653	171,012	2,324	231,989
Intangible assets, net	213,984	293,274	216,465	(187)	723,536
Deferred charges and other	670,411	423,276	(820,431)	(233,092)	40,164
Debt issuance costs	34,713				34,713
Investments in subsidiaries	3,876,867	3,378,978	3,585,096	(10,840,941)	
Total assets	\$ 5,282,627	\$ 4,800,917	\$ 3,770,806	\$ (11,701,097)	\$ 2,153,253
LIABILITIES AND					
SHAREHOLDERS EQUITY					
Current liabilities:					
Current maturities of long-term debt	\$ 131,486	\$ 17	\$ 41,111	\$ (118,031)	\$ 54,583
Accounts payable	558,396	350,740	140,707	(790,334)	259,509
Accrued liabilities	88,458	37,033	112,420		237,911
Total current liabilities	778,340	387,790	294,238	(908,365)	552,003
Long-term debt, net of current maturities	2,538,356	587,482	38,122	(613,620)	2,550,340
Employee benefit obligations, net of current portion	9,255	(1,330)	35,208		43,133
Deferred income taxes	184,092	(49,890)	(5,937)		128,265
Other	11,719		30,197		41,916
Total liabilities	3,521,762	924,052	391,828	(1,521,985)	3,315,657
Shareholders' equity:					
Common stock	691	451	539,155	(539,606)	691
Additional paid-in capital	674,233	2,134,693	3,482,620	(5,617,195)	674,351
Accumulated deficit	(1,678,047)	(436,560)	(711,449)	1,018,469	(1,807,587)
Accumulated other comprehensive income (loss)	2,840,874	2,178,282	68,652	(5,040,781)	47,027
	1,837,751	3,876,866	3,378,978	(10,179,113)	(1,085,518)
Less treasury stock, at cost	(76,886)				(76,886)

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Total shareholders' equity	1,760,865	3,876,866	3,378,978	(10,179,113)	(1,162,404)
Total liabilities and shareholders' equity	\$ 5,282,627	\$ 4,800,917	\$ 3,770,806	\$ (11,701,097)	\$ 2,153,253

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Condensed Consolidating Balance Sheet****September 30, 2008****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 9,786	\$ 3,667	\$ 91,320	\$	\$ 104,773
Receivables, net	262,056	443,551	209,654	(520,556)	394,705
Inventories	65,970	156,234	164,967	(3,911)	383,260
Deferred income taxes	(3,149)	11,969	4,404	733	13,957
Assets held for sale		316	7,136		7,452
Prepaid expenses and other	21,118	7,361	20,971		49,450
Total current assets	355,781	623,098	498,452	(523,734)	953,597
Property, plant and equipment, net	47,621	63,749	123,435		234,805
Long term intercompany receivables	675,951		(421,804)	(254,147)	
Deferred charges and other	15,724	439,571	(411,166)		44,129
Goodwill		58,653	174,491	2,324	235,468
Intangible assets, net	213,523	305,547	223,926	(187)	742,809
Debt issuance costs	36,671				36,671
Investments in subsidiaries	3,908,119	3,357,348	3,549,876	(10,815,343)	
Total assets	\$ 5,253,390	\$ 4,847,966	\$ 3,737,210	\$ (11,591,087)	\$ 2,247,479
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities:					
Current maturities of long-term debt	\$ 138,165	\$ 12	\$ 35,059	\$ (124,599)	\$ 48,637
Accounts payable	497,397	333,830	109,405	(662,506)	278,126
Accrued liabilities	106,422	32,991	115,903		255,316
Total current liabilities	741,984	366,833	260,367	(787,105)	582,079
Long-term debt, net of current maturities	2,462,070	602,379	50,984	(640,651)	2,474,782
Employee benefit obligations, net of current portion	10,191	(1,278)	38,781		47,694
Deferred income taxes	158,242	(28,087)	(15,481)		114,674
Other	10,277		45,211		55,488
Total liabilities	3,382,764	939,847	379,862	(1,427,756)	3,274,717
Shareholders' equity:					
Common stock	692	451	537,926	(538,377)	692
Additional paid-in capital	674,252	2,134,693	3,547,564	(5,682,139)	674,370
(Accumulated deficit) Retained earnings	(1,654,508)	(489,611)	(818,795)	1,267,999	(1,694,915)
Accumulated other comprehensive income (loss)	2,927,020	2,262,586	90,653	(5,210,814)	69,445
	1,947,456	3,908,119	3,357,348	(10,163,331)	(950,408)
Less treasury stock, at cost	(76,830)				(76,830)

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Total shareholders' equity (deficit)	1,870,626	3,908,119	3,357,348	(10,163,331)	(1,027,238)
Total liabilities and shareholders' equity (deficit)	\$ 5,253,390	\$ 4,847,966	\$ 3,737,210	\$ (11,591,087)	\$ 2,247,479

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Condensed Consolidating Statement of Operations****Three Month Period Ended December 28, 2008****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	\$ 108,411	\$ 218,585	\$ 262,078	\$ (24,885)	\$ 564,189
Cost of goods sold	61,231	179,942	146,231	(23,371)	364,033
Restructuring and related charges	6,452	45,032	3,688		55,172
Gross profit	40,728	(6,389)	112,159	(1,514)	144,984
Operating expenses:					
Selling	24,034	36,300	57,684	44	118,062
General and administrative	16,581	8,827	12,557		37,965
Research and development	3,362	1,438	805		5,605
Restructuring and related charges	4,690	18,950	2,291		25,931
	48,667	65,515	73,337	44	187,563
Operating (loss) income	(7,939)	(71,904)	38,822	(1,558)	(42,579)
Interest expense	41,043	6,387	5,128	(94)	52,464
Other expense (income), net	20,802	(3,982)	2,604	(15,747)	3,677
(Loss) income from continuing operations before income taxes	(69,784)	(74,309)	31,090	14,283	(98,720)
Income tax expense (benefit)	39,901	(37,232)	11,268		13,937
Net (loss) income	\$ (109,685)	\$ (37,077)	\$ 19,822	\$ 14,283	\$ (112,657)

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Condensed Consolidating Statement of Operations****Three Month Period Ended December 30, 2007****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	\$ 88,643	\$ 222,176	\$ 333,389	\$ (39,524)	\$ 604,684
Cost of goods sold	47,551	177,154	201,247	(39,071)	386,881
Restructuring and related charges	5	(13)	129		121
Gross profit	41,087	45,035	132,013	(453)	217,682
Operating expenses:					
Selling	23,449	42,512	70,266	74	136,301
General and administrative	18,582	6,251	14,413		39,246
Research and development	2,992	1,601	1,206		5,799
Restructuring and related charges	2,841	1,518	533		4,892
	47,864	51,882	86,418	74	186,238
Operating (loss) income	(6,777)	(6,847)	45,595	(527)	31,444
Interest expense	46,362	6,283	4,478	49	57,172
Other income, net	(14,538)	(49,580)	(4,376)	68,385	(109)
(Loss) income from continuing operations before income taxes	(38,601)	36,450	45,493	(68,961)	(25,619)
Income tax expense	4,114	3,520	8,618	193	16,445
(Loss) income from continuing operations	(42,715)	32,930	36,875	(69,154)	(42,064)
Loss from discontinued operations, net of tax	(23)	(107)	(1,208)		(1,338)
Net (loss) income	\$ (42,738)	\$ 32,823	\$ 35,667	\$ (69,154)	\$ (43,402)

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Condensed Consolidating Statement of Cash Flows****Three Month Period Ended December 28, 2008****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash (used) provided by operating activities	\$ (151,963)	\$ 96,768	\$ 91,438	\$ (126,650)	\$ (90,407)
Cash flows from investing activities:					
Purchases of property, plant and equipment	(441)	(930)	(509)		(1,880)
Proceeds from sale of property, plant and equipment and investments			18		18
Net cash (used) provided by investing activities	(441)	(930)	(491)		(1,862)
Cash flows from financing activities:					
Reduction of debt	(7,431)				(7,431)
Proceeds from debt financing	100,656				100,656
Payments on capital lease obligations			(272)		(272)
Treasury stock purchases	(56)				(56)
Proceeds from (advances related to) intercompany transactions	84,906	(95,700)	(115,856)	126,650	
Net cash provided (used) by financing activities	178,075	(95,700)	(116,128)	126,650	92,897
Effect of exchange rate changes on cash and cash equivalents			(4,709)		(4,709)
Net increase in cash and cash equivalents	25,671	138	(29,890)		(4,081)
Cash and cash equivalents, beginning of period	9,786	3,667	91,320		104,773
Cash and cash equivalents, end of period	\$ 35,457	\$ 3,805	\$ 61,430	\$	\$ 100,692

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Condensed Consolidating Statement of Cash Flows****Three Month Period Ended December 30, 2007****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash provided (used) by operating activities	\$ (599,426)	\$ (267,069)	\$ 922,363	\$ (146,793)	\$ (90,925)
Cash flows from investing activities:					
Purchases of property, plant and equipment	(453)	(3,309)	(2,714)		(6,476)
Proceeds from sale of property, plant and equipment and investments			44		44
Intercompany investments	605,259	(605,259)			
Net cash provided (used) by investing activities of continuing operations	604,806	(608,568)	(2,670)		(6,432)
Net cash provided by investing activities of discontinued operations		14,456			14,456
Net cash provided (used) by investing activities	604,806	(594,112)	(2,670)		8,024
Cash flows from financing activities:					
Reduction of debt	(62,091)		3,079		(59,012)
Proceeds from debt financing	155,816				155,816
Debt issuance costs	22				22
Treasury stock purchases	(683)				(683)
Proceeds from (advances related to) intercompany transactions	(98,532)	862,816	(911,077)	146,793	
Net cash provided (used) by financing activities	(5,468)	862,816	(907,998)	146,793	96,143
Effect of exchange rate changes on cash and cash equivalents			1,785		1,785
Net increase in cash and cash equivalents	(88)	1,635	13,480		15,027
Cash and cash equivalents, beginning of period	11,602	1,473	56,778		69,853
Cash and cash equivalents, end of period	\$ 11,514	\$ 3,108	\$ 70,258	\$	\$ 84,880

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

Introduction

We are a global branded consumer products company with positions in seven major product categories: consumer batteries; pet supplies; electric shaving and grooming; electric personal care; portable lighting; lawn and garden and household insect control.

In our fiscal year ended September 30, 2007 (Fiscal 2007), we began managing our business in three reportable segments: (i) Global Batteries & Personal Care, which consists of our worldwide battery, shaving and grooming, personal care and portable lighting business (Global Batteries & Personal Care); (ii) Global Pet Supplies, which consists of our worldwide pet supplies business (Global Pet Supplies); and (iii) the Home and Garden Business, which consists of our lawn and garden and household insect control product offerings (the Home and Garden Business).

We manufacture and market alkaline, zinc carbon and hearing aid batteries, lawn fertilizers, herbicides, insecticides and repellants and specialty pet supplies. We design and market rechargeable batteries, battery-powered lighting products, electric shavers and accessories, grooming products and hair care appliances. Our manufacturing and product development facilities are located in the United States, Europe, China and Latin America. Substantially all of our rechargeable batteries and chargers, shaving and grooming products, personal care products and portable lighting products are manufactured by third-party suppliers, primarily located in Asia.

We sell our products in approximately 120 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers and enjoy strong name recognition in our markets under the Rayovac, VARTA and Remington brands, each of which has been in existence for more than 80 years, and under the Tetra, 8in1, Spectracide, Cutter and various other brands.

We historically pursued a strategy of strategic acquisitions in furtherance of our goal of being a diversified global consumer products company competing in high-growth markets. In August 1999, we acquired ROV Limited's battery business, which operations had an extensive network of distribution and production facilities in Central America, the Dominican Republic, Mexico, Venezuela, Argentina, and Chile. In September 2003, we acquired Remington Products Company, L.L.C. in order to expand our products portfolio and become a more diversified consumer products company that did not solely focus on the battery and lighting product markets. In 2005, we acquired United Industries Corporation (United) and Tetra Holding GmbH (Tetra) to further diversify our business and leverage our distribution strengths through expansion into the home and garden and pet product markets. These acquisitions were financed in substantial part with debt from a variety of sources.

In July 2006, in response to our substantial leverage and operating performance, we engaged advisors to assist us in exploring possible strategic options, including divesting certain assets, in order to reduce our outstanding indebtedness as well as to sharpen our focus on strategic growth businesses and to maximize long-term shareholder value. We also continued to pursue initiatives to reduce manufacturing and operating costs. In connection with this undertaking, during the first quarter of our fiscal year ended September 30, 2007 we approved and initiated a plan to sell the Home and Garden Business, which at the time was comprised of United States (U.S.) and Canadian divisions. As a result, we designated certain assets and liabilities related to the Home and Garden Business as held for sale and designated the Home and Garden Business as discontinued operations.

In November 2007, we sold the Canadian division of the Home and Garden Business. See Note 2, Significant Accounting Policies Discontinued Operations, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for further details on the sale of the Canadian division of the Home and Garden Business.

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During the second quarter of our fiscal year ended September 30, 2008 (Fiscal 2008), we determined that in view of the difficulty in predicting the timing or probability of a sale of the Home and Garden Business, the requirements of Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144), necessary to classify the Home and Garden Business as discontinued operations were no longer met. As a result, effective December 31, 2007, we reclassified the Home and Garden Business, which had been designated as a discontinued operation since October 1, 2006, as a continuing operation. Accordingly, the presentation herein of the results of continuing operations includes the Home and Garden Business, without the Canadian division which, as indicated above, was sold on November 1, 2007, for all periods presented.

In May 2008, we entered into a definitive agreement, subject to consent of our lenders under our senior credit facilities, to sell the assets related to Global Pet Supplies. We were unable to obtain the consent of the lenders, and in July 2008, we entered into a termination agreement regarding the agreement to sell Global Pet Supplies. Pursuant to the termination agreement, as a condition to the termination, we paid the proposed buyer \$3 million as a reimbursement of expenses.

In November 2008, our board of directors committed to the shutdown of the growing products portion of the Home and Garden Business, which includes fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing product portion of the Home and Garden Business for our fiscal year ended September 30, 2009 (Fiscal 2009). We believe the shutdown is consistent with what we have done in other areas of its business to eliminate unprofitable products from its portfolio. As of January 31, 2009, we have substantially completed the shutdown of the growing products portion of the Home and Garden Business.

On December 15, 2008, NYSE Regulation, we were advised that our common stock would be suspended from trading on the New York Stock Exchange (the NYSE) prior to market opening on December 22, 2008. We were advised that the decision to suspend our common stock was reached in view of the fact that we had recently fallen below the NYSE s continued listing standard regarding average global market capitalization over a consecutive 30 trading day period of not less than \$25 million, the minimum threshold for listing on the NYSE. Our common stock has been delisted from the NYSE effective January 23, 2009. Our common stock is currently quoted on the Pink Sheet Electronic Quotation Service. However there can be no assurances that a broker-dealer will make a market in its common stock.

Chapter 11 Filing

On February 3, 2009, we announced that we reached agreements with noteholders, representing, in the aggregate, approximately 70% of the face value of our outstanding bonds (the Significant Noteholders), to pursue a refinancing that, if implemented as proposed, will significantly reduce our outstanding debt. The agreements contemplated that the refinancing would occur pursuant to a pre-arranged plan of reorganization that would be supported by each of the Significant Noteholders. On the same day, we and our wholly owned United States subsidiaries filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code, in the United States Bankruptcy Court (the Bankruptcy Court) for the Western District of Texas (the Bankruptcy Filing). We have filed with the Bankruptcy Court a proposed plan of reorganization (the Proposed Plan), as discussed below, that details our proposed terms for the refinancing. The Chapter 11 cases are being jointly administered by the Bankruptcy Court as Case No. 09-50456 (the Bankruptcy Cases).

We urge that caution be exercised with respect to existing and future investments in our securities in that there can be no assurance that the proposed plan of reorganization (or any other plan of reorganization) will be approved by the Bankruptcy Court. In addition, if approved by the Bankruptcy Court and implemented in accordance with its terms, the proposed plan of reorganization will substantially change our capital structure, including, without limitation, by extinguishing our existing common stock without distribution to existing equityholders.

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A refinancing under the Proposed Plan would enable us to reduce the amount of debt on our balance sheet by over approximately \$840 million, eliminate approximately \$95 million in annual interest payments, and free up additional cash that can be reinvested in our business to support meaningful revenue and profit growth. The refinancing provided for in the Proposed Plan would effect the cancellation of existing obligations evidenced by our public senior subordinated notes and the creation of new common stock and a new series of notes to be issued by the reorganized company to the noteholders. Existing common stock would be extinguished under the Proposed Plan, and no distributions will be made to holders of the existing equity. Our obligations to pay principal and interest on our senior debt would remain unchanged. The claims of existing secured and other general unsecured creditors, other than the noteholders, would be reinstated or unimpaired, and thus would receive payment of their claims on existing terms either in the ordinary course or upon consummation of the Proposed Plan. This means, for example, that under the Proposed Plan we would provide pay and benefits to our employees as in the ordinary course, honor all obligations to our customers and pay suppliers in full for their claims upon consummation of the Proposed Plan. We intend to move forward as quickly as possible to obtain approval of the disclosure statement related to the Proposed Plan, to solicit votes on the Proposed Plan from the noteholders, and to present the Proposed Plan for approval by the Bankruptcy Court.

Each of the Significant Noteholders have agreed, pursuant to a restructuring support agreement (the *Restructuring Support Agreement*) and upon the terms and subject to the conditions of the agreement, to support the Proposed Plan and, upon receipt of a Bankruptcy Court approved disclosure statement and when properly solicited to do so, to vote all of their respective claims under the notes in favor of the Proposed Plan. The Restructuring Support Agreement is subject to termination upon the occurrence of certain events including, among others, our withdrawal of the Proposed Plan, our failure to secure Bankruptcy Court approval of debtor-in-possession financing in accordance with the terms of the Restructuring Support Agreement or the failure of the Bankruptcy Court to approve a disclosure statement, confirm the Proposed Plan or declare the Proposed Plan effective as of specified dates. The foregoing description of the Restructuring Support Agreement does not purport to be complete and is qualified in its entirety by reference to the Restructuring Support Agreement, a copy of which is attached as Exhibit 10.40 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

We intend to continue to operate our business as debtor-in-possession under the jurisdiction of the Bankruptcy Court. The general impact, if any, that the Bankruptcy Cases may have on our operations cannot be accurately predicted or quantified. If confirmation and consummation of a plan or reorganization do not occur expeditiously, the Bankruptcy Cases could adversely affect our relationships with our customers, employees and suppliers. For additional information about certain risks associated with our ongoing operations, please see *Risk Factors*. As such, and because our structure, including, without limitation, our number of outstanding shares, shareholders, majority shareholders, assets, liabilities, officers and, or directors may be significantly different following the outcome of the Bankruptcy Cases than prior to the filing of the Bankruptcy Cases, the description of business operations, planned operations and properties described in this Quarterly Report on Form 10-Q may not accurately reflect our operations and business plans following a bankruptcy reorganization.

In addition, our operating performance will also continue to be influenced by a number of factors including: general economic conditions; foreign exchange fluctuations; trends in consumer markets; our overall product line mix, including pricing and gross margin, which vary by product line and geographic market; pricing of raw materials and commodities; fuel prices; and our general competitive position, especially as impacted by our competitors' advertising and promotional activities and pricing strategies. Due to business seasonality, our operating results for the three months ended December 28, 2008 are not necessarily indicative of the results that may be expected for the full fiscal year ending September 30, 2009.

Defaults on Current Indebtedness

The Bankruptcy Filing constituted an event of default under our senior secured term credit facility agreement. As a result of such default, the commitments under the related facility immediately terminated and all

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borrowings, with accrued interest thereon, and all other amounts owed by us, including all amounts under outstanding letters of credit, became immediately due and payable. As further described under *Debtor-In-Possession Financing* below, our senior secured asset-based loan facility credit agreement has been amended as of the date of the filing of the Bankruptcy Cases to exclude the filing of the Bankruptcy Cases as an event of default. In addition, the filing constituted an event of default under the respective indentures governing our Variable Rate Toggle Senior Subordinated Notes due 2013 (the Variable Rate Notes), our 7³/₈% Senior Subordinated Notes due 2015 (the 7³/₈ Notes) and our 8¹/₂% Senior Subordinated Notes due 2013 (the 8¹/₂ Notes). As a result of such default, the principal amount plus accrued and unpaid interest on the respective related notes is due and payable. As of February 1, 2009, the aggregate principal amounts outstanding under the senior secured term loan facility is approximately \$1,305 million, and the aggregate principal amounts outstanding under the 7³/₈ Notes, the Variable Notes and the 8¹/₂ Notes are approximately \$700 million, \$347 million and \$3 million, respectively.

Also, on February 2, 2009, we failed to make a \$25.8 million interest payment due February 2, 2009 on our 7³/₈ Notes.

As a result of the bankruptcy filing, the ability of creditors to seek remedies to enforce their rights under all such agreements have been stayed and creditor rights of enforcement are subject to the applicable provisions of the Bankruptcy Code.

Results of Operations**Fiscal Quarter Ended December 28, 2008 Compared to Fiscal Quarter Ended December 30, 2007**

In this Quarterly Report on Form 10-Q we refer to the three months ended December 28, 2008 as the Fiscal 2009 Quarter and the three months ended December 30, 2007 as the Fiscal 2008 Quarter.

For the Fiscal 2008 Quarter we have presented the Canadian division of our Home and Garden Business as discontinued operations. The Canadian division of our Home and Garden Business was sold on November 1, 2007. See Note 2, Significant Accounting Policies Discontinued Operations, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information on the sale of the Canadian division of our Home and Garden Business. As a result, and unless specifically stated, all discussions regarding the Fiscal 2009 Quarter and the Fiscal 2008 Quarter only reflect results from our continuing operations.

Net Sales. Net sales for the Fiscal 2009 Quarter decreased to \$564 million from \$605 million in the Fiscal 2008 Quarter, a 7.6% decrease. The following table details the principal components of the change in net sales from the Fiscal 2008 Quarter to the Fiscal 2009 Quarter (in millions):

	Net Sales
Fiscal 2008 Quarter Net Sales	\$ 605
Increase in Global Batteries & Personal Care Remington branded product sales	9
Increase in Household Insect Control product sales	2
Decrease in Global Batteries & Personal Care consumer battery sales	(4)
Decrease in Pet supplies sales	(8)
Decrease in Lawn and Garden product sales	(4)
Decrease in Portable Lighting product sales	(1)
Foreign currency impact, net	(35)
Fiscal 2009 Quarter Net Sales	\$ 564

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Consolidated net sales by product line for the Fiscal 2009 Quarter and the Fiscal 2008 Quarter are as follows (in millions):

	Fiscal Quarter	
	2009	2008
Product line net sales		
Consumer batteries	\$ 220	\$ 242
Pet supplies	132	143
Electric shaving and grooming products	78	84
Electric personal care products	67	66
Lawn and garden products	27	30
Portable lighting products	24	26
Household insect control products	16	14
Total net sales to external customers	\$ 564	\$ 605

Global consumer battery sales decreased \$22 million, primarily driven by unfavorable foreign exchange translation of \$18 million coupled with decreased consumer battery sales in Latin America and Europe of \$17 million and \$4 million, respectively. These decreases were partially offset by increased consumer battery sales, mainly alkaline batteries, in North America of \$17 million. The decrease within Latin America primarily relates to the current global economic crisis, as wholesale and distribution customers are holding less inventory in an effort to conserve cash. Declines in alkaline battery sales in Europe were driven by our intentional exit from unprofitable or marginally profitable private label battery sales, as well as some second tier branded battery sales, coupled with the impact of our exit of our battery manufacturing facility in China. See *Restructuring and Related Charges* below, as well as Note 11, Restructuring and Related Charges, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our exit of the China manufacturing facility. The \$11 million, or 7%, decrease in pet supplies sales was primarily a result of a decrease of \$10 million in our aquatics products, principally due to decreased sales within North America. The decrease in electric shaving and grooming sales of \$6 million, or 7%, is primarily attributable to unfavorable foreign exchange translation. Electric personal care sales increased \$1 million while experiencing unfavorable foreign exchange translation of \$8 million. The unfavorable foreign exchange was offset by increased electronic personal care sales in Europe and North America of \$6 million and \$3 million, respectively. Lawn and garden sales were down \$3 million primarily as a result of a major customer delaying orders due to excess inventory levels. The \$2 million decrease in portable lighting sales was primarily a result of unfavorable foreign exchange translation. Household insect control sales increased slightly to \$16 million, from \$14 million, as a result of higher sales volume coupled with new product launches.

Gross Profit. Gross profit for the Fiscal 2009 Quarter was \$136 million versus \$218 million for the Fiscal 2008 Quarter. Our gross profit margin for the Fiscal 2009 Quarter decreased to 24.1% from 36.0% in the Fiscal 2008 Quarter. Cost of goods sold during the Fiscal 2009 Quarter included \$64 million of Restructuring and related charges, whereas the Fiscal 2008 Quarter included de minimus Restructuring and related charges. The Restructuring and related charges incurred in the Fiscal 2009 Quarter were primarily associated with the shutdown of the growing products portion of our Home and Garden Business segment, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed coupled with charges of \$10 million related to the Ningbo Exit Plan. See *Restructuring and Related Charges* below, as well as Note 11, Restructuring and Related Charges, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our restructuring and related charges.

Operating Expense. Operating expenses for the Fiscal 2009 Quarter totaled \$188 million versus \$186 million for the Fiscal 2008 Quarter representing an increase of \$2 million. The increase in operating expense is attributable to an increase in Restructuring and related charges of approximately \$21 million, which rose to \$26 million in the Fiscal 2009 Quarter from \$5 million in the Fiscal 2008 Quarter. The restructuring and related

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charges incurred in the Fiscal 2009 Quarter were primarily attributable to our decision to exit the growing products portion of our Home and Garden Business segment. The restructuring and related charges incurred in the Fiscal 2008 Quarter were primarily attributable to various cost reduction initiatives in connection with our global realignment announced in January 2007. See *Restructuring and Related Charges* below, as well as Note 11, Restructuring and Related Charges, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our restructuring and related charges. The increase in Restructuring and related charges was partially offset by decreased selling and marketing costs of \$10 million and decreased distribution expenses of \$6 million. Favorable foreign exchange translation impacted operating expenses by \$8 million in the Fiscal 2009 Quarter compared to the Fiscal 2008 Quarter.

Segment Results. As discussed above, we manage our business in three reportable segments: (i) Global Batteries & Personal Care, (ii) Global Pet Supplies; and (iii) our Home and Garden Business.

We do not present results of our Canadian division of our Home and Garden Business in *Segment Results* because we have designated it as discontinued operations. On November 1, 2007, we completed the sale of the Canadian division of our Home and Garden Business. For additional information about the results of operations of the Canadian division of the Home and Garden Business in the Fiscal 2008 Quarter, please see *Management's Discussion and Analysis of Financial Condition and Results of Operations Discontinued Operations* and Note 2, Significant Accounting Policies Discontinued Operations, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q.

Operating segment profits do not include restructuring and related charges, interest expense, interest income, impairment charges and income tax expense. Expenses associated with global operations, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain are included in the determination of operating segment profits. In addition, certain general and administrative expenses necessary to reflect the operating segments on a stand alone basis have been included in the determination of operating segment profits. Accordingly, corporate expenses include primarily general and administrative expenses associated with corporate overhead and global long-term incentive compensation plans.

All depreciation and amortization included in income from operations is related to operating segments or corporate expense. Costs are allocated to operating segments or corporate expense according to the function of each cost center. All capital expenditures are related to operating segments. Variable allocations of assets are not made for segment reporting.

Global strategic initiatives and financial objectives for each reportable segment are determined at the corporate level. Each reportable segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a general manager responsible for the sales and marketing initiatives and financial results for product lines within that segment. Financial information pertaining to our reportable segments is contained in Note 10, Segment Results, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q.

Global Batteries & Personal Care

	2009	2008
	(in millions)	
Net sales to external customers	\$ 389	\$ 418
Segment profit	\$ 53	\$ 47
Segment profit as a % of net sales	13.6%	11.3%
Assets as of December 28, 2008 and September 30, 2008	\$ 1,139	\$ 1,183

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Segment net sales to external customers in the Fiscal 2009 Quarter decreased \$29 million to \$389 million from \$418 million during the Fiscal 2008 Quarter, a 7% decrease. Unfavorable foreign currency exchange translation impacted net sales in the Fiscal 2009 Quarter by approximately \$33 million. Battery sales for the Fiscal 2009 Quarter were down to \$220 million when compared to sales of \$242 million in the Fiscal 2008 Quarter. Unfavorable foreign currency exchange translation had a negative impact of \$18 million coupled with decreases in Latin America and Europe of \$17 million and \$4 million, respectively. These decreases were offset by an increase in North America of \$17 million, which primarily related to increased volume at a major customer coupled with new distribution. The sales decrease in Latin American battery sales primarily relates to the current global economic crisis as wholesale and distribution customers are holding less inventory in an effort to conserve cash. The decrease in European battery sales was the result of our intentional exit from unprofitable or marginally profitable private label battery sales, as well as some second tier branded battery sales, coupled with our exit of a battery manufacturing facility in China. See *Restructuring and Related Charges* below, as well as Note 11, Restructuring and Related Charges, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our exit of the China manufacturing facility. Net sales of electric shaving and grooming products in the Fiscal 2009 Quarter decreased by \$6 million, or 7%, from their levels in the Fiscal 2008 Quarter, which was primarily due to unfavorable foreign exchange translation. Excluding foreign exchange translation, sales of men's shavers increased \$3 million, driven by a \$5 million increase in North America as a result of new product launches, pricing and promotions, partially offset by slight declines in Europe of \$2 million. The increase sales of men's shavers were offset by declining sales of women's shavers within electronic shaving and grooming products. Net sales of electric personal care products in the Fiscal 2009 Quarter increased by \$1 million, or 2%, from their levels in the Fiscal 2008 Quarter. Offsetting the sales increases in Europe and North America of \$6 million and \$3 million, respectively, is unfavorable foreign currency translation of \$8 million. The increased sales of electronic personal care products in both Europe and North America are primarily attributable to increased market share within women's hair care. Net sales of portable lighting products for the Fiscal 2009 Quarter decreased slightly to \$24 million as compared to sales of \$26 million for the Fiscal 2008 Quarter. This 8% sales decrease was primarily driven by unfavorable foreign currency translation.

Segment profitability in the Fiscal 2009 Quarter increased to \$53 million from \$47 million in the Fiscal 2008 Quarter. Segment profitability as a percentage of net sales increased to 13.6% in the Fiscal 2009 Quarter as compared with 11.3% in the Fiscal 2008 Quarter. The increase in segment profitability for the Fiscal 2009 Quarter was the result of lower marketing and selling expenses of \$7 million, decreased distribution expense of \$4 million and savings from our global realignment announced in January 2007. See *Restructuring and Related Charges* below, as well as Note 11, Restructuring and Related Charges, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our restructuring and related charges. These increases to our segment profitability were tempered by unfavorable foreign currency translation of \$10 million.

Segment assets at December 28, 2008 decreased slightly to \$1,139 million from \$1,183 million at September 30, 2008. The decrease is primarily due to the impact of foreign currency translation. Goodwill and intangible assets at December 28, 2008 totaled approximately \$411 million and primarily relate to the ROV Ltd., VARTA AG, and Remington Products Company, L.L.C. acquisitions. Included in long-term liabilities assumed in connection with the acquisition of Microlite S.A. is a provision for presumed credits applied to the Brazilian excise tax on manufactured products, or IPI taxes. Although a previous ruling by the Brazilian Federal Supreme Court had been issued in favor of a specific Brazilian taxpayer with similar tax credits, on February 15, 2007 the Brazilian Federal Supreme Court ruled against certain Brazilian taxpayers with respect to the legality and constitutionality of the IPI presumed tax credits. This decision is applicable to all similarly-situated taxpayers. At December 28, 2008 and September 30, 2008, these amounts totaled approximately \$7 million and \$14 million, respectively, and are included in Other long-term liabilities in the Condensed Consolidated Balance Sheets (Unaudited) included in this Quarterly Report on Form 10-Q.

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	2009	2008
	(in millions)	
Net sales to external customers	\$ 132	\$ 143
Segment profit	\$ 12	\$ 17
Segment profit as a % of net sales	9.1%	11.8%
Assets as of December 28, 2008 and September 30, 2008	\$ 695	\$ 700

Segment net sales to external customers in the Fiscal 2009 Quarter decreased to \$132 million from \$143 million in the Fiscal 2008 Quarter, representing a decrease of \$11 million or 7.7%. The decrease in net sales in the Fiscal 2009 Quarter was primarily driven by a decrease of \$10 million, or 11%, in our aquatics products, principally due to decreased equipment sales within the U.S. Unfavorable foreign currency exchange translation impacted net sales in the Fiscal 2009 Quarter by approximately \$2 million. These decreases were offset by an increase of \$2 million within companion animal sales during the Fiscal 2009 Quarter.

Segment profitability in the Fiscal 2009 Quarter decreased to \$12 million from \$17 million in the Fiscal 2008 Quarter. Segment profitability as a percentage of sales in the Fiscal 2009 Quarter decreased to 9.1% from 11.8% in the same period last year. This decrease in segment profitability was primarily due to the decreased sales, as previously mentioned above, coupled with cost increases, which negatively impacted margins, as price increases had not taken effect. Offsetting the decreased margin is lower operating expenses of \$5 million, driven by decreased marketing and advertising expense and distribution expense.

Segment assets as of December 28, 2008 decreased to \$695 million from \$700 million at September 30, 2008. The decrease is primarily due to the impact of foreign currency translation. Goodwill and intangible assets as of December 28, 2008 totaled approximately \$439 million and primarily relate to the acquisitions of Tetra Holding GmbH and its affiliates and subsidiaries in the aquatics business (Tetra) and the United Pet Group division of United Industries Corporation (United).

Home and Garden

	2009	2008
	(in millions)	
Net sales to external customers	\$ 43	\$ 44
Segment profit	\$ (18)	\$ (19)
Segment profit as a % of net sales	(41.9)%	(43.2)%
Assets as of December 28, 2008 and September 30, 2008	\$ 248	\$ 290

Segment net sales to external customers in the Fiscal 2009 Quarter decreased to \$43 million from \$44 million in the Fiscal 2008 Quarter, representing a decrease of \$1 million or 2%. The decrease in net sales in the Fiscal 2009 Quarter was primarily driven by a decrease in lawn and garden sales of \$3 million, mainly due to a major customer delaying orders due to excess inventory levels. These decreases were slightly offset by increased household insect control sales as a result of higher sales volume and new product launches.

Segment profitability in the Fiscal 2009 Quarter increased to \$(18) million from \$(19) million in the Fiscal 2008 Quarter. Segment profitability as a percentage of sales in the Fiscal 2009 Quarter increased to (41.9)% from (43.2)% in the same period last year. This slight increase in segment profitability was primarily a result of lower marketing expense and distribution expense. The slight increase was tempered by depreciation and amortization expense of \$3 million recorded during the Fiscal 2009 Quarter, while no depreciation and amortization expense was recorded during the Fiscal 2008 Quarter. From October 1, 2006 through December 30, 2007, the U.S. division of our Home and Garden Business was designated as discontinued operations. In accordance with generally accepted accounting principles, while designated as discontinued operations we ceased recording depreciation and amortization expense associated with the assets of this business.

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Segment assets as of December 28, 2008 decreased to \$248 million from \$290 million at September 30, 2008. The decrease is primarily due to the write down of certain assets in connection with our decision to exit the growing products portion of our Home and Garden Business segment. See *Restructuring and Related Charges* below, as well as Note 11, Restructuring and Related Charges, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our decision to exit the growing products portion of our Home and Garden Business segment. Intangible assets as of December 28, 2008 totaled approximately \$105 million and primarily relate to the acquisition of United.

Corporate Expense. Our corporate expenses in both the Fiscal 2009 Quarter and the Fiscal 2008 Quarter were \$8 million. Our corporate expense as a percentage of consolidated net sales also remained constant for both the Fiscal 2009 Quarter and the Fiscal 2008 Quarter at 1.4%.

Restructuring and Related Charges. See Note 11, Restructuring and Related Charges to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our restructuring and related charges.

The following table summarizes all restructuring and related charges we incurred in the Fiscal 2009 Quarter and the Fiscal 2008 Quarter (in millions):

	2009	2008
Costs included in cost of goods sold:		
Latin America initiatives:		
Termination benefits	\$ 0.1	\$ 0.1
Global Realignment:		
Termination benefits	0.1	
Ningbo Exit Plan:		
Termination benefits	0.7	
Other associated costs	9.2	
Growing Products Exit Plan:		
Other associated costs	45.1	
Total included in cost of goods sold	\$ 55.2	\$ 0.1
Costs included in operating expenses:		
United & Tetra integration:		
Termination benefits	\$ 2.4	\$ 0.3
Other associated costs	1.2	0.1
European initiatives:		
Other associated costs		0.1
Latin America initiatives:		
Termination benefits		0.1
Other associated costs		0.3
Global Realignment:		
Termination benefits	4.3	2.8
Other associated costs	1.5	1.2
Ningbo Exit Plan:		
Other associated costs	1.5	
Growing Products Exit Plan:		
Termination benefits	6.4	
Other associated costs	8.6	
Total included in operating expenses	\$ 25.9	\$ 4.9
Total restructuring and related charges	\$ 81.1	\$ 5.0

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In connection with the acquisitions of United and Tetra in Fiscal 2005, we implemented a series of initiatives to optimize the global resources of the combined companies. These initiatives included: integrating all of United's home and garden administrative services, sales and customer service functions into our operations in Madison, Wisconsin; converting all information systems to SAP; consolidating United's home and garden manufacturing and distribution locations in North America; rationalizing the North America supply chain; and consolidating administrative, manufacturing and distribution facilities at our Global Pet Supplies business. In addition, certain corporate functions were shifted to our global headquarters in Atlanta, Georgia.

Effective October 1, 2006, we suspended initiatives to integrate the activities of the Home and Garden Business into our operations in Madison, Wisconsin. We recorded approximately \$1 million of pretax restructuring and related charges in Fiscal 2009 and de minimis charges during the Fiscal 2008 Quarter, in connection with the integration of the United home and garden business. We have recorded pretax restructuring and related charges of approximately \$32 million since the inception of this initiative.

Integration activities within Global Pet Supplies were substantially complete as of December 28, 2008. Global Pet Supplies integration activities consisted primarily of the rationalization of manufacturing facilities and the optimization of our distribution network. As a result of these integration initiatives, two pet supplies facilities were closed in 2005, one in Brea, California and the other in Hazleton, Pennsylvania, one pet supply facility was closed in 2006, in Hauppauge, New York and one pet supply facility was closed in 2007 in Moorpark, California. We recorded approximately \$2 million of pretax restructuring and related charges during the Fiscal 2009 Quarter and recorded de minimis charges during the Fiscal 2008 Quarter in connection with our integration activities within Global Pet Supplies. We have recorded pretax restructuring and related charges of approximately \$37 million since the inception of the integration activities within Global Pet Supplies.

We have implemented a series of initiatives in the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize our manufacturing structure (the European Initiatives). In connection with the European Initiatives, which are substantially complete, we implemented a series of initiatives within the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize our manufacturing structure. These initiatives include the relocation of certain operations at our Ellwangen, Germany packaging center to the Dischingen, Germany battery plant and restructuring Europe's sales, marketing and support functions. We recorded de minimis pretax restructuring and related charges during both the Fiscal 2009 Quarter and the Fiscal 2008 Quarter in connection with the European Initiatives. We have recorded pretax restructuring and related charges of approximately \$27 million since the inception of the European Initiatives.

We have implemented a series of initiatives within our Global Batteries & Personal Care business segment in Latin America to reduce operating costs (the Latin American Initiatives). In connection with the Latin American Initiatives, which are substantially complete, we implemented a series of initiatives within the Global Batteries & Personal Care segment in Latin America to reduce operating costs. The initiatives include the reduction of certain manufacturing operations in Brazil and the restructuring of management, sales, marketing and support functions. We recorded de minimis pretax restructuring and related charges during both the Fiscal 2009 Quarter and the Fiscal 2008 Quarter in connection with the Latin American Initiatives. We have recorded pretax restructuring and related charges of approximately \$11 million since the inception of the Latin American Initiatives.

In Fiscal 2007, we began managing our business in three vertically integrated, product-focused reporting segments; Global Batteries & Personal Care, Global Pet Supplies and the Home and Garden Business. As part of this realignment, our global operations organization, which had previously been included in corporate expense, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, is now included in each of the operating segments. In connection with these changes we undertook a number of cost reduction initiatives, primarily headcount reductions, at the corporate and operating segment levels (the Global Realignment Initiatives). We recorded approximately \$7 million and \$4 million of pretax restructuring and related charges during the Fiscal 2009 Quarter and the Fiscal 2008 Quarter, respectively,

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in connection with the Global Realignment Initiatives. Costs associated with these initiatives, which are expected to be incurred through December 31, 2009, relate primarily to severance and are projected at approximately \$95 million.

During Fiscal 2008, we implemented an initiative within the Global Batteries & Personal Care segment to reduce operating costs and rationalize our manufacturing structure. These initiatives include the exit of our battery manufacturing facility in Ningbo Baowang China (Ningbo) (the Ningbo Exit Plan). We recorded approximately \$11 million of pretax restructuring and related charges during the Fiscal 2009 Quarter in connection with the Ningbo Exit Plan. Costs associated with these initiatives, which are expected to be incurred through September 30, 2009, are projected at approximately \$30 million.

During Fiscal 2009, we implemented an initiative within the Home and Garden Business to reduce operating costs and eliminate unprofitable products from its portfolio. These initiatives include the plan to discontinue the growing products portion of our Home and Garden Business segment, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed (the Growing Products Exit Plan). We recorded \$60 million of pretax restructuring and related charges during the Fiscal 2009 Quarter in connection with the Growing Products Exit Plan. Costs associated with these initiatives, which are expected to be incurred through September 30, 2013, are projected at approximately \$84 million.

Interest Expense. Interest expense in the Fiscal 2009 Quarter decreased to \$52 million from \$57 million in the Fiscal 2008 Quarter due to lower interest rates. See Note 7, Debt, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our outstanding debt.

Income Taxes. Our effective tax rate on income from continuing operations is approximately (13%) for the Fiscal 2009 Quarter. Our effective tax rate on income from continuing operations was approximately 260% for the Fiscal 2008 Quarter. While we fully intend to utilize our U.S. net operating losses against income and gains generated in the future, under SFAS No. 109, Accounting for Income Taxes (SFAS 109), we, as discussed more fully below, have determined that a full valuation allowance should be established against our net deferred tax assets in the U.S.

As of December 28, 2008, we are estimating that at September 30, 2009 we will have U.S. federal and state net operating loss carryforwards of approximately \$1,251 million and \$2,113 million, respectively, which will expire through years ending in 2029, and we will have foreign net operating loss carryforwards of approximately \$104 million, which will expire beginning in 2009. Certain of the foreign net operating losses have indefinite carryforward periods. As of September 30, 2008 we had U.S. federal and state net operating loss carryforwards of approximately \$1,009 million and \$1,832 million, respectively, which, at that time, were scheduled to expire between 2009 and 2028. As of September 30, 2008 we had foreign net operating loss carryforwards of approximately \$142 million, which at the time was set to expire beginning in 2009. Certain of the foreign net operating losses have indefinite carryforward periods. Limitations apply to a substantial portion of these net operating loss carryforwards in accordance with Internal Revenue Code Section 382.

The ultimate realization of our deferred tax assets depends on our ability to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions. We establish valuation allowances for deferred tax assets when we estimate it is more likely than not that the tax assets will not be realized. We base these estimates on projections of future income, including tax planning strategies, in certain jurisdictions. Changes in industry conditions and other economic conditions may impact our ability to project future income. SFAS 109 requires the establishment of a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In accordance with SFAS 109, we periodically assess the likelihood that our deferred tax assets will be realized and determine if adjustments to the valuation allowance are appropriate. As a result of this assessment, we determined that a full valuation allowance is required against our net deferred tax assets in the U.S. and China. During the Fiscal 2009 Quarter we increased

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our valuation allowance against net deferred tax assets by approximately \$52 million. Our total valuation allowance, established for the tax benefit of deferred tax assets that may not be realized, was approximately \$549 million and \$496 million at December 30, 2008 and September 30, 2008, respectively. Of this amount, approximately \$523 million and \$468 million relates to U.S. net deferred tax assets at December 28, 2008 and September 30, 2008, respectively and approximately \$26 million and \$28 million relates to foreign net deferred tax assets at December 30, 2008 and September 30, 2008, respectively.

In 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that we recognize in our financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. As of September 30, 2008 and December 28, 2008, we had approximately \$7 and \$8 million of unrecognized tax benefits, respectively, of which approximately \$5 million and \$6 million, respectively, would affect our effective tax rate if recognized and approximately \$2 million for both September 30, 2008 and December 28, 2008, of which would result in a reduction in goodwill if recognized. The change from September 30, 2008 to December 28, 2008 is primarily a result of the accrual of additional interest and penalties.

Discontinued Operations. On November 1, 2007, we sold the Canadian division of the Home and Garden Business, which operated under the name Nu-Gro, to a new company formed by RoyCap Merchant Banking Group and Clarke Inc. Cash proceeds received at closing, net of selling expenses, totaled approximately \$15 million and was used to reduce outstanding debt. These proceeds are included in net cash provided by investing activities of discontinued operations in the Condensed Consolidated Statements of Cash Flows (Unaudited) included in this Quarterly Report on Form 10-Q. On February 5, 2008, we finalized the contractual working capital adjustment in connection with this sale which increased our proceeds received. As a result of the finalization of the contractual working capital adjustments we recorded a loss on disposal of approximately \$1 million, net of tax benefit.

The following amounts have been segregated from continuing operations and are reflected as discontinued operations during Fiscal 2008:

	Three Months 2008^(A)
Net sales	\$ 4.7
Loss from discontinued operations before income taxes	\$ (2.0)
Provision for income tax benefit	(0.7)
Loss from discontinued operations, (including loss on disposal of \$1.2), net of tax	\$ (1.3)

^(A) The three month period ended December 30, 2007 represents results from discontinued operations from October 1, 2007 through November 1, 2007, the date of sale.

Liquidity and Capital Resources**Operating Activities**

For the Fiscal 2009 Quarter cash used by operating activities totaled \$90 million as compared to a use of \$91 million in the Fiscal 2008 Quarter. The \$1 million decrease in cash used represented a \$2 million decrease in cash used by operating activities of discontinued operations and an increase of \$1 million of cash used by operating activities from continuing operations. The increase in cash used by operating activities from continuing operations was the result of a \$34 million change in operating assets and liabilities of continuing operations. The change in assets and liabilities was driven by unfavorable foreign exchange translation coupled with incentive compensation payments of approximately \$30 million which were earned in our fiscal year ended September 30, 2008 and paid in the Fiscal 2009 Quarter versus approximately \$25 million of incentive compensation payments

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earned during the fiscal year ended September 30, 2007 and paid in the Fiscal 2008 Quarter. Offsetting the changes in operating assets and liabilities was a \$33 million increase in income from continuing operations after adjusting for non-cash items. The \$2 million decrease in cash used by operating activities from discontinued operations was due to the loss from discontinued operations associated with the Canadian division of the Home and Garden Business, which we sold on November 1, 2007.

As a result of the Bankruptcy Filing and the circumstances leading to the Bankruptcy Filing, described elsewhere in this report, we face uncertainty regarding the adequacy of our liquidity and capital resources and have limited access to financing. During the pendency of the bankruptcy proceedings, we expect that our primary sources of liquidity will be cash flows from operations and borrowings under the DIP Facility (as defined in *Debtor-in-Possession Financing* below). In addition, the restricted covenants under the DIP facility restrict us from obtaining additional capital. Moreover, while we expect that we will have exit financing available to us upon consummation of the Proposed Plan from the existing lenders under the DIP Facility, there can be no assurances in that regard.

In addition to the cash requirements necessary to fund ongoing operations, we have incurred and continue to incur significant professional fees and other costs in connection with preparation of the Bankruptcy Filing and handling of the Bankruptcy Cases. We anticipate that we will continue to incur significant professional fees and costs for the pendency of the bankruptcy cases. We cannot assure you that the amounts of cash available from operations, together with any borrowings under the DIP Facility, will be sufficient to fund our operations, including operations during the period until such time, if any, as our Proposed Plan receives the requisite acceptance of our creditors and is confirmed by the Bankruptcy Court. Our long-term liquidity requirements and the adequacy of our capital resources are difficult to predict at this time and ultimately cannot be determined until after our Proposed Plan or another plan of reorganization has been confirmed, if at all, by the Bankruptcy Court. If our future cash flows and capital resources are insufficient, we could face substantial liquidity problems and will likely be required to significantly reduce or delay capital expenditures, curtail, eliminate or dispose of substantial assets or operations, or undertake other significant restructuring measures; which could include reducing the size of our workforce or pursuing other alternatives to restructure or refinance our indebtedness, all of which could substantially affect our business, financial condition and results of operations.

For further discussion of liquidity risks and risks associated with the Bankruptcy Cases, please see Item 1A. Risk Factors.

On February 1, 2009, we had approximately \$37 million in cash and cash equivalents on hand.

Our ability to continue as a going concern is dependent upon, among other things, (i) our ability to obtain timely confirmation of our Proposed Plan under the Bankruptcy Code; (ii) the cost, duration and outcome of the reorganization process; (iii) our ability to achieve profitability as a Company; (iv) our ability to maintain adequate cash on hand; (v) our ability to generate cash from operations; (vi) the ability of the DIP Facility (including, without limitation, the ability of lenders to fund their respective commitments under the DIP Facility) to adequately cover our short-term liquidity requirements; and (vii) our ability to comply with the terms and conditions of our DIP Credit Agreement (as defined in *Debtor-in-Possession Financing* below) and any cash collateral order entered by the Bankruptcy Court in connection with the Bankruptcy Cases.

Investing Activities

Net cash used by investing activities was \$2 million for the Fiscal 2009 Quarter. For the Fiscal 2008 Quarter investing activities provided cash of \$8 million. The \$10 million decrease was primarily due to the proceeds received in connection with the November 2007 sale of the Canadian division of our Home and Garden Business of approximately \$15 million coupled with a reduction of capital expenditures related to continuing operations. In the Fiscal 2009 Quarter continuing operations capital expenditures totaled \$2 million versus \$6 million in the Fiscal 2008 Quarter. Capital expenditures for Fiscal 2009 are expected to be approximately \$25 million.

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Debt Financing Activities

We believe our cash flow from operating activities and periodic borrowings under our DIP Facility will be adequate to meet the short-term liquidity requirements of our existing business prior to the expiration of such facility, although no assurance can be given in this regard.

Senior Term Credit Facility and ABL Facility

During the second quarter of Fiscal 2007, we refinanced our outstanding senior credit facilities with new senior secured credit facilities (collectively, the Senior Term Credit Facility) pursuant to a new senior credit agreement (the Senior Credit Agreement) consisting of a \$1 billion U.S. Dollar Term B Loan facility (the U.S. Dollar Term B Loan), a \$200 million U.S. Dollar Term B II Loan facility (the U.S. Dollar Term B II Loan), a 262 million Term Loan facility (the Euro Facility), and a \$50 million synthetic letter of credit facility (the L/C Facility). The proceeds of borrowings under the Senior Credit Agreement were used to repay all outstanding obligations under our Fourth Amended and Restated Credit Agreement, dated as of February 7, 2005, to pay fees and expenses in connection with the refinancing and the exchange offer completed on March 30, 2007 relating to certain of our senior subordinated notes and for general corporate purposes. Subject to certain mandatory prepayment events, the term loan facilities under the Senior Credit Agreement are subject to repayment according to a scheduled amortization, with the final payment of all amounts outstanding, plus accrued and unpaid interest, due on March 30, 2013. Letters of credit issued pursuant to the L/C Facility are required to expire, at the latest, five business days prior to March 30, 2013.

On September 28, 2007, as provided for in the Senior Credit Agreement, we entered into a \$225 million U.S. Dollar Asset Based Revolving Loan Facility (the ABL Facility) and together with the Senior Term Credit Facility, the Senior Credit Facilities) pursuant to a credit agreement (the ABL Credit Agreement). The ABL Facility replaced the U.S. Dollar Term B II Loan, which was simultaneously prepaid using cash on hand generated from our operations and available cash from prior borrowings under its Senior Credit Agreement in connection with the above-referenced refinancing. Obligations under the ABL Facility were secured pursuant to a guarantee and collateral agreement.

During the three month period ended December 28, 2008, we made no prepayments of term loan indebtedness under the Senior Credit Agreement.

At December 28, 2008, the aggregate amount outstanding under our Senior Credit Facilities totaled a U.S. Dollar equivalent of approximately \$1,560 million, including principal amounts of approximately \$976 million under the U.S. Dollar Term B Loan, approximately 256 million under the Euro Facility (USD approximately \$358 million at December 28, 2008), and approximately \$176 million under the ABL Facility, including approximately \$9 million in letters of credit. Letters of credit outstanding under the L/C Facility totaled approximately \$49 million at December 28, 2008.

The Senior Credit Agreement contains financial covenants with respect to debt, including, but not limited to, a maximum senior secured leverage ratio, which covenants, pursuant to their terms, become more restrictive over time. In addition, the Senior Credit Agreement contains customary restrictive covenants, including, but not limited to, restrictions on our ability to incur additional indebtedness, create liens, make investments or specified payments, give guarantees, pay dividends, make capital expenditures and merge or acquire or sell assets. Pursuant to a guarantee and collateral agreement, we have guaranteed our respective obligations under the Senior Credit Agreement and related loan documents and have pledged substantially all of their respective assets to secure such obligations.

The Senior Credit Agreement also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness. As discussed above, the Bankruptcy Filing constituted an event of default under the senior term credit facility and the indebtedness under the facility has been accelerated.

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The ABL Credit Agreement and the related guarantee and collateral agreement have been amended in connection with the Bankruptcy Cases to provide new debtor-in-possession financing. A description of the terms of the ABL Credit Agreement as so amended is set forth in *Debtor-In-Possession Financing* below.

Debtor-In-Possession Financing

On February 5, 2009, we received interim approval from the Bankruptcy Court (the *Interim Financing Order*) to access new financing pursuant to a \$235 million senior secured debtor-in-possession revolving credit facility (the *DIP Facility*). The DIP Facility is being provided pursuant to a Ratification and Amendment Agreement with Wachovia Bank, National Association, as administrative and collateral agent (the *Agent*) and certain of the existing lenders under the ABL Facility with a participating interest from the Significant Noteholders. The agreement amends the ABL Credit Agreement and the related guarantee and collateral agreement (the ABL Credit Agreement as so amended, the *DIP Credit Agreement*). The DIP Facility consists of (a) revolving loans (the *Revolving Loans*), with a portion available for letters of credit and a portion available as swing line loans, in each case subject to the terms and limits described therein, and (b) a supplemental loan (the *Supplemental Loan*), in the form of an asset based loan, in an amount up to \$45 million.

The Revolving Loans may be drawn, repaid and reborrowed without premium or penalty. The Supplemental Loan shall be repaid after payment in full of the Revolving Loans and all other obligations due and payable under the DIP Facility. The proceeds of borrowings under the DIP Facility are to be used for costs, expenses and fees in connection with the DIP Facility, for working capital of our Company and our subsidiaries restructuring costs, and other general corporate purposes, in each case consistent with a budget. Proceeds from the Supplemental Loan shall be used by us consistent with the budget, including, without limitation, to repay a portion of the revolving loans outstanding as of the filing of the Bankruptcy Cases.

The DIP Facility carries an interest rate, at our option, of either (a) the base rate plus 3.50% per annum or (b) the reserve-adjusted LIBOR rate (the *Eurodollar Rate*) plus 4.50% per annum, except that the Supplemental Loan carries an interest rate, payable in cash, equal to the Eurodollar Rate plus 14.50% per annum. No amortization will be required with respect to the DIP Facility. For purposes of the Revolving Loans, the Eurodollar Rate shall at no time be less than 3.50%. For purposes of the Supplemental Loans, the Eurodollar Rate shall at no time be less than 3.00%.

The DIP Facility will mature on the earliest of (a) February 5, 2010, (b) 45 days after the entry of the Interim Financing Order if the Permanent Financing Order (as defined in the DIP Credit Agreement) has not been entered prior to the expiration of such 45 day period, (c) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which shall be no later than the *effective date*) of a plan of reorganization filed in the Bankruptcy Cases that is confirmed pursuant to an order entered by the Bankruptcy Court or (d) the termination of the commitment with respect to the DIP Facility.

The Supplemental Loan will mature on the earliest of (a) February 5, 2010, (b) 45 days after the entry of the Interim Financing Order if the Permanent Financing Order (as defined in the DIP Credit Agreement), in form and substance satisfactory to the Supplemental Loan participants, has not been entered prior to the expiration of such 45-day period, (c) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which shall be no later than the *effective date*) of a plan of reorganization filed in the Bankruptcy Cases that is confirmed pursuant to an order entered by the Bankruptcy Court, such plan and order on terms and conditions satisfactory to the Supplemental Loan participants or (d) the termination of the Commitment with respect to the DIP Facility; provided that if certain exit conditions are satisfied prior to the maturity of the Supplemental Loan pursuant to clauses (a) through (d) above, the maturity of the Supplemental Loan shall be automatically extended to March 31, 2012.

As collateral security for the performance, observance and payment in full of all of the obligations (including pre-petition obligations and the post-petition obligations), Agent has valid, enforceable and perfected

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first priority and senior security interests in and liens upon all pre-petition collateral granted under our guarantee and collateral agreement with respect to the ABL Facility, as well as valid and enforceable first priority and senior security interests in and liens upon all post-petition collateral granted to Agent, for the benefit of itself and the other secured parties, under the Interim Financing Order, subject only to liens or encumbrances that were expressly permitted by the ABL Credit Agreement and the guarantee and collateral agreement and any other liens or encumbrances expressly permitted by any financing order that may have priority over the liens in favor of Agent and the secured parties.

The DIP Credit Agreement contains various representations and warranties and covenants, including, without limitation, enhanced collateral reporting, a maximum variance to budget covenant and other provisions directly relating to the Bankruptcy Cases. The DIP Credit Agreement also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness. If an event of default occurs and is continuing, amounts outstanding due under the DIP Facility may be accelerated and the rights and remedies of the lenders under the DIP Facility available under the applicable loan documents may be exercised, including rights with respect to the collateral securing obligations under the DIP Facility.

A copy of the DIP Credit Agreement is attached hereto as Exhibit 10.23 and is incorporated herein by reference. The foregoing descriptions of the DIP Facility and the DIP Credit Agreement are qualified in their entirety by reference to the full text of the DIP Credit Agreement.

Senior Subordinated Notes

At December 28, 2008, we had outstanding principal of \$700 million under our 7³/₈ Notes, outstanding principal of approximately \$3 million under our 8¹/₂ Notes, and outstanding principal of approximately \$347 million under our Variable Rate Notes (collectively, the Senior Subordinated Notes). The Variable Rate Toggle Senior Subordinated Notes due 2013 are subject to a variable rate of interest that increases semi-annually, varying depending on whether interest is paid in cash or increased principal. As of December 28, 2008, the Variable Rate Notes bore interest at a rate of 12.50%.

We may redeem all or a part of the Variable Rate Notes upon not less than 30 nor more than 60 days notice, at specified redemption prices. The terms of 8¹/₂ Notes and 7³/₈ Notes do not currently permit redemption. Further, the indentures governing the Senior Subordinated Notes each require us to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control of our Company, as defined in such indentures and each require prepayment in connection with certain asset sales.

The indentures governing the Senior Subordinated Notes contain customary covenants that limit our and certain of our subsidiaries' ability to, among other things, incur additional indebtedness, pay dividends on or redeem or repurchase our equity interests, make certain investments, expand into unrelated businesses, create liens on assets, merge or consolidate with another company, transfer or sell all or substantially all of our assets, and enter into transactions with affiliates.

In addition, the indentures governing the Senior Subordinated Notes each provide for customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to make payments on or acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the respective indentures arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the notes subject to that indenture. If any other event of default under an indenture occurs and is continuing, the trustee for that indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of those notes, may declare the acceleration of the amounts due under those notes.

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As discussed above, we failed to make our February 2, 2009 interest payment on the 7³/₈ Notes. In addition, the Bankruptcy Filing constituted an event of default under the Senior Subordinated Notes, and the indebtedness under the Senior Subordinated Notes has been accelerated.

Interest Payments and Fees

In addition to principal payments on our Senior Term Credit Facility and DIP Facility, we have annual interest payment obligations of approximately \$45 million in the aggregate under our Variable Rate Notes, approximately \$0.2 million in the aggregate under our 8¹/₂% Notes and approximately \$52 million in the aggregate under our 7³/₈% Notes. We also incur interest on our borrowings under the Senior Term Credit Facility and the DIP Facility, and such interest would increase borrowings under the DIP Facility if cash were not otherwise available for such payments. For the pendency of the Bankruptcy Cases, we anticipate that interest under the Senior Term Credit Facility will accrue at the base rate under the facility; however, we currently do not anticipate making any interest payments under the Senior Term Credit Facility during such period. In addition, under the Proposed Plan, we do not expect to pay interest on the Senior Subordinated Notes that accrues after the Bankruptcy Filing. Interest under the DIP Facility is payable in cash on various interest payment dates as provided in the DIP Credit Agreement. Based on amounts currently outstanding under the Senior Term Credit Facility and the DIP Facility, and using market interest rates and foreign exchange rates in effect as of December 28, 2008, we estimate annual interest payments of approximately \$102 million in the aggregate under our Senior Term Credit Facility and DIP Facility would be required assuming each such debt instrument remained in effect in accordance with its terms, no further principal payments were to occur and excluding any payments associated with outstanding interest rate swaps.

We are required to pay certain fees in connection with the Senior Term Credit Facility, the L/C Facility and the DIP Facility. Such fees include a quarterly commitment fee of 1% on the unused portion of the loans under the DIP Facility, certain additional fees with respect to the letter of credit subfacility under the DIP Facility and a quarterly commitment fee of 4.15% on the L/C Facility.

Equity Financing Activities

During the Fiscal 2009 Quarter, we granted approximately 0.2 million shares of restricted stock. All shares granted are performance-based and vest upon achievement of certain performance goals which consist of reportable and consolidated Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) and cash flow components, each as defined by our Company for purposes of such awards. All vesting dates are subject to the recipient's continued employment with us, except as otherwise permitted by our Board of Directors. The total market value of the restricted shares on the date of grant was approximately \$0.1 million which has been recorded as unearned restricted stock compensation. Unearned compensation is amortized to expense over the appropriate vesting period.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Contractual Obligations and Commercial Commitments

There have been no material changes to our contractual obligations and commercial commitments as discussed in our Annual Report on Form 10-K for our fiscal year ended September 30, 2008. We currently anticipate that we will continue to satisfy our contractual obligations and commercial commitments to our customers and suppliers. During the pendency of the Bankruptcy Cases, we may seek to exercise our rights under the United States Bankruptcy Code and through the Bankruptcy Court to reject or otherwise seek relief from time to time under certain of our contracts.

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Critical Accounting Policies and Critical Accounting Estimates

Our Condensed Consolidated Financial Statements (Unaudited) have been prepared in accordance with generally accepted accounting principles in the United States of America and fairly present our financial position and results of operations. There have been no material changes to our critical accounting policies or critical accounting estimates as discussed in our Annual Report on Form 10-K for our fiscal year ended September 30, 2008.

Recently Issued Accounting Standards

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – An Amendment of SFAS No. 133* (SFAS 161). SFAS 161 seeks to improve financial reporting for derivative instruments and hedging activities by requiring enhanced disclosures regarding the impact on financial position, financial performance, and cash flows. To achieve this increased transparency, SFAS 161 requires (1) the disclosure of the fair value of derivative instruments and gains and losses in a tabular format; (2) the disclosure of derivative features that are credit risk-related; and (3) cross-referencing within footnote disclosures to enable financial statement users to locate important information about derivative instruments. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. We are currently evaluating the impact that SFAS 161 will have on its financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), *Business Combinations* (SFAS 141(R)). SFAS 141(R) will significantly change the accounting for future business combinations after adoption. SFAS 141(R) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquired business. SFAS 141(R) also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. We are currently evaluating the impact that SFAS 141(R) will have on our financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160), an amendment of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, which changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS 160 is effective for fiscal years beginning after December 15, 2008. We do not believe that adopting SFAS 160 will have a material impact on our financial position, results of operations or cash flows.

In April 2008, the FASB issued FASB Staff Position (FSP) No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under SFAS No. 142, *Goodwill and Other Intangible Assets*. Its intent is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. FSP 142-3 is effective for fiscal years beginning after December 15, 2008. We do not believe the adoption of FSP 142-3 will have a material impact on its financial position, results of operations or cash flows.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. (SFAS 162) SFAS 162 identifies the sources of accounting principles and the framework for

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selecting the principles to be used in preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. SFAS 162 is effective 60 days following SEC approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. We do not believe that adopting SFAS 162 will have a material impact on our financial position, results of operations or cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Factors

We have market risk exposure from changes in interest rates, foreign currency exchange rates and commodity prices. We use derivative financial instruments for purposes other than trading to mitigate the risk from such exposures.

A discussion of our accounting policies for derivative financial instruments is included in Note 2 to our Condensed Consolidated Financial Statements (Unaudited) filed with this report, Significant Accounting Policies Derivative Financial Instruments.

Interest Rate Risk

We have bank lines of credit at variable interest rates. The general level of U.S. interest rates, LIBOR and Euro LIBOR affect interest expense. We use interest rate swaps to manage such risk. The net amounts to be paid or received under interest rate swap agreements are accrued as interest rates change, and are recognized over the life of the swap agreements as an adjustment to interest expense from the underlying debt to which the swap is designated. The related amounts payable to, or receivable from, the contract counter-parties are included in accrued liabilities or accounts receivable.

Foreign Exchange Risk

We are subject to risk from sales and loans to and from our subsidiaries as well as sales to, purchases from and bank lines of credit with, third-party customers, suppliers and creditors, respectively, denominated in foreign currencies. Foreign currency sales and purchases are made primarily in Euro, Pounds Sterling, Brazilian Reals and Canadian Dollars. We manage our foreign exchange exposure from anticipated sales, accounts receivable, intercompany loans, firm purchase commitments, accounts payable and credit obligations through the use of naturally occurring offsetting positions (borrowing in local currency), forward foreign exchange contracts, foreign exchange rate swaps and foreign exchange options. The related amounts payable to, or receivable from, the contract counter-parties are included in accounts payable or accounts receivable.

Commodity Price Risk

We are exposed to fluctuations in market prices for purchases of zinc used in the manufacturing process. We use commodity swaps, calls and puts to manage such risk. The maturity of, and the quantities covered by, the contracts are closely correlated to our anticipated purchases of the commodities. The cost of calls, and the premiums received from the puts, are amortized over the life of the contracts and are recorded in cost of goods sold, along with the effects of the swap, put and call contracts. The related amounts payable to, or receivable from, the counter-parties are included in accounts payable or accounts receivable.

Sensitivity Analysis

The analysis below is hypothetical and should not be considered a projection of future risks. Earnings projections are before tax.

As of December 28, 2008, the potential change in fair value of outstanding interest rate derivative instruments, assuming a 1 percentage point unfavorable shift in the underlying interest rates would be a loss of

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\$5.1 million. The net impact on reported earnings, after also including the reduction in one year's interest expense on the related debt due to the same shift in interest rates, would be a net gain of \$6.3 million.

As of December 28, 2008, the potential change in fair value of outstanding foreign exchange derivative instruments, assuming a 10% unfavorable change in the underlying exchange rates would be a loss of \$11.7 million. The net impact on reported earnings, after also including the effect of the change in the underlying foreign currency-denominated exposures, would be a net gain of \$0.1 million.

As of December 28, 2008, the potential change in fair value of outstanding commodity price derivative instruments, assuming a 10% unfavorable change in the underlying commodity prices would be a loss of \$2.0 million. The net impact on reported earnings, after also including the reduction in cost of one year's purchases of the related commodities due to the same change in commodity prices, would be a net gain of \$0.1 million.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) pursuant to Rules 13a-15(b) and 15d-15(b) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms, and is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls. The Company's management, including our Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or the Company's internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On February 3, 2009, the Company and its United States subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Western District of Texas. The Bankruptcy Cases are being jointly administered by the Bankruptcy Court as Case Number 09-50456. The Company intends to continue to operate its business as debtor-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. As a result of the filings, attempts to collect, secure, or enforce remedies with respect to pre-petition claims against the Company are subject to the automatic stay provisions of section 362 of the Bankruptcy Code. The Bankruptcy Cases are discussed in greater detail in

Management's Discussion and Analysis of Financial Condition and Results of Operations Introduction and Note 1, Description of Business, to our Condensed Consolidated Financial Statements (Unaudited).

Item 1A. Risk Factors

Forward-Looking Statements

We have made or implied certain forward-looking statements in this Quarterly Report on Form 10-Q. All statements, other than statements of historical facts included in this Quarterly Report on Form 10-Q, including the statements under Management's Discussion and Analysis of Financial Condition and Results of Operations regarding our business strategy, future operations, financial position, estimated revenues, projected costs, projected synergies, prospects, plans and objectives of management, as well as information concerning expected actions of third parties, are forward-looking statements. When used in this Quarterly Report on Form 10-Q, the words anticipate, intend, plan, estimate, believe, expect, project, could, will, should, may and similar expressions are also intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Since these forward-looking statements are based upon current expectations of future events and projections and are subject to a number of risks and uncertainties, many of which are beyond our control and some of which may change rapidly, actual results or outcomes may differ materially from those expressed or implied herein, and you should not place undue reliance on these statements. Important factors that could cause our actual results to differ materially from those expressed or implied herein include, without limitation:

the impact of the Bankruptcy Cases;

the impact of our substantial indebtedness on our business, financial condition and results of operations;

the impact of restrictions in our debt instruments on our ability to operate our business, finance our capital needs or pursue or expand business strategies;

any failure to comply with financial covenants and other provisions and restrictions of our debt instruments;

the impact of unusual expenses resulting from the implementation of new business strategies, divestitures or current and proposed restructuring activities;

the impact of fluctuations in commodity prices, costs or availability of raw materials or terms and conditions available from suppliers, including suppliers' willingness to advance credit;

interest rate and exchange rate fluctuations;

the loss of, or a significant reduction in, sales to a significant retail customer or significant suppliers;

competitive promotional activity or spending by competitors or price reductions by competitors;

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the introduction of new product features or technological developments by competitors and/or the development of new competitors or competitive brands;

the effects of general economic conditions, including inflation, recession or fears of a recession, depression or fears of a depression, labor costs and stock market volatility or changes in trade, monetary or fiscal policies in the countries where we do business;

changes in consumer spending preferences and demand for our products;

our ability to develop and successfully introduce new products, protect our intellectual property and avoid infringing the intellectual property of third parties;

our ability to successfully implement, achieve and sustain manufacturing and distribution cost efficiencies and improvements, and fully realize anticipated cost savings;

the cost and effect of unanticipated legal, tax or regulatory proceedings or new laws or regulations (including environmental, public health and consumer protection regulations);

public perception regarding the safety of our products, including the potential for environmental liabilities, product liability claims, litigation and other claims;

the impact of pending or threatened litigation;

changes in accounting policies applicable to our business;

government regulations;

the seasonal nature of sales of certain of our products;

the effects of climate change and unusual weather activity; and

the effects of political or economic conditions, terrorist attacks, acts of war or other unrest in international markets.

Some of the above-mentioned factors are described in further detail in the section entitled "Risk Factors" set forth below. You should assume the information appearing in this Quarterly Report on Form 10-Q is accurate only as of December 28, 2008 or as otherwise specified, as our business, financial condition, results of operations and prospects may have changed since that date. Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the SEC, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise to reflect actual results or changes in factors or assumptions affecting such forward-looking statement.

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RISK FACTORS

Any of the following factors could materially and adversely affect our business, financial condition and results of operations and the risks described below are not the only risks that we may face. Additional risks and uncertainties not currently known to us or that we currently view as immaterial may also materially and adversely affect our business, financial condition or results of operations.

The Company filed for reorganization under Chapter 11 on February 3, 2009 and is subject to the risks and uncertainties associated with the Bankruptcy Cases.

For the duration of the Bankruptcy Cases, our operations and our ability to execute our business strategy will be subject to the risks and uncertainties associated with bankruptcy. These risks include:

our ability to continue as a going concern;

our ability to operate within the restrictions and the liquidity limitations of the DIP Facility and any cash collateral order entered by the Bankruptcy Court in connection with the Bankruptcy Cases;

our ability to obtain Bankruptcy Court approval with respect to motions filed in the Bankruptcy Cases from time to time;

our ability to develop, prosecute, confirm and consummate a plan of reorganization with respect to the Chapter 11 proceedings;

the ability of third parties to seek and obtain court approval to terminate or shorten the exclusivity period for us to propose and confirm a plan of reorganization, to appoint a Chapter 11 trustee or to convert the Bankruptcy Cases to Chapter 7 cases;

our ability to obtain and maintain normal payment and other terms with customers, vendors and service providers;

our ability to maintain contracts that are critical to our operations;

our ability to attract, motivate and retain key employees;

our ability to attract and retain customers; and

our ability to fund and execute our business plan.

We will also be subject to risks and uncertainties with respect to the actions and decisions of our creditors and other third parties who have interests in the Bankruptcy Cases that may be inconsistent with our plans.

These risks and uncertainties could affect our business and operations in various ways. For example, negative events or publicity associated with the Bankruptcy Cases could adversely affect our relationships with our vendors and employees, as well as with customers, which in turn could adversely affect our operations and financial condition. Also, pursuant to the Bankruptcy Code, we need Bankruptcy Court approval for transactions outside the ordinary course of business, which may limit our ability to respond timely to events or take advantage of opportunities. Because of the risks and uncertainties associated with the Bankruptcy Cases, we cannot predict or quantify the ultimate impact that events occurring during the Chapter 11 reorganization process will have on our business, financial condition and results of operations, and there is no

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certainty as to our ability to continue as a going concern.

As a result of the Bankruptcy Cases, realization of assets and liquidation of liabilities are subject to uncertainty. While operating under the protection of the Bankruptcy Code, and subject to Bankruptcy Court approval or otherwise as permitted in the normal course of business, we may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in our consolidated financial statements. Further, a plan of reorganization could materially change the amounts and classifications reported in our

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consolidated historical financial statements, which do not give effect to any adjustments to the carrying value of assets or amounts of liabilities that might be necessary as a consequence of confirmation of a plan of reorganization.

Risks in connection with approval and implementation of the Proposed Plan.

If approved by the Bankruptcy Court and implemented in accordance with its terms, the proposed plan of reorganization will substantially change our capital structure. The proposed plan, for example, provides for all existing equity to be extinguished with no distribution to existing equityholders. As a result, shareholders should not expect that there will be any value associated with our existing common stock.

There can be no assurance that the proposed plan of reorganization (or any other plan of reorganization) will be approved by the Bankruptcy Court, so we urge caution with respect to existing and future investments in Company securities.

The Company's businesses could suffer from the Bankruptcy Filing, including a loss of key customers and suppliers.

The general impact, if any, that the Bankruptcy Cases may have on the operations of the Company cannot be accurately predicted or quantified.

A significant percentage of the Company's sales are attributable to a very limited group of retailer customers. Sales to one customer represented approximately 22% of the Company's consolidated net sales for Fiscal 2009. Adverse publicity related to the Bankruptcy Filing might negatively impact the Company's ability to maintain its existing customer and supplier base. The loss of any of the Company's retailer customers during the pendency of the Bankruptcy Cases or otherwise could have an adverse effect on the Company's businesses, financial condition and results of operations. In addition, any failure to timely obtain suitable supplies at competitive prices could materially adversely affect the Company's businesses, financial condition and results of operations.

The Company's businesses could suffer from a long and protracted restructuring.

The Company's future results are dependent upon the successful confirmation and implementation of a plan of reorganization. Failure to obtain this approval in a timely manner could adversely affect the Company's operating results, as the Company's ability to obtain financing to fund their operations and their relations with customers and suppliers may be harmed by protracted bankruptcy proceedings. If a liquidation or protracted reorganization were to occur, there is a significant risk that the value of the Company's enterprise would be substantially eroded to the detriment of all stakeholders.

Furthermore, the Company cannot predict the ultimate amount of all settlement terms for their liabilities that will be subject to a plan of reorganization. Even once a plan of reorganization is approved and implemented, the Company's operating results may be adversely affected by the possible reluctance of prospective lenders, customers, and suppliers to do business with a company that recently emerged from bankruptcy proceedings.

The Company may have insufficient liquidity.

The Company expects to incur significant costs as a result of the Bankruptcy Cases and the transactions contemplated by the Proposed Plan. Assuming confirmation and implementation of the Proposed Plan in accordance with its terms, the Company expects to incur costs which may exceed \$35 million in the aggregate in bank, legal, accounting and other fees. Some of these costs may be paid through borrowings under the DIP Facility or a replacement credit facility which may be in place at the time such costs and fees become due and payable.

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The Company is dependent on access to the DIP Facility to fund working capital expenses as well as all other expenses incurred throughout the pendency of the Bankruptcy Cases. There can be no assurance that the lenders will fund their entire commitments under the DIP facility for the pendency of the cases. In order for the Company to borrow under the DIP Facility, no default or event of default may exist at the time of such borrowing. In the event of an event of default under the DIP Facility, the Company would not be able to borrow additional amounts under the DIP Facility and, absent a waiver, the lenders under the DIP Facility could terminate their commitments and declare all amounts owing under the DIP Facility due and payable.

Furthermore, the DIP Facility may prevent us from obtaining additional capital we may need to expand our businesses during the pendency of the Bankruptcy Cases. Failure to obtain additional capital may preclude the Company from developing or enhancing its businesses, taking advantage of future opportunities or responding to competitive pressures.

We may not be able to obtain confirmation of our Chapter 11 plan, and our emergence from Chapter 11 proceedings is not assured.

If a plan is not confirmed by the Bankruptcy Court, it is unclear whether we would be able to reorganize our business and what, if any, distributions holders of claims against us, including holders of our Variable Rate Notes, 7³/₈ Notes or 8¹/₂ Notes and other secured creditors, would ultimately receive with respect to their claims. If an alternative reorganization could not be agreed upon, it is possible that we would have to liquidate our assets, in which case it is likely that holders of claims would receive substantially less favorable treatment than they would receive if we were to emerge as a viable, reorganized entity. While we expect to emerge from Chapter 11 proceedings in the future, there can be no assurance as to whether we will successfully reorganize and emerge from Chapter 11 proceedings or, if we do successfully reorganize, as to when we would emerge from Chapter 11 proceedings.

The Company's businesses could suffer from the loss of key personnel.

The Debtors are dependent on the continued services of their senior management team and other key personnel. The loss of such key personnel could have a material adverse effect on the Debtors' business, financial condition and results of operations.

Our substantial indebtedness could adversely affect our business, financial condition and results of operations and prevent us from fulfilling our obligations under the terms of our indebtedness.

We have, and we will continue to have, a significant amount of indebtedness. As of December 28, 2008, we had total indebtedness of approximately \$2.6 billion.

Our substantial indebtedness could make it more difficult for us to satisfy our obligations with respect to the terms of our indebtedness and has had and could continue to have other material adverse consequences for our business, including:

requiring us to dedicate a large portion of our cash flow to pay principal and interest on our indebtedness, which will reduce the availability of our cash flow to fund working capital, capital expenditures, research and development expenditures and other business activities;

increasing our vulnerability to general adverse economic and industry conditions;

limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

restricting us from making strategic acquisitions, dispositions or exploiting business opportunities;

placing us at a competitive disadvantage compared to our competitors that have less debt; and

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limiting our ability to borrow additional funds (even when necessary to maintain adequate liquidity) or dispose of assets.

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In addition, a portion of our debt bears interest at variable rates. If market interest rates increase, the interest rate on our variable-rate debt will increase and will create higher debt service requirements, which would adversely affect our cash flow and could adversely impact our results of operations. While we may enter into agreements limiting our exposure to higher debt service requirements, any such agreements may not offer complete protection from this risk.

The terms of our indebtedness impose restrictions on us that may affect our ability to successfully operate our business.

Our Senior Term Credit Facility and DIP Credit Facility, each as defined in Management's Discussion and Analysis of Financial Condition and Results of Operations Debt Financing Activities, and the indentures governing our outstanding Senior Subordinated Notes each contain covenants that, among other things, limit our ability to:

incur additional indebtedness;

borrow money or sell preferred stock;

create liens;

pay dividends on or redeem or repurchase stock;

make certain types of investments;

issue or sell stock in our subsidiaries;

restrict dividends or other payments from our subsidiaries;

issue guarantees of debt;

transfer or sell assets and utilize proceeds of any such sales;

enter into agreements that restrict our restricted subsidiaries from paying dividends, making loans or otherwise transferring assets to us or to any of our other restricted subsidiaries;

enter into or engage in transactions with affiliates; or

merge, consolidate or sell all or substantially all of our assets.

In addition, the Senior Credit Agreement, as defined in Management's Discussion and Analysis of Financial Condition and Results of Operations Debt Financing Activities, requires us to meet a number of financial ratios and tests. Noncompliance with these covenants could materially and adversely affect our ability to finance our operations or capital needs and to engage in other business activities that may be in our best interest and may also restrict our ability to expand or pursue our business strategies. We may not be able to comply with all of our

covenants and obligations in all our debt instruments.

We may be subject to claims that will not be discharged in the Bankruptcy Cases, which could have a material adverse effect on our results of operations and profitability.

The Bankruptcy Code provides that the confirmation of a plan of reorganization discharges a debtor from substantially all debts arising prior to confirmation and specified debts arising afterwards. With few exceptions, all claims that arose prior to February 3, 2009 and before confirmation of the plan of reorganization (i) would be subject to compromise and/or treatment under the plan of reorganization or (ii) would be discharged in accordance with the Bankruptcy Code and the terms of the plan of reorganization. Any claims not ultimately discharged by the Bankruptcy Court could have an adverse effect on our results of operations and profitability.

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Our financial results may be volatile and may not reflect historical trends.

While in bankruptcy, we expect our financial results to continue to be volatile as asset impairments, asset dispositions, restructuring activities, contract terminations and rejections, and claims assessments may significantly impact our consolidated financial statements. As a result, our historical financial performance is likely not indicative of our financial performance after the date of the bankruptcy filing. In addition, if we emerge from bankruptcy, the amounts reported in subsequent consolidated financial statements may materially change relative to historical consolidated financial statements, including as a result of revisions to our operating plans pursuant to a plan of reorganization. In addition, if we emerge from bankruptcy, we may be required to adopt fresh start accounting. If fresh start accounting is applicable, our assets and liabilities will be recorded at fair value as of the fresh start reporting date. The fair value of our assets and liabilities may differ materially from the recorded values of assets and liabilities on our consolidated balance sheets. In addition, if fresh start accounting is required, our financial results after the application of fresh start accounting may be different from historical trends.

We face risks related to the current economic crisis.

The continued credit crisis and related turmoil in the global financial system has had and may continue to have an impact on our business and our financial condition. Global economic conditions have significantly impacted economic markets generally with certain sectors, including financial industries and retail business being particularly impacted. Our ability to generate revenue, in particular from sales of our home and garden products, pet supplies, electric shaving and grooming and electric personal care products, depends significantly on discretionary consumer spending. It is difficult to predict new general economic conditions that could impact consumer and customer demand for our products or our ability to manage normal commercial relationships with our customers, suppliers and creditors. The recent emergence of a number of negative economic factors, including heightened investor concerns about the credit quality of mortgages, constraints on the supply of credit to households, continuing increases in energy prices, lower equity prices, softening home values, uncertainty and perceived weakness in the labor market and general consumer fears of a recession or depression could have a negative impact on discretionary consumer spending in Fiscal 2009 and beyond. If the current situation deteriorates significantly, our business could be negatively impacted, including as a result of reduced demand for our products or supplier or customer disruptions. Any significant decrease in discretionary consumer spending could have a material adverse effect on our revenues, results of operations and financial condition. In addition, our ability to access the capital markets may be severely restricted at a time when we would like, or need, to do so, which could have an impact on our flexibility to react to changing economic and business conditions. Further, if lenders under our \$225 million asset-based credit facility become unwilling or unable to fund their respective commitments, we may have reduced availability under the facility.

Risks of trading in an over the counter market.

Securities traded in the over-the-counter market generally have significantly less liquidity than securities traded on a national securities exchange, through factors such as a reduction in the number of investors that will consider investing in the securities, the number of market makers in the securities, reduction in securities analyst and news media coverage and lower market prices than might otherwise be obtained. As a result, in the event of a delisting, holders of shares of our common stock may find it difficult to resell their shares at prices quoted in the market or at all. Furthermore, because of the limited market and generally low volume of trading in our common stock that could occur, the share price of our common stock could be more likely to be affected by broad market fluctuations, general market conditions, fluctuations in our operating results, changes in the markets perception of our business, and announcements made by us, our competitors or parties with whom we have business relationships. Investors may also determine to exit our common stock as a result of the delisting of our common stock, which could depress the share price. With respect to the Company, in some cases, we may be subject to additional compliance requirements under applicable state laws in the issuance of our securities. The lack of liquidity in our common stock may also make it difficult for us to issue additional securities for financing or

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other purposes, or to otherwise arrange for any financing we may need in the future. In addition, we may experience other adverse effects, including, without limitation, the loss of confidence in us by current and prospective suppliers, customers, employees and others with whom we have or may seek to initiate business relationships.

We participate in very competitive markets and we may not be able to compete successfully.

The markets in which we participate are very competitive. In the consumer battery market, our primary competitors are Duracell (a brand of Procter & Gamble), Energizer and Panasonic (a brand of Matsushita). In the electric shaving and grooming and electric personal care product markets, our primary competitors are Braun (a brand of Procter & Gamble), Norelco (a brand of Philips), and Vidal Sassoon and Revlon (brands of Helen of Troy). In the pet supplies market, our primary competitors are Mars, Hartz and Central Garden & Pet. In our Home and Garden Business our principal national competitors are the Scotts Company, Central Garden & Pet S.C. Johnson. In each of our markets, we also face competition from numerous other companies.

We and our competitors compete for consumer acceptance and limited shelf space based upon brand name recognition, perceived quality, price, performance, product packaging and design innovation, as well as creative marketing, promotion and distribution strategies. Our ability to compete in these consumer product markets may be adversely affected by a number of factors, including, but not limited to, the following:

We compete against many well established companies that may have substantially greater financial and other resources, including personnel and research and development, and greater overall market share than we do.

In some key product lines, our competitors may have lower production costs and higher profit margins than we do, which may enable them to compete more aggressively in offering retail discounts, rebates and other promotional incentives.

Product improvements or effective advertising campaigns by competitors may weaken consumer demand for our products.

Consumer purchasing behavior may shift to distribution channels where we do not have a strong presence.

Consumer preferences may change to lower margin products or products other than those we market.

If our product offerings are unable to compete successfully, our sales, results of operations and financial condition could be materially and adversely affected.

The shutdown of the growing media portion of our Home and Garden Business could impact our sales of other products to customers of our growing products.

In the first quarter of our Fiscal 2009, our Board of Directors committed to the shutdown of the growing products portion of the Home and Garden Business. There can be no assurance that this shutdown can be accomplished in a manner that does not negatively impact the operations of the customers of that business. Customers to whom we sell our other products in addition to our growing products could choose to react to our shutdown of the growing products portion of the Home and Garden Business by decreasing or ceasing their purchases of other products from us. If such customers were to take such steps, our sales, results of operations and financial condition could be materially and adversely affected.

Adverse weather conditions during our peak selling season for our lawn and garden and household insecticide and repellent products could have a material adverse effect on the Home and Garden Business.

Weather conditions in North America have a significant impact on the timing and volume of sales of certain of our lawn and garden and household insecticide and repellent products. Periods of dry, hot weather can

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decrease insecticide sales, while periods of cold and wet weather can slow sales of herbicides. In addition, an abnormally cold spring throughout North America could adversely affect insecticide sales and therefore have a material adverse effect on the Home and Garden Business. Any such effect on the Home and Garden Business could negatively impact our ability to sell, and the price we are able to obtain in a sale of the Home and Garden Business.

Our products utilize certain key raw materials; any increase in the price of these raw materials could have a material and adverse effect on our business, financial condition and profits.

The principal raw materials used to produce our products including granular urea (until such time as we are able to fully complete the shutdown of the growing products portion of our Home and Garden Business), zinc powder, electrolytic manganese dioxide powder and steel are sourced either on a global or regional basis, and the prices of those raw materials are susceptible to price fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations, duties and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. In particular, during 2007 and 2008 we experienced extraordinary price increases for raw materials, particularly as a result of strong demand from China.

We regularly engage in forward purchase and hedging derivative transactions in an attempt to effectively manage and stabilize some of the raw material costs we expect to incur over the next 12 to 24 months; however, our hedging positions may not be effective or may not anticipate beneficial trends in a particular raw material market or as a result of changes in our business may no longer be useful for the Company. If these efforts are not effective or expose us to above average costs for an extended period of time and we are unable to pass our raw materials costs on to our customers, our future profitability may be materially and adversely affected. Further, with respect to transportation costs, certain modes of delivery are subject to fuel surcharges which are determined based upon the current cost of diesel fuel in relation to pre-established agreed upon costs. We may be unable to pass these fuel surcharges on to our customers which may have an adverse effect on our profitability and results of operations.

In addition, we have exclusivity arrangements and minimum purchase requirements with certain of our suppliers for our Home and Garden Business, which increase our dependence upon and exposure to those suppliers. Some of those agreements include caps on the price we pay for our supplies and in certain instances, these caps have allowed us to purchase materials at below market prices. When we attempt to renew those contracts the other parties to the contracts may not be willing to include or may limit the effect of those caps and could even attempt to impose above market prices in an effort to make up for any below market prices paid by us prior to the renewal of the agreement. Any failure to timely obtain suitable supplies at competitive prices could materially adversely affect our business, financial condition and results of operations.

We may not be able to fully utilize our U.S. net operating loss carryforwards.

As of December 28, 2008, we are estimating that at September 30, 2009 we will have U.S. federal and state net operating loss carryforwards of approximately \$1,251 and \$2,113 million, respectively. These net operating loss carryforwards expire at various times between 2009 and 2028. As of December 28, 2008, management determined that it was more likely than not that the net U.S. deferred tax asset, excluding certain indefinite lived intangibles, would not be realized in the future and as such recorded a full valuation allowance to offset the net U.S. deferred tax asset, including the Company's net operating loss carryforwards. In addition, the Company has had a change of ownership, as defined under Internal Revenue Code Section 382, that subjects the Company's U.S. net operating losses and other tax attributes to certain limitations. If we are unable to fully utilize our net operating losses to offset taxable income generated in the future, our results of operations could be materially and negatively impacted.

Our ability to deduct net operating loss carryforwards could be subject to a significant limitation if we were to undergo an ownership change for purposes of Section 382 of the Internal Revenue Code during or as a result

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of the Bankruptcy Cases. During the pendency of the bankruptcy proceedings, the Bankruptcy Court has entered an interim order that places limitations on trading in our common stock, including options to acquire common stock, as further specified in the order. However, we can provide no assurances that these limitations will prevent an ownership change or that our ability to utilize our net operating loss carryforwards may not be significantly limited as a result of our reorganization.

Consolidation of retailers and our dependence on a small number of key customers for a significant percentage of our sales may negatively affect our business, financial condition and profits.

As a result of consolidation of national mass merchandisers, a significant percentage of our sales are attributable to a very limited group of retailer customers. Because of the importance of these key customers, demands for price reductions or promotions by such customers, reductions in their purchases, changes in their financial condition or loss of their accounts could have a material adverse effect on our business, financial condition and results of operations. In addition, as a result of the desire of retailers to more closely manage inventory levels, there is a growing trend among them to purchase our products on a just-in-time basis. This requires us to shorten our lead-time for production in certain cases and more closely anticipate their demand, which could in the future require us to carry additional inventories, increase our working capital and related financing requirements or result in excess inventory becoming unusable or obsolete. Furthermore, we primarily sell branded products and a move by one or more of our large customers to sell significant quantities of private label products, which we do not produce on their behalf and which directly compete with our products, could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to improve existing products and develop new, innovative products, or if our competitors introduce new or enhanced products, our sales and market share may suffer.

Both we and our competitors make significant investments in research and development. If our competitors successfully introduce new or enhanced products that present technological advantages over or otherwise outperform our products, or are perceived by consumers as doing so, we may be unable to compete successfully in market segments affected by these changes. In addition, we may be unable to compete if our competitors develop or apply technology which permits them to manufacture products at a lower relative cost. The fact that many of our principal competitors have substantially greater resources than we do increases this risk. The patent rights or other intellectual property rights of third parties, restrictions on our ability to expand or modify manufacturing capacity or financial and other constraints on our research and development activity may also limit our ability to introduce products that are competitive on a performance basis.

Our future success will depend, in part, upon our ability to improve our existing products and to develop, manufacture and market new, innovative products. If we fail to successfully develop, manufacture and market new or enhanced products or develop product innovations, our ability to maintain or grow our market share may be adversely affected, which in turn could materially adversely affect our business, financial condition and results of operations.

As a result of our international operations, we face a number of risks related to exchange rates and foreign currencies.

Our international sales and certain of our expenses are transacted in foreign currencies. During the Fiscal 2009 Quarter approximately 47% of our net sales and 39% of our operating expenses were denominated in currencies other than U.S. dollars. We expect that the amount of our revenues and expenses transacted in foreign currencies will increase as our Latin American, European and Asian operations grow and, as a result, our exposure to risks associated with foreign currencies could increase accordingly. Significant changes in the value of the U.S. dollar in relation to foreign currencies could have a material effect on our business, financial condition and results of operations. Changes in currency exchange rates may also affect our sales to, purchases from and loans to our subsidiaries as well as sales to, purchases from and bank lines of credit with our customers, suppliers and creditors that are denominated in foreign currencies.

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Our international operations may expose us to a number of risks related to conducting business in foreign countries.

Our international operations and exports and imports to and from international markets are subject to a number of special risks which could have a material adverse effect on our business, financial condition and results of operations. These risks include, but are not limited to:

changes in the economic conditions or consumer preferences or demand for our products in these markets;

economic and political destabilization, governmental corruption and civil and labor unrest;

restrictive actions by multi-national governing bodies, foreign governments or subdivisions thereof (e.g., duties, quotas and restrictions on transfer of funds);

changes in foreign labor laws and regulations affecting our ability to hire and retain employees;

changes in U.S. and foreign laws regarding trade and investment;

noncompliance by our business partners with, or a failure by our business partners to enforce, rules and regulations targeting fraudulent conduct; and

difficulty in obtaining distribution and support for our products.

There are three particular EU Directives, RoHS, WEEE and the Battery Directive, that may have a material impact on our business. RoHS requires us to eliminate specified hazardous materials from products we sell in EU member states. WEEE requires us to collect and treat, dispose of or recycle certain products we manufacture or import into the EU at our own expense. The Battery Directive bans heavy metals in batteries by establishing maximum quantities of heavy metals in batteries and mandates waste management of these batteries, including collection, recycling and disposal systems, with the costs imposed upon producers and importers such as the Company. Complying or failing to comply with the EU directives may harm our business. For example:

Although contractually assured with our suppliers, we may be unable to procure appropriate RoHS compliant material in sufficient quantity and quality and/or be able to incorporate it into our product procurement processes without compromising quality and/or harming our cost structure.

We may face excess and obsolete inventory risk related to non-compliant inventory that we may continue to hold in Fiscal 2009 for which there is reduced demand and we may need to write down the carrying value of such inventories.

We may be unable to sell certain existing inventories of our batteries in Europe.

Many of the developing countries in which we operate do not have significant governmental regulation relating to environmental safety, occupational safety, employment practices or other business matters routinely regulated in the United States or may not rigorously enforce such regulation. As these countries and their economies develop, it is possible that new regulations or increased enforcement of existing regulations may increase the expense of doing business in these countries. In addition, social legislation in many countries in which we operate may result in significantly higher expenses associated with labor costs, terminating employees or distributors and closing manufacturing facilities. Increases in our costs as a result of increased regulation, legislation or enforcement could materially and adversely affect our business, results of operations

and financial condition.

Sales of certain of our products are seasonal and may cause our quarterly operating results and working capital requirements to fluctuate.

Sales of our battery and electric shaving and grooming and personal care products are seasonal. A large percentage of sales for these products generally occur during our first fiscal quarter that ends on or about December 31, due to the impact of the December holiday season. Sales of our lawn and garden and household

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insect control products that are offered through our Home and Garden Business are also seasonal. A large percentage of our sales of these products occur during the spring and summer, typically our second and third fiscal quarters. As a result of this seasonality, our inventory and working capital needs relating to these products fluctuate significantly during the year. In addition, orders from retailers are often made late in the period preceding the applicable peak season, making forecasting of production schedules and inventory purchases difficult. If we are unable to accurately forecast and prepare for customer orders or our working capital needs, or there is a general downturn in business or economic conditions during these periods, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to adequately establish and protect our intellectual property rights.

To establish and protect our intellectual property rights, we rely upon a combination of national, foreign and multi-national patent, trademark and trade secret laws, together with licenses, confidentiality agreements and other contractual arrangements. The measures we take to protect our intellectual property rights may prove inadequate to prevent third parties from misappropriating our intellectual property. We may need to resort to litigation to enforce or defend our intellectual property rights. If a competitor or collaborator files a patent application claiming technology also invented by us, or a trademark application claiming a trademark, service mark or trade dress also used by us, in order to protect our rights, we may have to participate in an expensive and time consuming interference proceeding before the United States Patent and Trademark Office or a similar foreign agency. In addition, our intellectual property rights may be challenged by third parties. Even if our intellectual property rights are not directly challenged, disputes among third parties could lead to the weakening or invalidation of our intellectual property rights. Furthermore, competitors may independently develop technologies that are substantially equivalent or superior to our technology. Obtaining, protecting and defending intellectual property rights can be time consuming and expensive, and may require us to incur substantial costs, including the diversion of management and technical personnel. Moreover, the laws of certain foreign countries in which we operate or may operate in the future do not protect, and the governments of certain foreign countries do not enforce, intellectual property rights to the same extent as do the laws and government of the U.S., which may negate our competitive or technological advantages in such markets. Also, some of the technology underlying our products is the subject of nonexclusive licenses from third parties. As a result, this technology could be made available to our competitors at any time. If we are unable to establish and then adequately protect our intellectual property rights, then our business, financial condition and results of operations could be materially and adversely affected.

Claims by third parties that we are infringing on their intellectual property could adversely affect our business.

From time to time in the past we have been subject to claims that we are infringing upon the intellectual property of others, we currently are the subject of claims that we are infringing upon the intellectual property of others, and it is possible that third parties will assert infringement claims against us in the future. An adverse finding against us in these or similar trademark or other intellectual property litigations may have a material adverse effect on our business, financial condition and results of operations. Any such claims, with or without merit, could be time consuming and expensive, and may require us to incur substantial costs, including the diversion of management and technical personnel, cause product delays or require us to enter into licensing or other agreements in order to secure continued access to necessary or desirable intellectual property. If we are deemed to be infringing a third party's intellectual property and are unable to continue using that intellectual property as we had been, our business and results of operations will be harmed if we are unable to successfully develop non-infringing alternative intellectual property on a timely basis or license non-infringing alternatives or substitutes, if any exist, on commercially reasonable terms. In addition, an unfavorable ruling in an intellectual property litigation could subject us to significant liability, as well as require us to cease developing, manufacturing or selling the affected products or using the affected processes or trademarks. Any significant restriction on our proprietary or licensed intellectual property that impedes our ability to develop and commercialize our products could have a material adverse effect on our business, financial condition and results of operations.

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Our dependence on a few suppliers and one of our U.S. facilities for certain of our products makes us vulnerable to a disruption in the supply of our products.

Although we have long-standing relationships with many of our suppliers, we do not have long-term contracts with them. An adverse change in any of the following could have a material adverse effect on our business, financial condition and results of operations:

our relationships with our suppliers;

the terms and conditions upon which we purchase products from our suppliers;

the financial condition of our suppliers;

the ability to import outsourced products; or

our suppliers' ability to manufacture and deliver outsourced products on a timely basis.

If our relationship with one of our key suppliers is adversely affected, we may not be able to quickly or effectively replace such supplier and may not be able to retrieve tooling, molds or other specialized production equipment or processes used by such supplier in the manufacture of our products.

In addition, we manufacture the majority of our foil cutting systems for our shaving product lines, using specially designed machines and proprietary cutting technology, at our Portage, Wisconsin facility. Damage to this facility, or prolonged interruption in the operations of this facility for repairs, as a result of labor difficulties, or for other reasons, would have a material adverse effect on our ability to manufacture and sell our foil shaving products which would in turn harm our business, financial condition and results of operations.

We depend on key personnel and may not be able to retain those employees or recruit additional qualified personnel.

We are highly dependent on the continuing efforts of our senior management team. Our business, financial condition and results of operations could be materially adversely affected if we lose any of these persons and are unable to attract and retain qualified replacements.

Class action and derivative action lawsuits and other investigations, regardless of their merits, could have an adverse effect on our business, financial condition and results of operations.

Spectrum and certain of its officers and directors have been named in the past, and may be named in the future, as defendants of class action and derivative action lawsuits. In the past, Spectrum has also received requests for information from government authorities. Regardless of their subject matter or merits, class action lawsuits and other government investigations may result in significant cost to us, which may not be covered by insurance, may divert the attention of management or otherwise have an adverse effect on our business, financial condition and results of operations.

We may be exposed to significant product liability claims which our insurance may not cover and which could harm our reputation.

In the ordinary course of our business, we may be named as defendants in lawsuits involving product liability claims. In any such proceeding, plaintiffs may seek to recover large and sometimes unspecified amounts of damages and the matters may remain unresolved for several years. Any such matters could have a material adverse effect on our business, results of operations and financial condition if we are unable to successfully defend against or settle these matters or if our insurance coverage is insufficient to satisfy any judgments against us or settlements relating to these matters. Although we have product liability insurance coverage and an excess umbrella policy, our insurance policies may not provide coverage for certain, or any, claims against us or may not be sufficient to cover all possible liabilities. Moreover, any adverse publicity arising from claims made against us, even if the claims were not successful, could adversely affect the reputation and sales of our products.

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We may incur material capital and other costs due to environmental liabilities.

Because of the nature of our operations, our facilities are subject to a broad range of federal, state, local, foreign and multi-national laws and regulations relating to the environment. These include laws and regulations that govern:

discharges to the air, water and land;

the handling and disposal of solid and hazardous substances and wastes; and

remediation of contamination associated with release of hazardous substances at our facilities and at off-site disposal locations.

Risk of environmental liability is inherent in our business. As a result, material environmental costs may arise in the future. In particular, we may incur capital and other costs to comply with increasingly stringent environmental laws and enforcement policies, such as the EU directives, RoHS, WEEE and the Battery Directive, discussed above. Although we believe that we are substantially in compliance with applicable environmental regulations at our facilities, we may not be in compliance with such regulations in the future, which could have a material adverse effect upon our business, financial condition and results of operations.

From time to time, we have been required to address the effect of historic activities on the environmental condition of our properties or former properties. We have not conducted invasive testing at all our facilities to identify all potential environmental liability risks. Given the age of our facilities and the nature of our operations, material liabilities may arise in the future in connection with our current or former facilities. If previously unknown contamination of property underlying or in the vicinity of our manufacturing facilities is discovered, we could be required to incur material unforeseen expenses. If this occurs, it may have a material adverse effect on our business, financial condition and results of operations. We are currently engaged in investigative or remedial projects at a few of our facilities and any liabilities arising from such investigative or remedial projects at such facilities may be material.

We are also subject to proceedings related to our disposal of industrial and hazardous material at off-site disposal locations or similar disposals made by other parties for which we are responsible as a result of our relationship with such other parties. These proceedings are under CERCLA or similar state laws that hold persons who arranged for the disposal or treatment of such substances strictly liable for costs incurred in responding to the release or threatened release of hazardous substances from such sites, regardless of fault or the lawfulness of the original disposal. Liability under CERCLA is typically joint and several, meaning that a liable party may be responsible for all of the costs incurred in investigating and remediating contamination at a site. As a practical matter, liability at CERCLA sites is shared by all of the viable responsible parties. We occasionally are identified by federal or state governmental agencies as being a potentially responsible party for response actions contemplated at an off-site facility. At the existing sites where we have been notified of our status as a potentially responsible party, it is either premature to determine if our potential liability, if any, will be material or we do not believe that our liability, if any, will be material. We may be named as a potentially responsible party under CERCLA or similar state laws in the future for other sites not currently known to us, and the costs and liabilities associated with these sites may be material.

Compliance with various public health, consumer protection and other regulations applicable to our products and facilities could increase our cost of doing business and expose us to additional requirements with which we may be unable to comply.

Certain of our products sold through and facilities operated under each of our business segments are regulated by the EPA, the FDA or other federal consumer protection and product safety agencies and are subject to the regulations such agencies enforce, as well as by similar state, foreign and multinational agencies and regulations. For example, in the United States, all products containing pesticides must be registered with the EPA and, in many cases, similar state and foreign agencies before they can be manufactured or sold. Our inability to

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obtain or the cancellation of any registration could have an adverse effect on our business, financial condition and results of operations. The severity of the effect would depend on which products were involved, whether another product could be substituted and whether our competitors were similarly affected. We attempt to anticipate regulatory developments and maintain registrations of, and access to, substitute chemicals and other ingredients, but we may not always be able to avoid or minimize these risks.

The FQPA established a standard for food-use pesticides, which is that a reasonable certainty of no harm will result from the cumulative effect of pesticide exposures. Under the FQPA, the EPA is evaluating the cumulative effects from dietary and non-dietary exposures to pesticides. The pesticides in certain of our products which are sold through our Home and Garden Business continue to be evaluated by the EPA as part of this program. It is possible that the EPA or a third party active ingredient registrant may decide that a pesticide we use in our products will be limited or made unavailable to us. We cannot predict the outcome or the severity of the effect of the EPA's continuing evaluations of active ingredients used in our products.

In addition, the use of certain pesticide and fertilizer products which are sold through Global Pet Supplies and through our Home and Garden Business may be regulated by various local, state, federal and foreign environmental and public health agencies. These regulations may require that: only certified or professional users apply the product, that certain products be used only on certain types of locations (such as not for use on sod farms or golf courses), that users post notices on properties where products have been or will be applied, that users notify individuals in the vicinity that products will be applied in the future, that the product not be applied for aesthetic purposes, or that certain ingredients may not be used. Compliance with such public health regulations could increase our cost of doing business and expose us to additional requirements with which we may be unable to comply.

We face risks related to our sales of products obtained from third-party suppliers.

We sell a number of products that are manufactured by third party suppliers over which we have no direct control. While we have implemented processes and procedures to try to ensure that the suppliers we use are complying with all applicable food and health regulations, there can be no assurances that such suppliers in all instances will comply with such processes and procedures or otherwise with applicable food and health regulations. Noncompliance could result in our marketing and distribution of contaminated or defective products which could subject the Company to liabilities and could result in the imposition by governmental authorities of procedures or penalties that could restrict or eliminate our ability to purchase products from non-compliant suppliers. Any or all of these effects could adversely affect the Company's business, financial condition and results of operations.

Public perceptions that some of the products we produce and market are not safe could adversely affect us.

We manufacture and market a number of complex chemical products bearing our brands relating to our Home and Garden Business, such as fertilizers, growing media, herbicides and pesticides. On occasion, customers and some current or former employees have alleged that some products failed to perform up to expectations or have caused damage or injury to individuals or property.

In 2007, certain pet food manufactured in China, which was tainted with a mildly toxic chemical known as melamine, and sold in the United States was linked to numerous companion animal fatalities and triggered a widespread recall of pet food by many major pet food suppliers. Sales of our pet food and pet treat products may be adversely affected because of general consumer distrust of pet food suppliers who manufacture pet food or pet treats in China or distribute pet food or pet treats manufactured in China or negative public perceptions resulting from enhanced scrutiny by the FDA or other governmental authorities of pet food and pet treats and related animal food products. Public perception that any of our products are not safe, whether justified or not, could impair our reputation, damage our brand names and have a material adverse effect on our business, financial condition and results of operations.

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We may increase the principal amount of our outstanding Variable Rate Toggle Senior Subordinated Notes due 2013 in lieu of making cash interest payments.

With respect to our \$347 million aggregate principal amount Variable Rate Toggle Senior Subordinated Notes due 2013 (the New Notes), on any interest payment date prior to October 2, 2010, the Company may, at its option and subject to certain conditions, currently not being met, related to the trading price of its common stock, pay interest due on any semi-annual interest payment date by increasing the principal amount of such outstanding New Notes pro-rata by the amount of interest then payable. Any increase in the aggregate outstanding principal amount of the New Notes will subject the Company to higher interest payments and increased indebtedness exposure in future periods and could have the adverse effects described above in Our substantial indebtedness could adversely affect our business, financial condition and results of operations and prevent us from fulfilling our obligations under the terms of our indebtedness.

If we are unable to negotiate satisfactory terms to continue existing or enter into additional collective bargaining agreements, we may experience an increased risk of labor disruptions and our results of operations and financial condition may suffer.

Approximately 18% of our total labor force is employed under collective bargaining agreements. Three of these agreements, which cover approximately 45% of the labor force under collective bargaining agreements, or approximately 9% of our total labor force, are scheduled to expire during Fiscal 2009. While we currently expect to negotiate continuations to the terms of these agreements, there can be no assurances that we will be able to obtain terms that are satisfactory to us or otherwise to reach agreement at all with the applicable parties. In addition, in the course of our business, we may also become subject to additional collective bargaining agreements. These agreements may be on terms that are less favorable than those under our current collective bargaining agreements. Increased exposure to collective bargaining agreements, whether on terms more or less favorable than existing collective bargaining agreements, could adversely affect the operation of our business, including through increased labor expenses. While we intend to comply with all collective bargaining agreements to which the Company is subject, there can be no assurances that we will be able to do so and any noncompliance could subject the Company to disruptions in its operations and materially and adversely affect its results of operations and financial condition.

We face risks related to our derivative financial instruments.

The Bankruptcy Code contains certain safe harbor provisions related to derivative financial instruments that allow counter-parties, in certain circumstances, to terminate these instruments while in bankruptcy. To the extent that the Company's derivative financial instruments become subject to these safe harbor provisions, the Company can provide no assurance that these instruments will remain in place. Further, if any or all of our derivative financial instruments are terminated, the Company may not be able to replace such terminated instruments on the same or similar terms, if at all.

Table of Contents**Item 2. Issuer Purchases of Equity Securities**

Period	Total Number of Shares Purchased⁽¹⁾	Average Price Paid Per Share⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that may Yet Be Purchased Under the Plans or Programs
Three Months Ended December 28, 2008				
10/1/08 10/26/08	18,701	\$ 1.40		
10/27/08 11/23/08				
11/24/08 12/28/08	128,265	\$ 0.23		
Total	146,966	\$ 0.38		

⁽¹⁾ During the three months ended December 28, 2008, the Company credited certain employees with amounts equal to the value of shares of capital stock that were owned and forfeited by such employees to satisfy tax withholding obligations on the vesting of restricted shares. Share numbers represent shares owned and forfeited by employees to satisfy tax withholding requirements on the vesting of restricted shares. Credits for these shares were based on the closing price of shares of the Company's Common Stock on the date of vesting. None of these transactions was made pursuant to a publicly announced repurchase plan or program.

⁽²⁾ Average price paid per share of shares owned and forfeited by employees to satisfy tax withholding requirements on the vesting of restricted shares is calculated based on the amount credited to employees and used to satisfy tax withholding obligations.

Item 6. Exhibits

Please refer to the Exhibit Index.

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SIGNATURES

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

Date: February 11, 2009

SPECTRUM BRANDS, INC.

By:

/s/ ANTHONY L. GENITO
Anthony L. Genito
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT INDEX

Exhibit 2.1	Purchase Agreement, dated February 21, 2004, by and among Rayovac Corporation, ROV Holding, Inc., VARTA AG, Intereletrica Administração e Participações Ltda., and Tabriza Brasil Empreendimentos Ltda. (filed by incorporation by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on June 14, 2004).
Exhibit 2.2	Agreement and Plan of Merger, dated January 3, 2005, by and among Rayovac Corporation, Lindbergh Corporation and United Industries Corporation (filed by incorporation by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on January 4, 2005).
Exhibit 2.3	Share Purchase Agreement dated as of March 14, 2005 by and among Rayovac Corporation, Triton Managers Limited, acting in its own name but for the account of those Persons set forth on Annex I to the Share Purchase Agreement, BGLD Managers Limited, acting in its own name but for the account of BGLD Co-Invest Limited Partnership, AXA Private Equity Fund II-A, a Fonds Commun de Placement à Risques, represented by its management company AXA Investment Managers Private Equity Europe S.A., AXA Private Equity Fund II-B, a Fonds Commun de Placement à Risques, represented by its management company AXA Investment Managers Private Equity Europe S.A., Harald Quandt Holding GmbH, and Tetra Managers Beteiligungsgesellschaft mbH, being all of the shareholders of Tetra Holding GmbH, and Triton Managers Limited, as Sellers Representative (filed by incorporation by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on March 18, 2005).
Exhibit 2.4	Share Purchase Agreement, dated November 22, 2005, by and among Agrium Inc., United Industries Corporation, and Nu-Gro Holding Company L.P. (filed by incorporation by reference to the Current Report on Form 8-K filed with the SEC on November 29, 2005).
Exhibit 2.5	Amendment No. 1, dated December 19, 2005, to the Share Purchase Agreement, dated November 22, 2005, by and among Agrium Inc., United Industries Corporation, and Nu-Gro Holding Company L.P. (filed by incorporation by reference to the Current Report on Form 8-K filed with the SEC on January 30, 2006).
Exhibit 2.6	Purchase Agreement, dated May 20, 2008, by and among Spectrum Brands, Inc., Salton, Inc. and Applica Pet Products LLC (filed by incorporation by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on May 21, 2008).
Exhibit 2.7	Termination Agreement, dated July 13, 2008, by and among Spectrum Brands, Inc., Salton, Inc. and Applica Pet Products LLC (filed by incorporation by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on July 14, 2008).
Exhibit 3.1	Amended and Restated Articles of Incorporation of Spectrum Brands, Inc., as amended on May 2, 2005 (filed by incorporation by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarterly period ended April 3, 2005, filed with the SEC on May 13, 2005).
Exhibit 3.2	Amended and Restated By-laws of Spectrum Brands, Inc. (filed by incorporation by reference to Exhibit 3.2 to the Annual Report on Form 10-K for the year ended September 30, 2008, filed with the SEC on December 10, 2008).
Exhibit 4.1	Indenture, dated as of February 7, 2005, by and among Rayovac Corporation, certain of Rayovac Corporation's domestic subsidiaries and U.S. Bank National Association (filed by incorporation by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on February 11, 2005).
Exhibit 4.2	Supplemental Indenture, dated as of May 3, 2005, to the Indenture, dated as of February 7, 2005, by and among Spectrum Brands, Inc., certain of Spectrum Brands, Inc.'s domestic subsidiaries and U.S. Bank National Association (filed by incorporation by reference to Exhibit 4.2 to the Current Report on Form 8-K filed with the SEC on May 5, 2005).

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Exhibit 4.3	Indenture, dated September 30, 2003, by and among Rayovac Corporation, ROV Holding, Inc., Rovcal, Inc., Vestar Shaver Corp., Vestar Razor Corp., Remington Products Company, L.L.C., Remington Capital Corporation, Remington Rand Corporation, Remington Corporation, L.L.C. and U.S. Bank National Association (filed by incorporation by reference to Exhibit 4.2 to the Current Report on Form 8-K filed with the SEC on October 15, 2003).
Exhibit 4.4	Supplemental Indenture, dated October 24, 2003, by and among Rayovac Corporation, ROV Holding, Inc., Rovcal, Inc., Remington Products Company, L.L.C. and U.S. Bank National Association (filed by incorporation by reference to Exhibit 4.3 to the Registration Statement on Form S-4 filed with the SEC on November 6, 2003).
Exhibit 4.5	Third Supplemental Indenture, dated as of February 7, 2005, to the Indenture, dated as of September 30, 2003, by and among Rayovac Corporation, certain of Rayovac Corporation's domestic subsidiaries and U.S. Bank National Association (filed by incorporation by reference to Exhibit 4.2 to the Current Report on Form 8-K filed with the SEC on February 11, 2005).
Exhibit 4.6	Fourth Supplemental Indenture, dated as of May 3, 2005, to the Indenture, dated as of September 30, 2003, by and among Spectrum Brands, Inc., certain of Spectrum Brands, Inc.'s domestic subsidiaries and U.S. Bank National Association (filed by incorporation by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on May 5, 2005).
Exhibit 4.7	Fifth Supplemental Indenture, dated as of March 29, 2007, among Spectrum Brands, Inc., certain subsidiaries of Spectrum Brands, Inc., as guarantors, and U.S. Bank National Association, as trustee (filed by incorporation by reference to Exhibit 4.2 to the Current Report on Form 8-K filed with the SEC on April 4, 2007).
Exhibit 4.8	Indenture, dated as of March 30, 2007, among Spectrum Brands, Inc., certain subsidiaries of Spectrum Brands, Inc., as guarantors, and Wells Fargo Bank, N.A., as trustee (filed by incorporation by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on April 4, 2007).
Exhibit 4.9	Registration Rights Agreement, dated as of February 7, 2005, by and between Rayovac Corporation, certain of Rayovac's domestic subsidiaries, Banc of America Securities LLC, Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and ABN AMRO Incorporated (filed by incorporation by reference to Exhibit 4.3 to the Current Report on Form 8-K filed with the SEC on February 11, 2005).
Exhibit 4.10	Tripartite Agreement, dated October 10, 2008, between Spectrum Brands, Inc., U.S. Bank National Association and Wells Fargo Bank, National Association (filed by incorporation by reference to Exhibit 4.10 to the Annual Report on Form 10-K for the year ended September 30, 2008, filed with the SEC on December 10, 2008).
Exhibit 10.1	Amended and Restated Employment Agreement, dated as of April 1, 2005, by and between Spectrum Brands, Inc. and Kent J. Hussey (filed by incorporation by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on April 7, 2005).
Exhibit 10.2	Amendment to Amended and Restated Employment Agreement, dated as of June 29, 2007, by and between Spectrum Brands, Inc. and Kent J. Hussey (filed by incorporation by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2007, filed with the SEC on August 10, 2007).
Exhibit 10.3	Second Amendment to the Employment Agreement, effective June 9, 2008, by and between Spectrum Brands, Inc. and Kent J. Hussey (filed by incorporation by reference to Exhibit 10.21 to the Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2008, filed with the SEC on August 8, 2008).
Exhibit 10.4	Restricted Stock Award Agreement, effective June 9, 2008, by and between Spectrum Brands, Inc. and Kent J. Hussey (filed by incorporation by reference to Exhibit 10.16 to the Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2008, filed with the SEC on August 8, 2008).

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Exhibit 10.5	Retention Agreement, dated as of November 10, 2008, by and between Spectrum Brands, Inc. and Kent J. Hussey (filed by incorporation by reference to Exhibit 10.5 to the Annual Report on Form 10-K for the year ended September 30, 2008, filed with the SEC on December 10, 2008).
Exhibit 10.6	Amended and Restated Employment Agreement, effective as of January 16, 2007, by and between Spectrum Brands, Inc. and John A. Heil (filed by incorporation by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 19, 2007).
Exhibit 10.7	Amendment to the Employment Agreement, dated as of November 10, 2008, by and between Spectrum Brands, Inc. and John A. Heil (filed by incorporation by reference to Exhibit 10.7 to the Annual Report on Form 10-K for the year ended September 30, 2008, filed with the SEC on December 10, 2008).
Exhibit 10.8	Letter Agreement, effective June 9, 2008, by and between Spectrum Brands, Inc. and John A. Heil (filed by incorporation by reference to Exhibit 10.17 to the Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2008, filed with the SEC on August 8, 2008).
Exhibit 10.9	Retention Agreement, effective August 5, 2008, by and between Spectrum Brands, Inc. and John A. Heil (filed by incorporation by reference to Exhibit 10.23 to the Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2008, filed with the SEC on August 8, 2008).
Exhibit 10.10	Amended and Restated Employment Agreement, effective as of January 16, 2007, by and between Spectrum Brands, Inc. and David R. Lumley (filed by incorporation by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on January 19, 2007).
Exhibit 10.11	Amendment to the Employment Agreement, dated as of November 10, 2008, by and between Spectrum Brands, Inc. and David R. Lumley (filed by incorporation by reference to Exhibit 10.11 to the Annual Report on Form 10-K for the year ended September 30, 2008, filed with the SEC on December 10, 2008).
Exhibit 10.12	Retention Agreement, effective June 9, 2008, by and between Spectrum Brands, Inc. and David R. Lumley (filed by incorporation by reference to Exhibit 10.19 to the Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2008, filed with the SEC on August 8, 2008).
Exhibit 10.13	Employment Agreement, dated March 27, 2007, by and between Spectrum Brands, Inc. and Amy J. Yoder (filed by incorporation by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2007, filed with the SEC on August 10, 2007).
Exhibit 10.14	First Amendment to the Employment Agreement, effective June 9, 2008, by and between Spectrum Brands, Inc. and Amy J. Yoder (filed by incorporation by reference to Exhibit 10.22 to the Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2008, filed with the SEC on August 8, 2008).
Exhibit 10.15	Retention Agreement, effective June 9, 2008, by and between Spectrum Brands, Inc. and Amy J. Yoder (filed by incorporation by reference to Exhibit 10.20 to the Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2008, filed with the SEC on August 8, 2008).
Exhibit 10.16	Separation Agreement and Release, effective October 8, 2008, by and between Spectrum Brands, Inc. and Amy J. Yoder (filed by incorporation by reference to Exhibit 10.16 to the Annual Report on Form 10-K for the year ended September 30, 2008, filed with the SEC on December 10, 2008).
Exhibit 10.17	Employment Agreement, effective June 9, 2008, by and between Spectrum Brands, Inc. and Anthony L. Genito (filed by incorporation by reference to Exhibit 10.15 to the Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2008, filed with the SEC on August 8, 2008).

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Exhibit 10.18	Retention Agreement, effective June 9, 2008, by and between Spectrum Brands, Inc. and Anthony L. Genito (filed by incorporation by reference to Exhibit 10.18 to the Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2008, filed with the SEC on August 8, 2008).
Exhibit 10.19	Credit Agreement, dated as of March 30, 2007, among Spectrum Brands, Inc., Goldman Sachs Credit Partners L.P., as administrative agent, and the other parties and financial institutions party thereto (filed by incorporation by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on April 4, 2007).
Exhibit 10.20	Credit Agreement, dated as of September 28, 2007, among Spectrum Brands, Inc., certain subsidiaries of Spectrum Brands, Inc. party thereto, Wachovia Bank, National Association, as administrative agent, and the other parties and financial institutions party thereto (filed by incorporation by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on October 1, 2007).
Exhibit 10.21	Guarantee and Collateral Agreement, dated as of March 30, 2007, among Spectrum Brands, Inc., certain subsidiaries of Spectrum Brands, Inc. and Goldman Sachs Credit Partners L.P., as administrative agent (filed by incorporation by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on April 4, 2007).
Exhibit 10.22	ABL Guarantee and Collateral Agreement, dated as of September 28, 2007, among Spectrum Brands, Inc., certain subsidiaries of Spectrum Brands, Inc. party thereto, and Wachovia Bank, National Association, as collateral agent (filed by incorporation by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on October 1, 2007).
Exhibit 10.23	Ratification and Amendment Agreement, dated as of February 5, 2009, by and among Spectrum Brands, Inc., certain subsidiaries of Spectrum Brands, Inc. party thereto and Wachovia Bank, National Association, as administrative agent and collateral agent.*
Exhibit 10.24	Intercreditor agreement, dated as of September 28, 2007, among Spectrum Brands, Inc., certain subsidiaries of Spectrum Brands, Inc. party thereto, Goldman Sachs Credit Partners L.P. and Wachovia Bank, National Association (filed by incorporation by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on October 1, 2007).
Exhibit 10.25	Exchange and Forbearance Agreement, dated as of March 12, 2007 (filed by incorporation by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 12, 2007).
Exhibit 10.26	Registration Rights Agreement, dated February 7, 2005, by and among Rayovac Corporation and those Persons listed on Schedule 1 attached thereto, who were, immediately prior to the Effective Time, stockholders of United Industries Corporation (filed by incorporation by reference to Exhibit 10.6 to the Current Report on Form 8-K filed with the SEC on February 11, 2005).
Exhibit 10.27	Technical Collaboration, Sale and Supply Agreement, dated as of March 5, 1998, by and among Rayovac Corporation, Matsushita Battery Industrial Co., Ltd. and Matsushita Electric Industrial Co., Ltd. (filed by incorporation by reference to Exhibit 10.15 to the Quarterly Report on Form 10-Q for the quarterly period ended March 28, filed with the SEC on May 5, 1998).
Exhibit 10.28	Rayovac Corporation 1996 Stock Option Plan (filed by incorporation by reference to Exhibit 10.11 to the Quarterly Report on Form 10-Q for the quarterly period ended June 29, 1997, filed with the SEC on August 13, 1997).
Exhibit 10.29	1997 Rayovac Incentive Plan (filed by incorporation by reference to Exhibit 10.13 to the Registration Statement on Form S-1 filed with the SEC on October 31, 1997).
Exhibit 10.30	Form of Restricted Stock Award Agreement under the 1997 Rayovac Incentive Plan (for grants of restricted stock made on or after August 27, 2007) (filed by incorporation by reference to Exhibit 10.30 to the Annual Report on Form 10-K for the year ended September 30, 2007, filed with the SEC on December 14, 2007).

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Exhibit 10.31	2004 Rayovac Incentive Plan (filed by incorporation by reference to Exhibit 10.24 to the Quarterly Report on Form 10-Q for the quarterly period ended June 27, 2004, filed with the SEC on August 11, 2004).
Exhibit 10.32	Form of Award Agreement under 2004 Rayovac Incentive Plan (filed by incorporation by reference to Exhibit 10.21 to the Annual Report on Form 10-K for the year ended September 30, 2004, filed with the SEC on December 14, 2004).
Exhibit 10.33	Form of Restricted Stock Award Agreement under the 2004 Rayovac Incentive Plan (filed by incorporation by reference to Exhibit 10.4 to the Current Report on Form 8-K filed with the SEC on April 7, 2005).
Exhibit 10.34	Form of Restricted Stock Award Agreement under the 2004 Rayovac Incentive Plan (for grants of restricted stock made on or after October 1, 2007) (filed by incorporation by reference to Exhibit 10.29 to the Annual Report on Form 10-K for the year ended September 30, 2007, filed with the SEC on December 14, 2007).
Exhibit 10.35	Form of Superior Achievement Program Restricted Stock Award Agreement under the 2004 Rayovac Incentive Plan (filed by incorporation by reference to Exhibit 10.5 to the Current Report on Form 8-K filed with the SEC on April 7, 2005).
Exhibit 10.36	Rayovac Corporation Supplemental Executive Retirement Plan (filed by incorporation by reference to Exhibit 10.21 to the Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2002, filed with the SEC on February 12, 2003).
Exhibit 10.37	Amendment No. 3 to Rayovac Corporation Supplemental Executive Retirement Plan (filed by incorporation by reference to Exhibit 10.28 to the Quarterly Report on Form 10-Q for the quarterly period ended June 27, 2004, filed with the SEC on August 11, 2004).
Exhibit 10.38	Rayovac Corporation Deferred Compensation Plan, as amended (filed by incorporation by reference to Exhibit 10.22 to the Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2002, filed with the SEC on February 12, 2003).
Exhibit 10.39	Amendment No. 3 and Amendment No. 4 to Rayovac Corporation Deferred Compensation Plan (filed by incorporation by reference to Exhibit 10.25 to the Annual Report on Form 10-K for the year ended September 30, 2004, filed with the SEC on December 14, 2004).
Exhibit 10.40	Restructuring Support Agreement, dated as of February 3, 2009, by and among (i) Spectrum Brands, Inc.; (ii) certain subsidiaries of Spectrum Brands, Inc. party thereto; (iii) Harbinger Capital Partners Master Fund I, Ltd. and Harbinger Capital Partners Special Situations Fund, L.P.; (iv) D. E. Shaw Laminar Portfolios, L.L.C.; and (v) Avenue International Master, L.P., Avenue Investments, L.P., Avenue Special Situations Fund V, L.P., Avenue Special Situations Fund IV, L.P. and Avenue-CDP Global Opportunities Fund, L.P.*
Exhibit 31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
Exhibit 31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 the Sarbanes-Oxley Act of 2002.*
Exhibit 32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
Exhibit 32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed herewith