

Spectrum Brands, Inc.
Form 10-Q
August 07, 2009
[Table of Contents](#)

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 June 28, 2009

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 August 3, 2009, was 52,764,590.

Table of Contents

SPECTRUM BRANDS, INC.
Debtor and Debtor-in-Possession
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTER ENDED June 28, 2009

INDEX

	Page
Part I Financial Information	
Item 1. <u>Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets (Unaudited) as of June 28, 2009 and September 30, 2008</u>	3
<u>Condensed Consolidated Statements of Operations (Unaudited) for the three and nine month periods ended June 28, 2009 and June 29, 2008</u>	4
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the nine month periods ended June 28, 2009 and June 29, 2008</u>	5
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	55
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	80
Item 4. <u>Controls and Procedures</u>	81
Part II Other Information	
Item 1. <u>Legal Proceedings</u>	82
Item 1A. <u>Risk Factors</u>	82
Item 2. <u>Issuer Purchases of Equity Securities</u>	98
Item 6. <u>Exhibits</u>	98
<u>Signatures</u>	99

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Condensed Consolidated Balance Sheets****June 28, 2009 and September 30, 2008****(Unaudited)****(Amounts in thousands, except per share figures)**

	June 28, 2009	September 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 64,413	\$ 104,773
Receivables:		
Trade accounts receivable, net of allowances of \$15,993 and \$18,102, respectively	324,646	353,949
Other	22,206	40,756
Inventories	361,494	383,260
Deferred income taxes	13,145	13,957
Assets held for sale	11,321	7,452
Prepaid expenses and other	40,975	49,450
Total current assets	838,200	953,597
Property, plant and equipment, net	183,960	234,805
Deferred charges and other	40,504	44,129
Goodwill	234,435	235,468
Intangible assets, net	709,685	742,809
Debt issuance costs	19,338	36,671
Total assets	\$ 2,026,122	\$ 2,247,479
LIABILITIES AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Current maturities of long-term debt	\$ 94,889	\$ 48,637
Debtor-in-possession revolving credit facility	60,013	
Accounts payable	167,212	278,126
Accrued liabilities:		
Wages and benefits	68,835	72,299
Income taxes payable	18,064	10,272
Restructuring and related charges	26,109	34,559
Accrued interest	61,183	50,514
Other	121,466	87,672
Total current liabilities	617,771	582,079
Long-term debt, net of current maturities	1,325,862	2,474,782
Employee benefit obligations, net of current portion	41,590	47,694
Deferred income taxes	121,829	114,674
Other	43,159	55,488
Total liabilities	2,150,211	3,274,717
Liabilities subject to compromise	1,105,962	

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Commitments and contingencies

Shareholders' deficit:

Common stock, \$.01 par value, authorized 150,000 shares; issued 69,363 and 69,202 shares, respectively; outstanding 52,884 and 52,775 shares, respectively	691	692
Additional paid-in capital	676,418	674,370
Accumulated deficit	(1,904,543)	(1,694,915)
Accumulated other comprehensive income	74,274	69,445
	(1,153,160)	(950,408)
Less treasury stock, at cost, 16,478 and 16,427 shares, respectively	(76,891)	(76,830)
 Total shareholders' deficit	 (1,230,051)	 (1,027,238)
 Total liabilities and shareholders' deficit	 \$ 2,026,122	 \$ 2,247,479

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

(Unaudited).

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Condensed Consolidated Statements of Operations****For the three and nine month periods ended June 28, 2009 and June 29, 2008****(Unaudited)****(Amounts in thousands, except per share figures)**

	THREE MONTHS		NINE MONTHS	
	2009	2008	2009	2008
Net sales	\$ 589,361	\$ 638,763	\$ 1,641,126	\$ 1,758,657
Cost of goods sold	358,661	382,481	1,022,914	1,079,916
Restructuring and related charges	403	13,929	13,210	14,245
Gross profit	230,297	242,353	605,002	664,496
Selling	95,039	135,213	301,220	383,528
General and administrative	42,375	45,368	116,822	139,057
Research and development	6,313	6,909	17,638	18,800
Goodwill and intangibles impairment		303,323		315,723
Restructuring and related charges	2,829	5,947	27,190	16,014
Total operating expenses	146,556	496,760	462,870	873,122
Operating income (loss)	83,741	(254,407)	142,132	(208,626)
Interest expense (contractual interest: \$72,195 and \$187,186 for the three and nine months ended June, 28, 2009, respectively)	48,649	57,106	148,559	172,499
Other (income) expense, net	(841)	1,274	3,546	111
Income (loss) from continuing operations before reorganization items and income taxes	35,933	(312,787)	(9,973)	(381,236)
Reorganization items, net	62,521		83,832	
Loss from continuing operations before income taxes	(26,588)	(312,787)	(93,805)	(381,236)
Income tax expense (benefit)	7,893	(33,872)	31,842	49,200
Loss from continuing operations	(34,481)	(278,915)	(125,647)	(430,436)
Loss from discontinued operations, net of tax	(2,040)	(4,947)	(83,980)	(8,541)
Net loss	\$ (36,521)	\$ (283,862)	\$ (209,627)	\$ (438,977)
Basic earnings per share:				
Weighted average shares of common stock outstanding	51,397	50,897	51,437	50,923
Loss from continuing operations	\$ (0.67)	\$ (5.48)	\$ (2.44)	\$ (8.45)
Loss from discontinued operations	(0.04)	(0.10)	(1.63)	(0.17)
Net loss	\$ (0.71)	\$ (5.58)	\$ (4.07)	\$ (8.62)

Diluted earnings per share:

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Weighted average shares and equivalents outstanding	51,397	50,897	51,437	50,923
Loss from continuing operations	\$ (0.67)	\$ (5.48)	\$ (2.44)	\$ (8.45)
Loss from discontinued operations	(0.04)	(0.10)	(1.63)	(0.17)
Net loss	\$ (0.71)	\$ (5.58)	\$ (4.07)	\$ (8.62)

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

(Unaudited).

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Condensed Consolidated Statements of Cash Flows****For the nine month periods ended June 28, 2009 and June 29, 2008****(Unaudited)****(Amounts in thousands)**

	NINE MONTHS	
	2009	2008
Cash flows from operating activities:		
Net loss	\$ (209,627)	\$ (438,977)
Loss from discontinuing operations	(83,980)	(8,541)
Loss from continuing operations	(125,647)	(430,436)
Non-cash adjustments to loss from continuing operations:		
Depreciation	29,859	38,316
Amortization	17,607	25,635
Amortization of debt issuance costs	11,523	6,313
Impairment of goodwill and intangibles		315,723
Reorganization items, net	83,832	
Write off of debt issuance costs	2,358	
Other non-cash adjustments	40,920	24,686
Net changes in assets and liabilities, net of discontinued operations	(88,220)	(97,369)
Net cash used by operating activities of continuing operations	(27,768)	(117,132)
Net cash used by operating activities of discontinued operations	(15,596)	(13,458)
Net cash used by operating activities	(43,364)	(130,590)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(5,606)	(12,733)
Proceeds from sale of equipment	374	154
Net cash used by investing activities of continuing operations	(5,232)	(12,579)
Net cash (used) provided by investing activities of discontinued operations	(860)	13,028
Net cash (used) provided by investing activities	(6,092)	449
Cash flows from financing activities:		
Debt issuance costs	(8,250)	(152)
Proceeds from debt financing	155,262	396,000
Reduction of debt	(241,027)	(268,086)
Debtor in possession revolving credit facility activity, net	60,013	
Proceeds from supplemental loan	45,000	
Treasury stock purchases	(61)	(690)
Net cash provided by financing activities	10,937	127,072
Effect of exchange rate changes on cash and cash equivalents	(1,841)	5,913

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Net (decrease) increase in cash and cash equivalents	(40,360)	2,844
Cash and cash equivalents, beginning of period	104,773	69,853
Cash and cash equivalents, end of period	\$ 64,413	\$ 72,697

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

(Unaudited).

Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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 six major product categories: consumer batteries; pet supplies; electric shaving and grooming; electric personal care; portable lighting and home and garden controls.

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 herbicides, insecticides and insect repellents. The Company's operations utilize manufacturing and product development facilities located in the United States (U.S.), 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.

Historically the Company 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 October 2002, the Company further diversified geographically by acquiring the battery business of VARTA AG, which operations had an extensive network of distribution and production facilities in Europe. 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 January 2006, the Company sold the professional and technology portion of the Canadian division of the Home and Garden Business and used the proceeds to reduce its outstanding indebtedness. 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

Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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

(Amounts in thousands, except per share figures)

the time was comprised of 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 3, Significant Accounting Policies Discontinued Operations, for further details on the sale of the Canadian division of the Home and Garden Business.

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 to the transaction, 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 of 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. During the second quarter of Fiscal 2009, the Company completed the shutdown of the growing products portion of the Home and Garden Business. See Note 3, Significant Accounting Policies Discontinued Operations, for further details on 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 the opening of the market 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 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 \$25,000, the minimum threshold for listing on the NYSE. The Company's common stock was 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 the Company's common stock.

Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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

(Amounts in thousands, except per share figures)

2 VOLUNTARY REORGANIZATION UNDER CHAPTER 11

On February 3, 2009, the Company announced that it had reached agreements with certain noteholders, representing, in the aggregate, approximately 70% of the face value of its outstanding senior subordinated notes (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 U.S. subsidiaries filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code, in the U.S. Bankruptcy Court (the Bankruptcy Court) for the Western District of Texas (the Bankruptcy Filing) and 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).

On June 15, 2009, in connection with the Proposed Plan of Reorganization, the Company entered into a commitment letter with General Electric Capital Corporation (GE Capital), pursuant to which GE Capital has agreed to provide, upon emergence, a senior secured revolving credit facility of up to \$242,000 to finance, among other things, the Debtors' emergence from the Bankruptcy Cases and its ongoing working capital needs.

Confirmation of the Proposed Plan

The Company previously publicly disclosed that the Proposed Plan had provided for reinstatement of the Company's senior secured term credit facilities (collectively, the Senior Term Credit Facility) under Section 1124 of the Bankruptcy Code. The agent under the Senior Term Credit Facility objected on behalf of the senior term lenders (the Senior Term Agent) alleging that the Proposed Plan did not leave the rights of the term lenders under the Senior Term Credit Facility unimpaired and therefore did not reinstate the Senior Term Credit Facility claims without alteration. The Company vigorously defended its position that the terms under the Senior Term Credit Facility could be reinstated. On June 24, 2009, the Company announced that it had reached agreement with its senior term lenders on a settlement that would resolve the senior term lenders' objection to the Proposed Plan. Pursuant to the settlement, the Company amended the Proposed Plan to provide the Senior Term Credit Facility would be amended upon any consummation of the Proposed Plan, among other things, to include: (1) a floor on the LIBOR rate of 150 basis points, (2) an increase of 250 basis points in the applicable rate to apply to each tranche of the facility, (3) increased required senior leverage ratios to allow a maximum senior leverage ratio of 5.75 through September 2010, 5.50 from October 2010 through September 2011 and 5.00 thereafter and (4) a change in the maturity of the senior term loans from March 2013 to June 2012. A form of amendment has been approved by the requisite lenders under the Senior Term Credit Facility and has been filed with the Bankruptcy Court (the Proposed Term Credit Amendment).

The Bankruptcy Court overruled the objections of the Equity Committee to the Proposed Plan and on June 25, 2009, approved on the record the Proposed Plan, as amended, at the conclusion of the confirmation hearing. The Bankruptcy Court entered an order (the Confirmation Order) on July 15, 2009 confirming the Joint Plan of Reorganization, as modified by a first modification and a second modification (the Plan).

The refinancing provided for in the 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. Common stock of the Company would be extinguished under the Plan, and no distributions will be made to holders of the Company's equity. The claims of existing secured and other

Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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

(Amounts in thousands, except per share figures)

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 Plan.

On July 15, 2009, the official equity committee appointed in the Bankruptcy Cases (the Equity Committee) filed a notice indicating that it was appealing the Confirmation Order. The Equity Committee has, since then, filed a variety of pleadings in connection with its appeal, including motions to stay the Confirmation Order pending the Equity Committee's appeal. On July 23, 2009, the United States District Court for the Western District of Texas declined to stay the Confirmation Order. On July 27, 2009, the Equity Committee filed in the Fifth Circuit Court of Appeals (the Fifth Circuit) an emergency motion to stay the Confirmation Order pending appeal and contended in that motion that it was essential for the Fifth Circuit to issue an emergency stay. That same day, the Fifth Circuit issued an order that suspended the district court's denial of a stay of the Confirmation Order until further order of the Fifth Circuit and likewise stayed proceedings in the bankruptcy court and the district court until further order of the Fifth Circuit. In light of the allegations that the Equity Committee made in its emergency motion to stay the Confirmation Order pending appeal, the Fifth Circuit issued its order before the Debtors had an opportunity to respond. After the Debtors filed a response to the Equity Committee's motion and a motion to dismiss the appeal, arguing that the Fifth Circuit lacked jurisdiction and that the Equity Committee had failed to follow legally required procedures, the Fifth Circuit modified its stay order on July 30, 2009 to allow limited additional proceedings in the district court. In granting the stay, the Fifth Circuit made no final decision concerning the substantive merits of the Equity Committee's appeal or its request to stay the Confirmation Order until the appeal is finally resolved. The Debtors continue to oppose the Equity Committee's appeal and requests to stay the Confirmation Order during the pendency of the appeal, and have filed pleadings with the district court and the Fifth Circuit in support of the Debtors' position. As of the date of this Quarterly Report on Form 10-Q, the appeal remains pending and the temporary stay by the Fifth Circuit remains in effect.

Accounting for Reorganization

Subsequent to the date of the Bankruptcy Filing (the Petition Date), the Company's financial statements are prepared in accordance with the American Institute of Certified Public Accountants' Statement of Position 90-7 (SOP 90-7), *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*. SOP 90-7 does not change the application of generally accepted accounting principles (GAAP) in the preparation of the Company's financial statements. However, SOP 90-7 does require that financial statements, for periods including and subsequent to the filing of a Chapter 11 petition, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. In accordance with SOP 90-7 the Company has done the following:

On the Condensed Consolidated Balance Sheets (Unaudited), separated liabilities that are subject to compromise from liabilities that are not subject to compromise;

On the Condensed Consolidated Statements of Operations (Unaudited), distinguished transactions and events that are directly associated with the reorganization from the ongoing operations of the business;

On the Condensed Consolidated Statements of Cash Flows, separately disclosed Reorganization items, net;

Ceased accruing interest on the Company's Variable Rate Toggle Senior Subordinated Notes due 2013 (the Variable Rate Notes), the Company's 7/8% Senior Subordinated Notes due 2015 (the 7/8 Notes) and the Company's 1/8% Senior Subordinated Notes due 2013 (the 1/8 Notes) (collectively, the Senior Subordinated Notes); and

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Presented Condensed Consolidating Financial Statements (Unaudited) of entities not in Chapter 11 Proceedings in Note 15, Condensed Consolidating Financial Statements (Unaudited), included in this

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

Quarterly Report on Form 10-Q. These Condensed Consolidating Financial Statements (Unaudited) of the Company's entities not in Chapter 11 Proceedings have been prepared on the same basis as the Company's Condensed Consolidated Financial Statements (Unaudited).

Liabilities Subject to Compromise

Liabilities subject to compromise refer to known liabilities incurred prior to the Bankruptcy Filing by those entities that filed for Chapter 11 bankruptcy. These liabilities are considered by the Bankruptcy Court to be pre-petition claims. However, liabilities subject to compromise exclude pre-petition claims for which the Company has received the Bankruptcy Court's approval to pay, such as claims related to active employees and retirees and claims related to certain critical service vendors. Liabilities subject to compromise are subject to future adjustments that may result from negotiations, actions by the Bankruptcy Court and developments with respect to disputed claims or matters arising out of the proof of claims process whereby a creditor may prove that the amount of a claim differs from the amount that we have recorded.

Since the Petition Date, and in accordance with SOP 90-7, the Company ceased accruing interest on its Senior Subordinated Notes, as it is probable the repayment of this debt and interest will be an allowed claim by the Bankruptcy Court. Contractual interest on the Senior Subordinated Notes in excess of reported interest was approximately \$23,546 and \$38,627, respectively, for the three and nine month periods ended June 28, 2009, excluding any potential compound or default interest arising from events of default related to the Chapter 11 proceedings.

Liabilities subject to compromise as of June 28, 2009 are as follows:

	June 28, 2009
Senior Subordinated Notes	\$ 1,049,885
Accrued interest on Senior Subordinated Notes	40,497
Other accrued liabilities	15,580
	\$ 1,105,962

Reorganization Items

In accordance with SOP 90-7, Reorganization items, net, are presented separately in the accompanying Condensed Consolidated Statements of Operations (Unaudited) and represent expenses, income, gains and losses that the Company has identified, or will identify, as directly relating to the Bankruptcy Cases. As required by SOP 90-7, the Company has begun recording the pre-petition debt instruments at the allowed claim amount as defined in the Plan. Accordingly, the Company accelerated the amortization of the related deferred debt issuance costs and recorded a non-cash charge of \$10,668 during the second quarter ended March 29, 2009 to Reorganization items, net. Reorganization items, net, for the three and nine month periods ended June 28, 2009 are summarized as follows:

	Three Months	Nine Months
Legal and professional fees	\$ 56,881	\$ 67,144
Deferred financing costs		10,668
Provision for rejected leases	5,640	6,020

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Reorganization items, net	\$ 62,521	\$ 83,832
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Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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

(Amounts in thousands, except per share figures)

Fresh-Start Reporting

As required by SOP 90-7 the Company will adopt fresh-start reporting upon emergence from Chapter 11. The financial statements for the periods ended June 28, 2009 and prior do not include the effect of any changes in our capital structure or changes in the fair value of assets and liabilities as a result of fresh-start reporting.

3 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 U.S. 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 June 28, 2009 and September 30, 2008, the results of operations for the three and nine month periods ended June 28, 2009 and June 29, 2008, and cash flows for the nine month periods ended June 28, 2009 and June 29, 2008. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with GAAP in the U.S. 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 Fiscal 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 GAAP in the U.S. 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 GAAP in the U.S. 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: As discussed in Note 1, Description of Business, the Company's board of directors committed to the shutdown of the growing products portion of the Home and Garden Business in November 2008. 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. During the second quarter of Fiscal 2009 the Company completed the shutdown of the growing products portion of the Home and Garden Business.

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 \$1,087, net of tax benefit.

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

The presentation herein of the results of continuing operations has been changed to exclude the growing products portion of the Home and Garden Business and the Canadian division of the Home and Garden Business for the three and nine month periods ended June 28, 2009 and June 29, 2008, respectively. The following amounts related to the growing products portion of the Home and Garden Business and the Canadian division of the Home and Garden Business have been segregated from continuing operations and are reflected as discontinued operations for the three and nine month periods ended June 28, 2009 and June 29, 2008, respectively:

	Three Months		Nine Months	
	2009	2008	2009	2008 ^(A)
Net sales	\$	\$ 90,900	\$ 31,306	\$ 227,565
Loss from discontinued operations before income taxes	\$ (3,092)	\$ (5,356)	\$ (89,064)	\$ (9,899)
Income tax benefit	(1,052)	(409)	(5,084)	(1,358)
Loss from discontinued operations, net of tax	\$ (2,040)	\$ (4,947)	\$ (83,980)	\$ (8,541)

^(A) Included in the loss for the nine month period ended June 29, 2008, is a loss on disposal of \$1,087, net of tax benefit, related to the Canadian division of the Home and Garden Business.

Assets Held for Sale: As of June 28, 2009 and September 30, 2008, the Company had \$11,321 and \$7,452, respectively, included in Assets held for sale in its Condensed Consolidated Balance Sheets (Unaudited). As of June 28, 2009, Assets held for sale consisted of certain assets and liabilities related to the Ningbo, China battery manufacturing facility and manufacturing facilities in France and Brazil. As of September 30, 2008, Assets held for sale consisted of certain assets and liabilities related to a distribution facility in the Dominican Republic and manufacturing facilities in France and Brazil. These facilities are included in the Global Batteries and Personal Care reporting segment.

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, 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. The fair values of the Company's goodwill and indefinite-lived intangible assets were not tested for impairment during the three and nine month periods ended June 28, 2009, as no event or circumstance arose which indicated that an impairment loss may have been incurred. The fair values of the Company's goodwill and trade name intangibles were tested as of May 25, 2008 and December 31, 2007. Goodwill and trade names of the Company's Home and Garden Business were tested as of May 25, 2008 in conjunction with a forecasted reduction of future operating profitability of this business. This forecasted reduction of future profitability was primarily the result of significant current and projected cost increases, at that time, in certain raw materials used in the production of many of the lawn fertilizer and growing

Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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

(Amounts in thousands, except per share figures)

media products manufactured by the Company's Home and Garden Business coupled with more conservative growth rates for this business. Goodwill and trade name intangibles of the Company's Home and Garden Business were tested as of December 31, 2007 in conjunction with the Company's reclassification of that business from an asset held for sale to an asset held and used.

The Company used the discounted estimated future cash flows methodology to determine the fair value of its reporting units. Assumptions critical to the Company's fair value estimates were: (i) the present value factors used in determining the fair value of the reporting units and trade names; (ii) royalty rates used in the Company's trade name valuations; (iii) projected average revenue growth rates used in the reporting unit and trade name models; and (iv) projected long-term growth rates used in the derivation of terminal year values. These and other assumptions are impacted by economic conditions and expectations of management and will change in the future based on period specific facts and circumstances. The Company also tested fair value for reasonableness by comparison to the market capitalization of the Company. The Company first compared the fair value of its reporting units with their carrying amounts, including goodwill. As a result of the testing performed as of May 25, 2008 this first step indicated that the fair value of the Company's Home and Garden Business was less than the Company's carrying amount of the Home and Garden Business and, accordingly, further testing of goodwill was required to determine the impairment charge required by SFAS 142. Accordingly, the Company then compared the carrying amount of the Home and Garden Business goodwill against the respective implied fair value of goodwill. The carrying amount of the Home and Garden Business goodwill was determined to exceed its implied fair value and, therefore, the Company recorded an impairment charge equal to the excess of the carrying amount of the reporting unit's goodwill over the implied fair value of such goodwill. As a result of this goodwill impairment analysis, the Company recorded a non-cash pretax goodwill impairment charge of approximately \$110,213 during the three month period ended June 29, 2008. This impairment of goodwill was primarily attributed to lower forecasted profits of the Home and Garden Business, reflecting significant current and projected cost increases, at that time, in certain raw materials used in the production of many of the lawn fertilizer and growing media products manufactured by the Company's Home and Garden Business coupled with lower growth rates for this business. As a result of the testing performed as of December 31, 2007 this first step indicated that the fair value of the Company's Home and Garden Business was in excess of its carrying amounts and, accordingly, no further testing of goodwill was required.

The recognition of the \$110,213 non-cash impairment of goodwill for the three and nine month periods ended June 29, 2008, recorded as a separate component of Operating expenses, had a material negative effect on the Company's financial condition and results of operations for the three and nine month periods ended June 29, 2008. The impairment will not result in future cash expenditures.

In addition, in accordance with SFAS 142, as of May 25, 2008 and December 31, 2007, the Company also compared the carrying amount of indefinite-lived trade name intangible assets with their respective implied fair value. Fair value was determined using a relief from royalty methodology. Assumptions critical to the Company's fair value estimates were: (i) royalty rates; and (ii) projected average revenue growth rates. As a result of the testing performed on May 25, 2008 and December 31, 2007, the Company concluded that the implied fair values of certain trade name intangible assets related to the Home and Garden Business were less than the carrying amounts of those assets. Accordingly, the Company recorded a non-cash pretax impairment charge of \$22,000 and \$12,400, respectively, equal to the excess of the carrying amounts of those intangible assets over the implied fair value of such assets. These impairments of indefinite-lived intangible assets were primarily attributed to lower forecasted sales of products sold under the respective impaired trade names.

Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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

(Amounts in thousands, except per share figures)

The recognition of the \$22,000 and \$12,400 non-cash impairment of indefinite-lived intangible assets, recorded as a separate component of Operating expenses, had a material negative effect on the Company's financial condition and results of operations for the three and nine month periods ended June 29, 2008.

As more fully discussed above in Note 1, Description of Business, on May 20, 2008, the Company entered into a definitive agreement for the sale of Global Pet Supplies with Salton and Applica. The agreement was subject to a number of closing conditions, including, without limitation, consent of the Company's lenders under its senior credit facilities. The Company had been unable to obtain the consent of the lenders under its senior credit facilities, and, on July 13, 2008, the Company entered into a termination agreement with Salton and Applica to mutually terminate the definitive agreement. The Company's intent to dispose of Global Pet Supplies constituted a triggering event for impairment testing under SFAS 142 and SFAS 144. The Company estimated the fair value of Global Pet Supplies, and the resultant estimated impairment charge of goodwill, based on the negotiated sales price of Global Pet Supplies, which management deemed the best indication of fair value at that time. Accordingly, the Company recorded a non-cash pretax charge of \$154,917 to reduce the carrying value of goodwill related to Global Pet Supplies in order to reflect the estimated fair value of the business as of June 29, 2008.

The recognition of the \$154,917 non-cash impairment of goodwill, recorded as a separate component of Operating expenses, had a material negative effect on the Company's financial condition and results of operations for the three and nine month periods ended June 29, 2008.

During the third quarter of Fiscal 2008, the Company developed and initiated a plan to phase down, and ultimately curtail, manufacturing operations at its Ningbo, China battery manufacturing facility. The Company completed the shutdown of Ningbo during the fourth quarter of Fiscal 2008. In connection with the Company's strategy to exit operations at Ningbo, the Company recorded a non-cash pretax charge of \$16,193 to reduce the carrying value of goodwill related to Ningbo. The recognition of the \$16,193 non-cash impairment of goodwill, recorded as a separate component of Operating expenses, had a material negative effect on the Company's financial condition and results of operations for the three and nine month periods ended June 29, 2008.

The Company's 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.

During the fourth quarter of Fiscal 2009, the Company expects to complete its annual impairment testing of goodwill and indefinite-lived intangible assets pursuant to the provisions of SFAS 142 and, accordingly, any further impairment to goodwill or indefinite-lived intangible assets will be recorded at that time.

Shipping and Handling Costs: The Company incurred shipping and handling costs of \$35,975 and \$112,314 for the three and nine month periods ended June 28, 2009, respectively, and \$48,646 and \$137,859 for the three and nine month periods ended June 29, 2008, 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

Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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

(Amounts in thousands, except per share figures)

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 25% and 23% of the Company's Net sales during the three and nine month periods ended June 28, 2009, respectively, and 21% and 20% of the Company's Net sales during the three and nine month periods ended June 29, 2008, respectively. This major customer also represented approximately 27% and 22% of the Company's trade accounts receivable, net as of June 28, 2009 and September 30, 2008, respectively.

Approximately 37% and 42% of the Company's Net sales during the three and nine month periods ended June 28, 2009, respectively, and 43% and 49% of the Company's Net sales during the three and nine month periods ended June 29, 2008, respectively, occurred outside the U.S. 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)).

SFAS 123(R) requires a 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 and nine month periods ended June 28, 2009, was \$883, or \$548, net of taxes and \$2,047 or \$1,269, net of taxes, respectively. During the three and nine month periods ended June 29, 2008, total stock compensation expense was \$41, or \$25, net of taxes, and \$3,290, or \$2,040, 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 \$2,930 before the effect of income taxes. As of June 28, 2009, there was \$2,468 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

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

performance goals established by the Board of Directors of the Company. Generally, performance targets consist of Earnings Per Share (EPS) and segment Earnings Before Interest and Taxes (EBIT) and cash flow components, defined by the Company for purposes of such awards. 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 2009 and Fiscal 2008 generally have vesting periods which can range from one to five years. Approximately 82% of the shares granted in Fiscal 2009 and 61% of the shares granted in Fiscal 2008 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 2009 and Fiscal 2008 are time based, which vest either 100% after three years or on a pro rata basis over three years. During the nine month period ended June 28, 2009, the Company granted approximately 229 shares of restricted stock. 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). 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 June 28, 2009, 2,586 of restricted shares had been granted, net of forfeitures and shares surrendered by employees for payment of taxes on such awards, and 1,088 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 June 28, 2009, there were options with respect to 342 shares of common stock and 410 restricted shares outstanding under the 1997 Plan, and options with respect to 84 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 June 28, 2009 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	(535)	12.12	(6,488)
Forfeited	(69)	10.06	(693)
Restricted stock at June 28, 2009	1,498	\$ 8.73	\$ 13,080

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

The following table summarizes the stock option transactions for the three month period ended June 28, 2009:

	Options	Weighted-Average Exercise Price
Outstanding, beginning of period	510	\$ 15.06
Granted		
Exercised		
Forfeited	(85)	16.89
Outstanding, end of period	425	\$ 14.70
Options exercisable, end of period	343	\$ 14.97

The following table summarizes information about options outstanding and options outstanding and exercisable as of June 28, 2009:

Range of Exercise Prices		Options Outstanding			Options Outstanding and Exercisable	
		Number of Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
\$11.32	\$14.60	367	3.06 years	\$ 13.58	289	\$ 13.71
\$18.60	\$21.50	7	3.75	20.28	4	20.35
\$21.63	\$27.13	51	0.51	22.00	50	21.87
		425	2.77	\$ 14.70	343	\$ 14.97

Derivative Financial Instruments: Effective December 29, 2008, the Company adopted SFAS No. 161, *Disclosures about Derivatives and Hedging Activities-an amendment to FASB Statement No. 131* (SFAS 161). SFAS 161 amends the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (1) how and why an entity uses derivative instruments, (2) how derivative instruments and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), and (3) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows.

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

The fair value of outstanding derivative contracts recorded as assets in the Condensed Consolidated Balance Sheets (Unaudited) were as follows:

Asset Derivatives	Balance Sheet Location	June 28, 2009	September 30, 2008
Derivatives designated as hedging instruments under SFAS 133:			
Commodity contracts	Current Receivables Other	\$ 2,025	\$ 403
Foreign exchange contracts	Current Receivables Other		4,246
Foreign exchange contracts	Long term Deferred charges and other		1,299
Total asset derivatives designated as hedging instruments under SFAS 133		\$	\$ 5,948
Derivatives not designated as hedging instruments under SFAS 133:			
Foreign exchange contracts	Current Receivables Other		959
Total asset derivatives		\$ 2,025	\$ 6,907

The fair value of outstanding derivative contracts recorded as liabilities in the Condensed Consolidated Balance Sheets (Unaudited) were as follows:

Liability Derivatives	Balance Sheet Location	June 28, 2009	September 30, 2008
Derivatives designated as hedging instruments under SFAS 133:			
Commodity contracts	Accounts payable	\$	\$ 11,396
Commodity contracts	Long term Other		1,522
Interest rate contracts	Accounts payable		3,063
Interest rate contracts	Accrued interest		793
Interest rate contracts	Long term Other		2,749
Foreign exchange contracts	Accounts payable	478	387
Foreign exchange contracts	Long term Other	19	85
Total liability derivatives designated as hedging instruments under SFAS 133		\$ 497	\$ 19,995
Derivatives not designated as hedging instruments under SFAS 133:			
Interest rate contracts	Accrued interest	5,694	
Foreign exchange contracts	Accounts payable	550	781
Total liability derivatives		\$ 6,741	\$ 20,776

Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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

(Amounts in thousands, except per share figures)

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (OCI) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

The following table summarizes the impact of derivative instruments on the Condensed Consolidated Statements of Operations (Unaudited) for the three month periods ended June 28, 2009 and June 29, 2008, respectively, net of tax:

Derivatives in SFAS 133 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in Accumulated OCI on Derivatives (Effective Portion) Three month period ended		Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Three month period ended		Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) Three month period ended	
	2009	2008		2009	2008		2009	2008
Commodity contracts	\$ 1,325	\$ (3,118)	Cost of goods sold	\$ (1,846)	\$ (1,460)	Cost of goods sold	\$	\$ (115)
Interest rate contracts		4,453	Interest expense		130	Interest expense	(4,877) ^(A)	
Foreign exchange contracts	43	397	Net Sales	101	(40)	Net sales		
Foreign exchange contracts	368	(1,549)	Cost of goods sold	1,646	(2,165)	Cost of goods sold		
Commodity contracts		1,135	Discontinued operations		1,680	Discontinued operations		(23)
Total	\$ 1,736	\$ 1,318		\$ (99)	\$ (1,855)		\$ (4,877)	\$ (138)

^(A) Included in this amount is \$(2,382), net of tax, reflected in the Derivatives Not Designated as Hedging Instruments Under SFAS 133 table, as \$(3,841), pre-tax, as a result of a de-designated cash flow hedge as described below.

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

The following table summarizes the impact of derivative instruments on the Condensed Consolidated Statements of Operations (Unaudited) for the nine month periods ended June 28, 2009 and June 29, 2008, respectively, net of tax:

Derivatives in SFAS 133 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in Accumulated OCI on Derivatives (Effective Portion)		Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Nine month period ended			Nine month period ended			Nine month period ended	
	2009	2008		2009	2008		2009	2008
Commodity contracts	\$ (2,978)	\$ (7,843)	Cost of goods sold	\$ (5,582)	\$ (3,683)	Cost of goods sold	\$ 25	\$ (565)
Interest rate contracts	(4,747)	(3,274)	Interest expense	(159)	821	Interest expense	(8,193) ^(A)	
Foreign exchange contracts	559	692	Net Sales	5	(794)	Net sales		
Foreign exchange contracts	4,967	(7,310)	Cost of goods sold	4,007	(4,842)	Cost of goods sold		
Commodity contracts		4,836	Discontinued operations	(243)	4,480	Discontinued operations	(1,643)	9
Total	\$ (2,199)	\$ (12,899)		\$ (1,972)	\$ (4,018)		\$ (9,811)	\$ (556)

^(A) Included in this amount is \$(3,839), net of tax, reflected in the Derivatives Not Designated as Hedging Instruments Under SFAS 133 table, as \$(6,191), pre-tax, as a result of a de-designated cash flow hedge as described below.

Derivative Contracts

For derivative instruments that are used to economically hedge the fair value of the Company's third party and intercompany payments and interest rate payments, the gain (loss) is recognized in earnings in the period of change associated with the derivative contract. During the three and nine month periods ended June 28, 2009 and June 29, 2008, the Company recognized the following respective gains (losses) on derivative contracts:

Derivatives Not Designated as Hedging Instruments Under SFAS 133	Amount of Gain (Loss) Recognized in Income on Derivatives		Location of Gain or (Loss) Recognized in Income on
	Three month period ended	Nine month period ended	

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	2009	2008	2009	2008	Derivatives
Interest rate contracts ^(A)	\$ (3,841)	\$	\$ (6,191)	\$	Interest expense
Foreign exchange contracts	(2,483)	(877)	3,975	(16,504)	Other (income) expense, net
Total	\$ (6,324)	\$ (877)	\$ (2,216)	\$ (16,504)	

^(A) Amount represents ineffective portion of certain future payments related to an interest rate contract that was de-designated as a cash flow hedge during the pendency of the Bankruptcy Cases.

Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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

(Amounts in thousands, except per share figures)

Credit Risk

The Company is exposed to the default risk of the counterparties with which the Company transacts. The Company monitors counterparty credit risk on an individual basis by periodically assessing each such counterparty's credit rating exposure. The Company considers these exposures when measuring its credit reserve on its derivative assets, which was \$22 and \$0, respectively, at June 28, 2009 and September 30, 2008. Additionally, the Company does not require collateral or other security to support financial instruments subject to credit risk.

The Company's standard contracts do not contain credit risk related contingencies whereby the Company would be required to post additional cash collateral as a result of a credit event. However, as a result of the Company's current credit profile, the Company is typically required to post collateral in the normal course of business to offset its liability positions. At June 28, 2009 and September 30, 2008, the Company had posted collateral of \$0 and \$13,227, respectively, related to such liability positions. The collateral is included in Current Receivables within the Condensed Consolidated Balance Sheets (Unaudited).

Derivative Financial Instruments

Cash Flow Hedges

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 June 28, 2009 and June 29, 2008, \$8,643 and \$714, of pretax derivative losses, respectively, from such hedges were recorded as an adjustment to Interest expense. The hedges are generally highly effective, however, during the three month periods ended June 28, 2009 and June 29, 2008, and in connection with the pendency of the Bankruptcy Cases, \$7,369 and \$0, of pretax derivative losses, respectively, were recorded as adjustments to interest expense for ineffectiveness for such hedges and included in the amounts above. During the nine month periods ended June 28, 2009 and June 29, 2008, \$14,814 and \$1,550, of pretax derivative losses and gains, respectively, from such hedges were recorded as an adjustment to Interest expense. The hedges are generally highly effective, however, during the nine month periods ended June 28, 2009 and June 29, 2008, and in connection with the pendency of the Bankruptcy Cases, \$12,717 and \$0, of pretax derivative losses, respectively, were recorded as adjustments to Interest expense for ineffectiveness for such hedges and included in the amounts above. At June 28, 2009 the Company had a portfolio of USD-denominated interest rate swaps outstanding which effectively fixes the interest rates on

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

floating rate debt, exclusive of lender spreads, at the following rates: 5.48% for a notional principal amount of \$125,000 through March 2010. During the three month and nine month periods ended June 28, 2009, as a result of the Bankruptcy Cases, a counterparty terminated a series of such contracts prior to their scheduled maturities at a loss to the Company of \$7,023. The Company expects the loss on the termination to remain unpaid during the pendency of the Bankruptcy Cases. Upon emergence from the Bankruptcy Filing, as a result of an amendment to the Company's Senior Term Credit Facility, the Company does not expect the underlying transactions to occur in the future as forecast therefore, the related remaining pretax derivative losses for the expected post-emergence period were reclassified from AOCI into earnings during the quarter ended June 28, 2009. The derivative net loss on open and terminated contracts recorded in AOCI at June 28, 2009 was \$0. 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 June 28, 2009, the portion of derivative net losses estimated to be reclassified from AOCI into earnings over the next 12 months was \$0. As a result of the early termination of such contracts, the portion of derivative net losses included in the amounts above to be reclassified from AOCI into earnings over the next 12 months is \$0. The Company has reclassified this derivative contract as an economic derivative.

The Company periodically enters into forward foreign exchange contracts to hedge the risk from forecasted foreign denominated third party and intercompany 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 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 June 28, 2009 and June 29, 2008, \$302 and \$255, of pretax derivative gains and losses, respectively, from such hedges were recorded as an adjustment to Net sales. During the nine month periods ended June 28, 2009 and June 29, 2008, \$321 and \$1,629, of pretax derivative gains and losses, respectively, from such hedges were recorded as an adjustment to Net sales. During the three and nine month periods ended June 28, 2009 and June 29, 2008, the pretax derivative adjustment to earnings for ineffectiveness from these contracts was \$0. During the three month periods ended June 28, 2009 and June 29, 2008, \$2,343 and \$2,885, of pretax derivative gains and losses, respectively, from such hedges were recorded as an adjustment to Cost of goods sold. During the nine month periods ended June 28, 2009 and June 29, 2008, \$7,968 and \$7,583, of pretax derivative gains and losses, respectively, from such hedges were recorded as an adjustment to Cost of goods sold. During the three and nine month periods ended June 28, 2009 and June 29, 2008, the pretax derivative adjustment to earnings for ineffectiveness from these contracts was \$0. During the nine month period ended June 28, 2009, 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. These pretax derivative gains will be reclassified from AOCI into earnings upon the contracts normal scheduled maturities. The derivative net gain on open and terminated contracts recorded in AOCI at June 28, 2009 was \$5,105, net of tax expense of \$2,211. The derivative net gain on these contracts recorded in AOCI at September 30, 2008 was \$3,591, net of tax expense of \$1,482. At June 28, 2009, the portion of derivative net gains estimated to be reclassified from AOCI into earnings over the next 12 months was \$4,967, net of tax expense. 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 \$5,311, net of tax expense. At June 28, 2009, the Company had a series of such foreign exchange contracts outstanding through September 2010, in the amount of \$3,771. At September 30, 2008, \$144,776 of such foreign exchange contracts were outstanding.

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

The Company is exposed to risk from fluctuating prices for raw materials, including zinc, used in its manufacturing processes. The Company hedges a portion of the risk associated with zinc 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 affected 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 June 28, 2009 and June 29, 2008, \$2,934 and \$2,448, 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 June 28, 2009 and June 29, 2008, \$197 and \$6 of pretax derivative gains, respectively, were recorded as an adjustment to Cost of goods sold for ineffectiveness. During the nine month periods ended June 28, 2009 and June 29, 2008, \$9,969 and \$6,877, 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 nine month periods ended June 28, 2009 and June 29, 2008, \$739 and \$285, of pretax derivative gains and losses, respectively, were recorded as an adjustment to Cost of goods sold for ineffectiveness. At June 28, 2009, the Company had a series of such swap contracts outstanding through April 2011 with a contract value of \$12,511. At September 30, 2008, \$31,030 of such commodity contracts were outstanding. The derivative net gain on these contracts recorded in AOCI at June 28, 2009 was \$1,326, net of tax expense of \$699. During the nine month period ended June 28, 2009, as a result of the Bankruptcy Cases, a counterparty terminated the Company's open zinc contracts prior to their scheduled maturities at a loss requiring the Company to settle \$10,758 in cash. The underlying transactions are expected to occur in the future as forecast therefore, the related pretax derivative losses remain recorded in AOCI and will be reclassified from AOCI into earnings upon the contracts' normal scheduled maturities. The derivative net loss on the terminated zinc contracts recorded in AOCI at June 28, 2009 was \$4,143, net of tax benefit of \$2,207. The derivative net loss on these contracts recorded in AOCI at September 30, 2008 was \$5,396, net of tax benefit of \$2,911. At June 28, 2009, the portion of non-cash derivative net losses estimated to be reclassified from AOCI into earnings over the next 12 months is \$3,883, net of tax benefit.

Prior to closure of the growing products portion of the Home and Garden Business, the Company was exposed to risk from fluctuating prices for raw materials used in this business, including urea and DAP. The Company hedged a portion of the risk associated with these materials through the use of commodity call options and swaps. The hedge contracts were 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 were reclassified from AOCI into earnings when the hedged purchase of raw materials also affects earnings. The call options effectively capped the floating price on a specified quantity of raw materials through a specified date. The swaps effectively fixed the floating price on a specified quantity of raw materials through a specified date. During the three month periods ended June 28, 2009 and June 29, 2008, \$0 and \$2,270, of pretax derivative gains, respectively, were recorded as an adjustment to Loss from discontinued operations, net for swap or option contracts settled at maturity. The hedges were generally highly effective, however, during the three month periods ended June 28, 2009 and June 29, 2008, \$0 and \$2, of pretax derivative gains, respectively, were recorded as an adjustment to Loss from discontinued operations, net for ineffectiveness. During the nine month periods ended June 28, 2009 and June 29, 2008, \$2,116 and \$7,263, of pretax derivative losses and gains, respectively, were recorded as an adjustment to Loss from discontinued operations, net for swap or option contracts settled at maturity. The hedges were generally highly effective, however, during the nine month periods ended June 28, 2009 and June 29, 2008, \$0 and \$10, of pretax derivative losses, respectively, were recorded as an

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

adjustment to Loss from discontinued operations, net for ineffectiveness. In connection with closure of the growing products portion of the Home and Garden Business, all amounts related to remaining urea and DAP hedge contracts were deemed ineffective and reclassified from AOCI into earnings. As a result, during the three and nine month periods ending June 28, 2009, \$0 and \$12,803, of pretax derivative losses, respectively, were recorded as an adjustment to Loss from discontinued operations, net for ineffectiveness. The derivative net loss on urea and DAP contracts recorded in AOCI at September 30, 2008 was \$1,886, net of tax benefit of \$1,127. At June 28, 2009, there were no amounts remaining in AOCI for urea or DAP contracts. See Note 3, Significant Accounting Policies Discontinued Operations, for further details on the shutdown of the growing products portion of the Home and Garden Business.

Derivative Contracts

The Company periodically enters into forward, swap or put option foreign exchange contracts to economically hedge the risk from third party and intercompany 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 June 28, 2009 and June 29, 2008, \$2,483 and \$877, of pretax derivative losses, respectively, from such hedges were recorded as an adjustment to earnings in Other income, net. During the nine month periods ended June 28, 2009 and June 29, 2008, \$3,975 and \$16,504, of pretax derivative gains and losses, respectively, from such hedges were recorded as an adjustment to earnings in Other income, net. At June 28, 2009, \$77,035 of such foreign exchange derivative contracts were outstanding. At September 30, 2008, \$110,174 of such foreign exchange derivative contracts were outstanding.

During the Company's nine month period ended June 28, 2009, as a result of the Bankruptcy Cases, the Company determined that a previously designated cash flow hedge relationship associated with an interest rate swap became ineffective as of the Company's Petition Date. Further, the Company expects to enter into the proposed Term Credit Amendment in connection with implementation of the Plan, and accordingly the Company no longer expects the underlying transactions to occur in the future as forecast. As a result, the Company reclassified approximately \$(3,841), pretax, or \$(2,382), net of tax and \$(6,191), pretax, or \$(3,839), net of tax, respectively, of losses from AOCI as an adjustment to earnings in Interest expense for the three and nine month periods ended June 28, 2009. As a result, the portion of derivative net losses to be reclassified from AOCI into earnings over the next 12 months is \$0. The Company has reclassified this derivative contract as an economic derivative.

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 Company utilizes valuation techniques that attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of the fair values considers various factors, including closing exchange or over-the-counter market pricing quotations, time value and credit quality factors underlying options and contracts. The fair value of certain derivative financial instruments is estimated using pricing models based on contracts with similar terms

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

and risks. Modeling techniques assume market correlation and volatility, such as using prices of one delivery point to calculate the price of the contract's different delivery point. The nominal value of interest rate transactions is discounted using applicable forward interest rate curves. In addition, by applying a credit reserve which is calculated based on credit default swaps or published default probabilities for the actual and potential asset value, the fair value of the Company's derivative financial instruments assets reflects the risk that the counterparties to these contracts may default on the obligations. Likewise, by assessing the requirements of a reserve for non-performance which is calculated based on the probability of default by the Company, the Company adjusts its derivative contract liabilities to reflect the price at which a potential market participant would be willing to assume the Company's liabilities. 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	Unadjusted 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 certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls must be determined based on the lowest level input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. 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 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 as of June 28, 2009, contains Level 2 instruments and represents interest rate, commodity and foreign exchange contracts.

	Level 1	Level 2	Level 3	Total
Assets:				
Commodity contracts	\$	\$ 2,025	\$	\$ 2,025
Total Assets	\$	\$ 2,025	\$	\$ 2,025
Liabilities:				
Foreign exchange contracts	\$	\$ (1,047)	\$	\$ (1,047)
Interest rate contracts	\$	\$ (5,694)	\$	\$ (5,694)

Total Liabilities	\$	\$ (6,741)	\$	\$ (6,741)
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Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****(Amounts in thousands, except per share figures)**

The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and short-term debt approximate fair value. The fair values of long-term debt and derivative financial instruments are generally based on quoted or observed market prices.

The carrying value of financial instruments approximate the fair value of those instruments due to the applicable interest rates being substantially at market (floating), except for a \$1,000,000 senior secured U.S. Dollar Term B Loan (\$973,998 at June 28, 2009 and \$976,458 at September 30, 2008) due March 30, 2013 with interest payable periodically but not less than quarterly at LIBOR plus 4.00%, a 262,000 senior secured Euro Term Loan (\$356,920 at June 28, 2009 and \$369,283 at September 30, 2008) due March 30, 2013 with interest payable periodically but not less than quarterly at Euro LIBOR plus 4.50%, \$2,873 of Senior Subordinated Notes due September 30, 2013 with interest payable semiannually at 8.50%, \$347,012 of Senior Subordinated Notes due October 2, 2013 with interest payable semiannually at 12.75% and \$700,000 of Senior Subordinated Notes due February 1, 2015 with interest payable semiannually at 7.38%. The total fair value of the Term Loans at June 28, 2009 and September 30, 2008, was approximately \$1,102,977 and \$997,654, respectively. The total fair value of the Senior Subordinated Notes at June 28, 2009 and September 30, 2008, was approximately \$691,943 and \$521,874, respectively. See Note 3, Significant Accounting Policies - Derivative Financial Instruments and Note 8, Debt, for further details of the Company's financial instruments.

The carrying amounts and fair values of the Company's financial instruments are summarized as follows ((liability)/asset):

	June 28, 2009		September 30, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt	\$ (2,530,649)	\$ (1,944,765)	\$ (2,523,419)	\$ (1,647,320)
Interest rate swap agreements	(5,694)	(5,694)	(6,606)	(6,606)
Commodity swap and option agreements	2,025	2,025	(12,515)	(12,515)
Foreign exchange forward agreements	(1,047)	(1,047)	5,251	5,251

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.

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

4 OTHER COMPREHENSIVE LOSS

Comprehensive loss and the components of other comprehensive loss, net of tax, for the three and nine month periods ended June 28, 2009 and June 29, 2008, respectively, are as follows:

	Three Months		Nine Months	
	2009	2008	2009	2008
Net loss	\$ (36,521)	\$ (283,862)	\$ (209,627)	\$ (483,977)
Other comprehensive income:				
Foreign currency translation	19,495	497	(8,790)	39,979
Valuation allowance adjustments	3,611	2,220	4,168	(2,416)
Pension liability adjustments		(551)		(345)
Net unrealized gain (loss) on derivative instruments	6,841	2,921	9,450	(8,701)
Net change to derive comprehensive income for the period	29,947	5,087	4,828	28,517
Comprehensive loss	\$ (6,574)	\$ (278,775)	\$ (204,799)	\$ (455,460)

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 and nine month periods ended June 28, 2009 and June 29, 2008, 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.

5 NET LOSS PER COMMON SHARE

Net loss per common share for the three and nine month periods ended June 28, 2009 and June 29, 2008, respectively, is calculated based upon the following number of shares:

	Company			
	Three Months		Nine Months	
	2009	2008	2009	2008
Basic	51,397	50,897	51,437	50,923
Effect of restricted stock and assumed conversion of options				
Diluted	51,397	50,897	51,437	50,923

For the three and nine month periods ended June 28, 2009 and June 29, 2008, respectively, the Company has not assumed the exercise of common stock equivalents as the impact would be antidilutive.

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

6 INVENTORIES

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

	June 28, 2009	September 30, 2008
Raw materials	\$ 70,431	\$ 89,811
Work-in-process	32,198	26,160
Finished goods	258,865	267,289
	\$ 361,494	\$ 383,260

7 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
Additions	2,762			2,762
Effect of translation	(2,807)		(988)	(3,795)
Balance as of June 28, 2009	\$ 117,604	\$	\$ 116,831	\$ 234,435
Intangible Assets:				
<i>Trade names Not Subject to Amortization</i>				
Balance as of September 30, 2008	\$ 286,260	\$ 57,000	\$ 218,345	\$ 561,605
Reclassification ^(A)		(12,000)		(12,000)
Effect of translation	(1,955)		(2,513)	(4,468)
Balance as of June 28, 2009	\$ 284,305	\$ 45,000	\$ 215,832	\$ 545,137
<i>Intangible Assets Subject to Amortization</i>				
Balance as of September 30, 2008, net	\$ 11,829	\$ 58,357	\$ 111,018	\$ 181,204
Additions ^(A)	500	12,000	32	12,532
Disposals ^(B)		(11,595)		(11,595)
Amortization during period	(793)	(5,137)	(9,629)	(15,559)
Effect of translation	(383)		(1,651)	(2,034)

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Balance as of June 28, 2009, net	\$	11,153	\$ 53,625	\$ 99,770	\$ 164,548
Total Intangible Assets, net as of June 28, 2009	\$	295,458	\$ 98,625	\$ 315,602	\$ 709,685

(A) During the first quarter of Fiscal 2009, 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 had been assigned a useful life through the term of the shutdown period. The Company completed the shut down of the growing products portion of the Home and Garden Business during the second quarter of Fiscal 2009. See Note 1, Description of Business, for further details on the shutdown of the growing products portion of the Home and Garden Business.

(B) During the second quarter of Fiscal 2009, the Company reclassified the growing products portion of the Home and Garden Business to discontinued operations as the Company completed the shutdown of the

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

business during that period. The Company disposed of all intangible assets related to the growing products portion of the Home and Garden Business. See Note 3, Significant Accounting Policies - Discontinued Operations, for further details on the 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 \$29,391, net of accumulated amortization of \$17,473, at June 28, 2009, and \$32,120, net of accumulated amortization of \$14,660, at September 30, 2008. The carrying value of customer relationship intangibles was \$133,515, net of accumulated amortization of \$71,076, at June 28, 2009, and \$147,264, net of accumulated amortization of \$58,913, at September 30, 2008. The carrying value of trade name intangibles was \$1,642, net of accumulated amortization of \$9,718 at June 28, 2009, 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 and nine month periods ended June 28, 2009 and June 29, 2008, respectively, is as follows:

	Three Months		Nine Months	
	2009	2008	2009	2008
Proprietary technology amortization	\$ 944	\$ 998	\$ 2,813	\$ 2,914
Customer relationships amortization	4,081	4,269	12,163	19,107
Trade names amortization	221	98	583	325
	\$ 5,246	\$ 5,365	\$ 15,559	\$ 22,346

The Company estimates annual amortization expense for the next five fiscal years will approximate \$17,026 per year.

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

8 DEBT

Debt consists of the following:

	June 28, 2009		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	12.8%	347,012	12.0%
Term Loan B, U.S. Dollar, expiring March 30, 2013	973,998	6.3%	976,458	6.8%
Term Loan, Euro, expiring March 30, 2013	356,920	5.5%	369,283	9.6%
Un-reimbursed draws on letters of credit	20,004	6.3%		
Revolving Credit Facility, expiring September 28, 2011			80,000	5.0%
Revolving DIP Credit Facility	60,013	9.0%		
Supplemental Loan	45,000	17.5%		
Other notes and obligations	12,216	11.0%	34,210	9.7%
Capitalized lease obligations	12,613	4.9%	13,583	4.9%
	2,530,649		2,523,419	
Less pre-petition debt subject to compromise	1,049,885			
Less current maturities	154,902		48,637	
Long-term debt	\$ 1,325,862		\$ 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.

Defaults on Pre-Petition Indebtedness

The Bankruptcy Filing, as described in Note 2, Voluntary Reorganization Under Chapter 11, constituted 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. The Proposed Term Credit Amendment, described in Note 2, Voluntary Reorganization Under Chapter 11, would 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 the Company's Variable Rate Notes, the 7/8 Notes and the 8 1/2 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 7 3/8 Notes, the Variable Notes and the 8 1/2 Notes are approximately \$700,000, \$347,000 and \$3,000, respectively.

On February 2, 2009, the Company did not make a \$25,813 interest payment due February 2, 2009 on the Company's 7/8 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.

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****(Amounts in thousands, except per share figures)****Senior Term Credit Facility and ABL Facility**

During the second quarter of Fiscal 2007, the Company refinanced its outstanding senior credit facilities with 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.

During the nine month period ended June 28, 2009, the Company made \$3,373 of scheduled prepayments of term loan indebtedness under its Senior Credit Agreement. Pursuant to an order from the Bankruptcy Court entered on April 22, 2009, the Company is required to make certain adequate protection payments with respect to the Senior Term Credit Facility. These payments include fees, costs and expenses incurred by the agent under the Senior Term Credit Facility and the agent's professionals. The Company is also required until August 28, 2009 to make cash payments of interest at the non-default rate as and when due pursuant to the terms of the Senior Credit Agreement, subject to certain specified conditions, including, among others, sufficient availability as reflected in the Company's revised budget prepared in connection with the Company's DIP Facility, as defined in *Debtor-In-Possession Financing* below.

At June 28, 2009, the aggregate amount outstanding under the Company's Senior Credit Facilities totaled a U.S. Dollar equivalent of \$1,449,213, consisting of principal amounts of \$973,998 under the U.S. Dollar Term B Loan, 255,198 under the Euro Facility (USD \$356,920 at June 28, 2009), \$68,513 under the Revolving DIP Credit Facility, which includes \$8,500 in outstanding letters of credit, \$20,004 of un-reimbursed letters of credit, and letters of credit outstanding under the L/C Facility totaling \$29,778.

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.

Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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

(Amounts in thousands, except per share figures)

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; however, the claims in respect to the Senior Credit Agreement are not impaired under the Proposed Plan and continues to be classified as Long-term debt, net of current maturities, in the Condensed Consolidated Balance Sheets (Unaudited).

The Company expects to enter into the Proposed Term Credit Amendment in connection with implementation of the Plan which, among other things, would increase the interest rates on the senior term loans and provide the Company with more flexibility under the senior secured leverage ratio requirements. See Note 2, Voluntary Reorganization Under Chapter 11, for a further description of the Proposed Term Credit Amendment.

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 March 5, 2009, the Company received final approval from the Bankruptcy Court (the Final DIP 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 revolving 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 requirements 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.

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 has not been entered prior to the expiration of such

Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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

(Amounts in thousands, except per share figures)

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 Final DIP Order constitutes the permanent financing order and, therefore, the Company has satisfied the 45 day requirement. The Company has classified the DIP Facility as current based on the requirement of Emerging Issues Task Force (EITF) Issue No. 95-22, *Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that include both a Subjective Acceleration Clause and a Lock-Box Arrangement*.

As a result of borrowings and payments under the DIP Facility during the quarter ended June 28, 2009, the Company had aggregate borrowing availability of approximately \$121,487, net of lender reserves of \$33,985 and outstanding letters of credit of \$8,500, under 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, 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 noted above, the Final DIP Order constitutes the permanent financing order and, therefore, the Company has satisfied the 45 day requirement.

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), the 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 Final DIP 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 the 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 due outstanding 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. As of June 28, 2009, the Company was in compliance with all covenants under the DIP Facility.

Under the DIP Credit Agreement, the Supplemental Loan lenders, initially comprised only of the Significant Noteholders, are eligible to receive an equity fee at the Debtors' emergence of Chapter 11 in connection with implementation of the Plan. The Plan provides for 9.9% of the new common stock to be issued under the Plan to be issued to the Supplemental Loan lenders to satisfy the Supplemental Loan lenders' claims with respect to the equity fee arrangement.

Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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

(Amounts in thousands, except per share figures)

The Company currently believes that cash on hand, funds from its operations and availability under the DIP Facility will provide the Company with sufficient liquidity to fund its operations, capital expenditures and debt service obligations under the DIP Facility during Chapter 11 proceedings. Also, the Company expects to have additional liquidity during Chapter 11 proceedings as a result of the stay of certain pre-petition liabilities. However, the Company's ability to continue as a going concern is predicated upon, among other things, the timely consummation of a satisfactory plan of reorganization, compliance with the provisions of the DIP Facility, the Company's ability to generate sufficient cash flows from operations and the Company's ability to obtain financing sufficient to satisfy its future obligations. The Company can provide no assurance that it will be successful in this regard.

Senior Subordinated Notes

At June 28, 2009, the Company had outstanding principal of \$700,000 under the 7³/₈ Notes, outstanding principal of \$2,873 under the 8¹/₂ Notes, and outstanding principal of \$347,012 under its Variable Rate Notes, collectively, the Senior Subordinated Notes. The Variable Rate Notes 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 June 28, 2009, the Variable Rate Notes has a contract interest rate of 12³/₄%.

The indentures governing the Senior Subordinated Notes contain customary covenants that limit, among other things, the incurrence of additional indebtedness, payment of dividends on or redemption or repurchase of equity interests, the making of certain investments, expansion into unrelated businesses, the creation of liens on assets, merger or consolidation with another company, the transfer or sale of all or substantially all assets, and 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 did not make its February 2, 2009, interest payment on the 7³/₈ Notes. The holders of Senior Subordinated Notes hold unsecured claims in the Bankruptcy Cases with respect to the indebtedness under the Senior Subordinated Notes as of the time of the Bankruptcy Filing. As of June 28, 2009, the Senior Subordinated Notes are presented within Liabilities subject to compromise in the Condensed Consolidated Balance Sheets (Unaudited).

9 EMPLOYEE BENEFIT PLANS

The Company has various defined benefit pension plans covering some of its employees in the U.S. 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

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

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 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 and nine month periods ended June 28, 2009 and June 29, 2008, respectively, reflect the following pension and deferred compensation benefit costs:

Components of net periodic pension benefit and deferred compensation benefit cost	Three Months		Nine Months	
	2009	2008	2009	2008
Service cost	\$ 601	\$ 668	\$ 1,803	\$ 2,004
Interest cost	1,727	1,669	5,179	5,007
Expected return on assets	(1,147)	(1,207)	(3,442)	(3,621)
Amortization of prior service cost	55	63	165	191
Recognized net actuarial loss	39	70	118	208
Employee contributions	(29)		(86)	
Net periodic benefit cost	\$ 1,246	\$ 1,263	\$ 3,737	\$ 3,789

Pension and deferred compensation contributions	Three Months		Nine Months	
	2009	2008	2009	2008
Contributions made during period	\$ 2,475	\$ 2,377	\$ 3,724	\$ 4,356

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. Prior to April 1, 2009, the Company contributed annually from 3% to 6% of participants' compensation based on age or service, and had the ability to make additional discretionary contributions. The Company suspended all Company contributions to its U.S. subsidiaries defined contribution pension plans effective April 1, 2009. 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 and nine month periods ended June 28, 2009, was \$134 and \$2,583, respectively.

Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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

(Amounts in thousands, except per share figures)

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.

10 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, 2005 are closed. However, the Federal net operating loss carryforwards from the Company's fiscal years ended September 30, 2004 and 2005 are subject to Internal Revenue Service (IRS) examination until the year that such net operating loss carryforwards are utilized and that year is closed for audit. The Company's fiscal years ended September 30, 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.

Certain of the Company's German legal entities are currently undergoing audits for the fiscal years ended September 30, 2003 through September 30, 2006. 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.

11 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, reorganization items 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.

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

All capital expenditures are related to operating segments. Variable allocations of assets are not made for segment reporting. Segment information for the three and nine month periods ended June 28, 2009 and June 29, 2008, respectively, is as follows:

	Three Months		Nine Months	
	2009	2008	2009	2008
Net sales from external customers				
Global Batteries & Personal Care	\$ 296,759	\$ 344,454	\$ 973,594	\$ 1,070,109
Global Pet Supplies	144,594	148,562	419,085	439,431
Home and Garden Business	148,008	145,747	248,447	249,117
Total segments	\$ 589,361	\$ 638,763	\$ 1,641,126	\$ 1,758,657

	Three Months		Nine Months	
	2009	2008	2009	2008
Segment profit				
Global Batteries & Personal Care	\$ 37,316	\$ 33,230	\$ 124,406	\$ 104,996
Global Pet Supplies	19,221	16,745	45,799	48,834
Home and Garden Business	38,645	31,274	36,870	13,488
Total segments	95,182	81,249	207,075	167,318
Corporate expense	8,209	12,457	24,543	29,962
Restructuring and related charges	3,232	19,876	40,400	30,259
Goodwill and intangibles impairment		303,323		315,723
Interest expense	48,649	57,106	148,559	172,499
Other (income) expense, net	(841)	1,274	3,546	111
Income (loss) from continuing operations before reorganization items and income taxes	\$ 35,933	\$ (312,787)	\$ (9,973)	\$ (381,236)

	June 28, 2009	September 30, 2008
Segment total assets		
Global Batteries & Personal Care	\$ 1,015,657	\$ 1,182,515
Global Pet Supplies	685,176	700,475
Home and Garden Business	291,278	289,628
Total segments	1,992,111	2,172,618
Corporate	34,011	74,861
Total assets at period end	\$ 2,026,122	\$ 2,247,479

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

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

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 as well as consultation, legal and accounting fees related to the evaluation of the Company's capital structure incurred prior to the Bankruptcy Filing.

The following table summarizes restructuring and related charges incurred by segment for the three and nine month periods ended June 28, 2009 and June 29, 2008, respectively:

	Three Months		Nine Months	
	2009	2008	2009	2008
Cost of goods sold:				
Global Batteries & Personal Care	\$ 171	\$ 13,874	\$ 12,447	\$ 14,081
Global Pet Supplies	232	55	763	164
Total restructuring and related charges in cost of goods sold	403	13,929	13,210	14,245
Operating expenses:				
Global Batteries & Personal Care	797	3,491	8,106	8,028
Global Pet Supplies	(20)	356	3,939	1,322
Home and Garden Business	1,168	965	2,949	2,916
Corporate	884	1,135	12,196	3,748
Total restructuring and related charges in operating expenses	2,829	5,947	27,190	16,014
Total restructuring and related charges	\$ 3,232	\$ 19,876	\$ 40,400	\$ 30,259

2009 Restructuring Initiatives

The Company has implemented a series of initiatives within the Global Batteries & Personal Care segment and the Global Pet Supplies segment to reduce operating costs as well as evaluate the Company's opportunities to improve its capital structure (the Global Cost Reduction Initiatives). These initiatives include headcount reductions within each of the Company's segments and the exit of certain facilities in the U.S. related to the Global Pet Supplies segment. These initiatives also included consultation, legal and accounting fees related to the evaluation of the Company's capital structure. The Company recorded \$2,423 and \$12,515 of pretax restructuring and related charges during the three and nine month periods ended June 28, 2009, respectively, related to the Global Cost Reduction Initiatives. Costs associated with these initiatives, which are expected to be incurred through December 31, 2009, are projected at approximately \$18,250.

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

Global Cost Reduction Initiatives Summary

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

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2008	\$	\$	\$
Provisions	2,729	8,574	11,303
Cash expenditures	(1,368)	(7,622)	(8,990)
Non-cash items	1,292	(391)	901
Accrual balance at June 28, 2009	\$ 2,653	\$ 561	\$ 3,214
Expensed as incurred ^(A)	\$ (9)	\$ 1,221	\$ 1,212

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

The following table summarizes the expenses as incurred during the nine month period ending June 28, 2009, the cumulative amount incurred to date and the total future costs expected to be incurred associated with the Global Cost Reduction Initiatives by operating segment:

	Global Batteries and Personal Care	Global Pet Supplies	Home and Garden	Corporate	Total
Restructuring and related charges during Fiscal 2009	\$ 1,162	\$ 2,375	\$ 1,387	\$ 7,591	\$ 12,515
Restructuring and related charges since initiative inception	\$ 1,162	\$ 2,375	\$ 1,387	\$ 7,591	\$ 12,515
Total future estimated restructuring and related charges expected to be incurred	\$	\$	\$ 5,718	\$	\$ 5,718

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, China battery manufacturing facility (the Ningbo Exit Plan). The Company recorded \$193 and \$12,455 of pretax restructuring and related charges during the three and nine month periods ended June 28, 2009, respectively, and \$13,713 during both the three and nine month periods ended June 29, 2008. The Company has recorded \$28,854 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 \$30,100.

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

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	769	518	1,287
Cash expenditures	(1,653)	(483)	(2,136)
Non-cash items	(27)	1	(26)
Accrual balance at June 28, 2009	\$	\$ 269	\$ 269
Expensed as incurred ^(A)	\$	\$ 11,168	\$ 11,168

^(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 \$(32) and \$54 of pretax restructuring and related charges during the three and nine month periods ended June 28, 2009, respectively, and \$22 and \$34 during the three and nine month periods ended June 29, 2008, in connection with the Latin American Initiatives. The Company has recorded pretax restructuring and related charges of \$11,351 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
Provisions	(33)		(33)
Cash expenditures	(373)		(373)
Non-cash items		(190)	(190)
Accrual balance at June 28, 2009	\$ (282)	\$ 587	\$ 305

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Expensed as incurred ^(A)	\$	87	\$	\$	87
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^(A) Consists of amounts not impacting the accrual for restructuring and related charges.

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

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

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 \$1,448 and \$12,499 of pretax restructuring and related charges during the three and nine month periods ended June 28, 2009, respectively, and \$5,711 and \$14,722 during the three and nine month periods ended June 29, 2008, respectively, 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 \$92,700, 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 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	6,987	(5)	6,982
Cash expenditures	(8,740)	(460)	(9,200)
Non-cash items	(1,189)	667	(522)
Accrual balance at June 28, 2009	\$ 14,633	\$ 3,890	\$ 18,523
Expensed as incurred ^(A)	\$ 3,027	\$ 2,490	\$ 5,517

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

The following table summarizes the expenses incurred during the nine month period ending June 28, 2009, the cumulative amount incurred to date and the total future costs expected to be 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	\$ 6,827	\$ 1,067	\$ 4,605	\$ 12,499
Restructuring and related charges since initiative inception	\$ 49,322	\$ 7,332	\$ 29,054	\$ 85,708
Total future estimated restructuring and related charges expected to be incurred	\$	\$ 660	\$ 6,286	\$ 6,946

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

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sales, marketing and support functions. The Company recorded \$3 of pretax Restructuring and related charges during the three and nine month periods ended June 28, 2009, and \$8 and \$172 during the three and nine month periods ended June 29, 2008, respectively, in connection with the European Initiatives. The Company has recorded pretax restructuring and related charges of \$27,042 since the inception of the European Initiatives.

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****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 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	(344)	(126)	(470)
Non-cash items	(95)	(8)	(103)
Accrual balance at June 28, 2009	\$ 2,615	\$ 345	\$ 2,960
Expensed as incurred ^(A)	\$	\$ 3	\$ 3

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

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. During the three and nine month periods ended June 28, 2009, the Company recorded \$(788) pretax restructuring and related charges to adjust prior estimates and eliminate the accrual. Integration initiatives are now complete.

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 \$(15) and \$1,178 of pretax restructuring and related charges during the three and nine month periods ended June 28, 2009, respectively, and \$11 and \$131 during the three and nine month periods ended June 29, 2008, respectively, 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 \$31,904 since the inception of the initiatives.

Integration activities within Global Pet Supplies were substantially complete as of June 28, 2009. 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 \$0 and \$2,491 of pretax restructuring and related charges during the three and nine month periods ended June 28, 2009, respectively, and \$412 and \$1,486 during the three and nine month periods ended June 29, 2008, respectively, 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.

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

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 \$0 and \$(7) of pretax restructuring and related charges during the three and nine month periods ended June 28, 2009, respectively, in connection with this closure. The costs associated with the initiative are complete and totaled \$10,948.

The following tables summarize the remaining accrual balance associated with the 2005 initiatives and activity that 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	2,095	1,220	3,315
Cash expenditures	(1,644)	(1,538)	(3,182)
Reclassification to Liabilities Subject to Compromise ^(A)		(2,004)	(2,004)
Non-cash items	(1,152)	1,128	(24)
Accrual balance at June 28, 2009	\$ 513	\$ 325	\$ 838
Expensed as incurred ^(B)	\$ 210	\$ 137	\$ 347

^(A) Leases previously exited as part of the Company's restructuring efforts have been reclassified as Liabilities subject to compromise in accordance with SOP 90-7. The amount was reclassified prior to a \$591 loss on rejected lease as a result of the Bankruptcy Cases. See Note 2, Voluntary Reorganization Under Charter 11, for further details on the Company's Liabilities subject to compromise.

^(B) 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	(1,135)
Reclassification to Liabilities Subject to Compromise ^(B)	(3,632)
Non-cash expenditures	(291)
Accrual balance at June 28, 2009	\$
Expensed as incurred ^(C)	\$ (861)

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- (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.
- (B) Leases previously exited as part of the Company's restructuring efforts have been reclassified as Liabilities subject to compromise in accordance with SOP 90-7. The amount was reclassified prior to a \$1,821 gain on

Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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

(Amounts in thousands, except per share figures)

rejected lease as a result of the Bankruptcy Cases. See Note 2, Voluntary Reorganization Under Chapter 11, for further details on the Company's Liabilities subject to compromise.

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

13 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 \$4,296, 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.

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 June 28, 2009 and September 30, 2008, these amounts totaled approximately \$3,793 and \$14,243, respectively, and are included in Other long-term liabilities in the Condensed Consolidated Balance Sheets (Unaudited).

On February 3, 2009, all of the Company's U.S. subsidiaries filed voluntary petitions for reorganization relief under Chapter 11 of the Bankruptcy Code. The Company is subject to a number of contingencies in connection with its Bankruptcy Filing and related Bankruptcy Cases. See Note 2, Voluntary Reorganization Under Chapter 11, for a further description of the Bankruptcy Cases.

As a result of the Bankruptcy Filing, with certain exceptions or unless otherwise ordered by the Bankruptcy Court, the automatic stay under the Bankruptcy Code prevents parties from pursuing any pre-petition claims and lawsuits against the Company and its U.S. subsidiaries. Claims and lawsuits based upon liabilities arising after the Petition Date generally are not subject to the automatic stay.

The Company is a defendant in various other matters of litigation generally arising out of the normal course of business.

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.

14 NEW ACCOUNTING PRONOUNCEMENTS

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), *Business Combinations* (SFAS 141(R)). SFAS 141(R) which 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.

Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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 U.S. 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.

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements* (SFAS 157), which establishes a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. In February 2008, the FASB issued FSP 157-2, *Effective Date of FASB Statement 157* (FSP 157-2), which allows for a one year deferral of the adoption date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company elected to defer the adoption of SFAS 157 for the assets and liabilities within the scope of FSP 157-2. In October 2008, the FASB issued FSP 157-3, *Determining the Fair Value of a Financial Asset in a Market That Is Not Active* (FSP 157-3), which clarifies the application of SFAS 157 when the market for a financial asset is inactive. The adoption of SFAS 157 for those assets and liabilities not subject to the deferral permitted by FSP 157-2 did not have a material impact on its financial position, results of operations or cash flows. The Company does not expect the adoption of SFAS 157 for non-financial assets and liabilities to have a material impact on its consolidated financial statements.

In December 2008, the FASB issued FSP No. 132(R)-1, *Employers' Disclosures about Pensions and Other Postretirement Benefits* (FSP 132R-1). FSP 132R-1 requires enhanced disclosures about the plan assets of a company's defined benefit pension and other postretirement plans. The enhanced disclosures required by this FSP are intended to provide users of financial statements with a greater understanding of: (1) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies; (2) the major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements using significant unobservable inputs (Level 3)

Table of Contents

SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

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

(Amounts in thousands, except per share figures)

on changes in plan assets for the period; and (5) significant concentrations of risk within plan assets. FSP 132R-1 is effective for fiscal years beginning after December 15, 2009. The Company does not believe the adoption of FSP 132R-1 will have a material impact on its financial position, results of operations or cash flows.

In May 2009, the FASB issued SFAS 165, *Subsequent Events* (SFAS 165), which defines and establishes the period after the balance sheet date during which management of a reporting entity evaluates transactions and events for potential disclosure in the financial statements in addition to disclosing the date through which such events have been evaluated. SFAS 165 is effective for financial statements issued for fiscal years and interim periods ending after June 15, 2009 and is to be applied prospectively. The Company adopted SFAS 165 during the third quarter of Fiscal 2009. The adoption of SFAS 165 did not have a material impact on the Company's consolidated financial position, results of operations, or cash flows. In accordance with SFAS 165, the Company has evaluated subsequent events through August 7, 2009, which is the date on which these financial statements were issued.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. The statement makes the FASB Accounting Standards Codification (the Codification) the single source of authoritative U.S. accounting and reporting standards, but it does not change U.S. GAAP. SFAS 168 is effective for interim and annual periods ending after September 15, 2009. The Company will adopt the statement as required, and the financial statements for the period ending September 30, 2009 will reflect the Codification references. The statement will have no impact on the Company's results of operations, financial condition or liquidity.

15 CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

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

Financial Statements for Entities in Reorganization Under Chapter 11

As of June 28, 2009, the Senior Subordinated Notes were guaranteed by all or some combination of the Guarantor Subsidiaries. The foreign subsidiaries did not guarantee these notes. As discussed in Note 2, Voluntary Reorganization Under Chapter 11, all of the Company's U.S. subsidiaries filed voluntary petitions for reorganization relief under Chapter 11 of the Bankruptcy Code. The following condensed consolidating financial statements present in one format the financial information required for entities that have filed for reorganization relief under Chapter 11 of the Bankruptcy Code pursuant to SOP 90-7, and the financial information required with respect to those entities which guarantee certain of the Company's debt. In accordance with SOP 90-7, condensed consolidating financial information is presented below.

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Debtor and Debtor-in-Possession****Condensed Consolidating Balance Sheet****June 28, 2009****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,489	\$ 3,541	\$ 56,383	\$	\$ 64,413
Receivables, net	360,935	501,114	(515,197)		346,852
Inventories	73,527	136,933	151,034		361,494
Assets held for sale		316	11,005		11,321
Prepaid expenses and other	(3,213)	31,390	25,943		54,120
Total current assets	435,738	673,294	(270,832)		838,200
Property, plant and equipment, net	38,853	48,291	96,816		183,960
Goodwill		58,653	175,782		234,435
Intangible assets, net	213,907	283,074	212,704		709,685
Deferred charges and other	688,644	410,837	(1,479,823)	420,846	40,504
Debt issuance costs	19,338				19,338
Investments in subsidiaries	3,759,410	3,244,838	3,408,565	(10,412,813)	
Total assets	\$ 5,155,890	\$ 4,718,987	\$ 2,143,212	\$ (9,991,967)	\$ 2,026,122
LIABILITIES AND					
SHAREHOLDERS EQUITY					
Current liabilities:					
Current maturities of long-term debt	\$ 292,343	\$ 11	\$ (137,452)	\$	\$ 154,902
Accounts payable	599,674	362,595	(543,027)	(252,030)	167,212
Accrued liabilities	157,755	46,541	91,361		295,657
Total current liabilities	1,049,772	409,147	(589,118)	(252,030)	617,771
Long-term debt, net of current maturities	1,314,115	585,990	(574,243)		1,325,862
Employee benefit obligations, net of current portion	7,624	(1,434)	35,400		41,590
Deferred income taxes	164,969	(34,126)	(9,015)	1	121,829
Other	7,809		35,350		43,159
Total liabilities	2,544,289	959,577	(1,101,626)	(252,029)	2,150,211
Liabilities subject to compromise	1,105,962				1,105,962
Shareholders' equity:					
Common stock	691	451	613,953	(614,404)	691
Additional paid-in capital	676,122	2,172,023	2,756,463	(4,928,190)	676,418
Accumulated deficit	(1,776,520)	(420,110)	(209,278)	501,365	(1,904,543)
Accumulated other comprehensive income (loss)	2,682,237	2,007,046	83,700	(4,698,709)	74,274

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	1,582,530	3,759,410	3,244,838	(9,739,938)	(1,153,160)
Less treasury stock, at cost	(76,891)				(76,891)
Total shareholders' equity	1,505,639	3,759,410	3,244,838	(9,739,938)	(1,230,051)
Total liabilities and shareholders' equity	\$ 5,155,890	\$ 4,718,987	\$ 2,143,212	\$ (9,991,967)	\$ 2,026,122

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Debtor and Debtor-in-Possession****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)

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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)
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****Debtor and Debtor-in-Possession****Condensed Consolidating Statement of Operations****Three Month Period Ended June 28, 2009****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	\$ 86,941	\$ 308,661	\$ 193,759	\$	\$ 589,361
Cost of goods sold	46,078	210,806	101,777		358,661
Restructuring and related charges	9,258	232	(9,087)		403
Gross profit	31,605	97,623	101,069		230,297
Operating expenses:					
Selling	12,614	33,539	48,886		95,039
General and administrative	17,871	10,157	14,347		42,375
Research and development	4,153	1,340	820		6,313
Restructuring and related charges	1,060	1,142	627		2,829
	35,698	46,178	64,680		146,556
Operating (loss) income	(4,093)	51,445	36,389		83,741
Interest expense	36,589	6,435	5,625		48,649
Other (income) expense, net	(42,805)	(39,292)	(420)	81,676	(841)
Income from continuing operations before reorganization items, net and income taxes	2,123	84,302	31,184	(81,676)	35,933
Reorganization items, net	56,880	5,641			62,521
(Loss) income from continuing operations before income taxes	(54,757)	78,661	31,184	(81,676)	(26,588)
Income tax (benefit) expense	(17,177)	19,143	5,927		7,893
(Loss) income from continuing operations	(37,580)	59,518	25,257	(81,676)	(34,481)
Loss from discontinuing operations, net of tax	1,015	(3,055)			(2,040)
Net (loss) income	\$ (36,565)	\$ 56,463	\$ 25,257	\$ (81,676)	\$ (36,521)

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Debtor and Debtor-in-Possession****Condensed Consolidating Statement of Operations****Three Month Period Ended June 29, 2008****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	\$ 88,130	\$ 298,034	\$ 283,150	\$ (30,551)	\$ 638,763
Cost of goods sold	49,578	196,227	167,003	(30,327)	382,481
Restructuring and related charges		54	13,875		13,929
Gross profit	38,552	101,753	102,272	(224)	242,353
Operating expenses:					
Selling	17,104	48,702	69,343	64	135,213
General and administrative	22,296	7,037	16,035		45,368
Goodwill and intangibles impairment		210,959	92,364		303,323
Research and development	3,865	1,488	1,556		6,909
Restructuring and related charges	1,561	1,321	3,065		5,947
	44,826	269,507	182,363	64	496,760
Operating loss	(6,274)	(167,754)	(80,091)	(288)	(254,407)
Interest expense	44,271	5,929	6,944	(38)	57,106
Other income, net	267,748	70,385	692	(337,551)	1,274
Loss from continuing operations before income taxes	(318,293)	(244,068)	(87,727)	337,301	(312,787)
Income tax (benefit) expense	(34,723)	18,700	(17,849)		(33,872)
Loss from continuing operations	(283,570)	(262,768)	(69,878)	337,301	(278,915)
Loss from discontinued operations, net of tax		(4,947)			(4,947)
Net loss	\$ (283,570)	\$ (267,715)	\$ (69,878)	\$ 337,301	\$ (283,862)

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Debtor and Debtor-in-Possession****Condensed Consolidating Statement of Operations****Nine Month Period Ended June 28, 2009****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	\$ 283,829	\$ 738,184	\$ 619,113	\$	\$ 1,641,126
Cost of goods sold	161,578	539,353	321,983		1,022,914
Restructuring and related charges	17,802	763	(5,355)		13,210
Gross profit	104,449	198,068	302,485		605,002
Operating expenses:					
Selling	50,737	95,053	155,430		301,220
General and administrative	50,943	24,640	41,239		116,822
Research and development	11,213	4,050	2,375		17,638
Restructuring and related charges	16,813	5,694	4,683		27,190
	129,706	129,437	203,727		462,870
Operating (loss) income	(25,257)	68,631	98,758		142,132
Interest expense	112,697	19,410	16,452		148,559
Other (income) expense, net	(68,374)	(39,104)	3,994	107,030	3,546
(Loss) income from continuing operations before reorganization items, net and income taxes	(69,580)	88,325	78,312	(107,030)	(9,973)
Reorganization items, net	77,812	6,020			83,832
(Loss) income from continuing operations before income taxes	(147,392)	82,305	78,312	(107,030)	(93,805)
Income tax expense (benefit)	30,896	(20,628)	21,574		31,842
(Loss) income from continuing operations	(178,288)	102,933	56,738	(107,030)	(125,647)
Income (loss) from discontinuing operations, net of tax	3,856	(87,836)			(83,980)
Net (loss) income	\$ (174,432)	\$ 15,097	\$ 56,738	\$ (107,030)	\$ (209,627)

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Debtor and Debtor-in-Possession****Condensed Consolidating Statement of Operations****Nine Month Period Ended June 29, 2008****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	\$ 248,335	\$ 726,144	\$ 884,200	\$ (100,022)	\$ 1,758,657
Cost of goods sold	136,588	514,212	529,168	(100,052)	1,079,916
Restructuring and related charges	5	164	14,076		14,245
Gross profit	111,742	211,768	340,956	30	664,496
Operating expenses:					
Selling	57,979	121,515	203,834	200	383,528
General and administrative	58,621	33,860	46,576		139,057
Goodwill and intangibles impairment		223,359	92,364		315,723
Research and development	10,204	4,622	3,974		18,800
Restructuring and related charges	7,184	4,238	4,592		16,014
	133,988	387,594	351,340	200	873,122
Operating loss	(22,246)	(175,826)	(10,384)	(170)	(208,626)
Interest expense	136,137	18,374	18,100	(112)	172,499
Other expense (income), net	242,785	(35,640)	(8,258)	(198,776)	111
Loss from continuing operations before income taxes	(401,168)	(158,560)	(20,226)	198,718	(381,236)
Income tax expense (benefit)	37,736	18,439	(6,975)		49,200
Loss from continuing operations	(438,904)	(176,999)	(13,251)	198,718	(430,436)
(Loss) income from discontinued operations, net of tax	(34)	(8,511)	4		(8,541)
Net loss	\$ (438,938)	\$ (185,510)	\$ (13,247)	\$ 198,718	\$ (438,977)

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Debtor and Debtor-in-Possession****Condensed Consolidating Statement of Cash Flows****Nine Month Period Ended June 28, 2009****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash (used) provided by operating activities	\$ (71,478)	\$ 73,023	\$ (437,161)	\$ 392,252	\$ (43,364)
Cash flows from investing activities:					
Purchases of property, plant and equipment	(1,634)	(944)	(3,028)		(5,606)
Proceeds from sale of property, plant and equipment and investments	15		359		374
Intercompany investments		39	(39)		
Net cash used by investing activities from continuing operations	(1,619)	(905)	(2,708)		(5,232)
Net cash used by investing activities from discontinuing operations		(860)			(860)
Net cash used by investing activities	(1,619)	(1,765)	(2,708)		(6,092)
Cash flows from financing activities:					
Reduction of debt	(240,460)		(567)		(241,027)
Proceeds from debt financing	169,199		(13,937)		155,262
Debt issuance costs	(8,250)				(8,250)
Debtor in possession revolving credit facility activity, net	60,013				60,013
Proceeds from supplemental loan	45,000				45,000
Treasury stock purchases	(61)				(61)
Proceeds from (advances related to) intercompany transactions	42,359	(71,384)	421,277	(392,252)	
Net cash provided (used) by financing activities	67,800	(71,384)	406,773	(392,252)	10,937
Effect of exchange rate changes on cash and cash equivalents			(1,841)		(1,841)
Net decrease in cash and cash equivalents	(5,297)	(126)	(34,937)		(40,360)
Cash and cash equivalents, beginning of period	9,786	3,667	91,320		104,773
Cash and cash equivalents, end of period	\$ 4,489	\$ 3,541	\$ 56,383	\$	\$ 64,413

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Debtor and Debtor-in-Possession****Condensed Consolidating Statement of Cash Flows****Nine Month Period Ended June 29, 2008****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash (used) provided by operating activities	\$ (1,026,762)	\$ (5,539)	\$ 19,561	\$ 882,150	\$ (130,590)
Cash flows from investing activities:					
Purchases of property, plant and equipment	(1,780)	(4,541)	(6,412)		(12,733)
Proceeds from sale of property, plant and equipment and investments			154		154
Intercompany investments	605,259	(605,259)			
Net cash provided (used) by investing activities of continuing operations	603,479	(609,800)	(6,258)		(12,579)
Net cash provided by investing activities of discontinued operations		13,028			13,028
Net cash provided (used) by investing activities	603,479	(596,772)	(6,258)		449
Cash flows from financing activities:					
Reduction of debt	(269,015)		929		(268,086)
Proceeds from debt financing	396,000				396,000
Debt issuance costs	(152)				(152)
Treasury stock purchases	(690)				(690)
(Advances related to) proceeds from intercompany transactions	289,491	604,273	(11,614)	(882,150)	
Net cash provided (used) by financing activities	415,634	604,273	(10,685)	(882,150)	127,072
Effect of exchange rate changes on cash and cash equivalents			5,913		5,913
Net increase in cash and cash equivalents	(7,649)	1,962	8,531		2,844
Cash and cash equivalents, beginning of period	11,602	1,473	56,778		69,853
Cash and cash equivalents, end of period	\$ 3,953	\$ 3,435	\$ 65,309	\$	\$ 72,697

Table of Contents

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 six major product categories: consumer batteries; pet supplies; electric shaving and grooming; electric personal care; portable lighting and home and garden controls.

We manage 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, 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 (U.S.), 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 October 2002, we further diversified geographically by acquiring the battery business of VARTA AG, which operations had an extensive network of distribution and production facilities in Europe. 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 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 3, 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.

Table of Contents

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 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. We were unable to obtain the consent of the lenders under our senior credit facilities to the transaction, and, in July 2008, we 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, we paid Salton and Applica \$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 products portion of the Home and Garden Business for our fiscal year ending September 30, 2009 (Fiscal 2009). We believe the shutdown is consistent with what we have done in other areas of our business to eliminate unprofitable products from our portfolio. As of March 29, 2009, we have completed the shutdown of the growing products portion of the Home and Garden Business. Accordingly, the presentation herein of the results of continuing operations excludes the growing products portion of the Home and Garden Business for all periods presented. See Note 3, 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 disposal of the growing products portion of the Home and Garden Business.

On December 15, 2008, we were advised that our common stock would be suspended from trading on the New York Stock Exchange (the NYSE) prior to the opening of the market 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 was 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 our common stock.

Chapter 11 Proceedings

On February 3, 2009, we announced that we had reached agreements with certain noteholders, representing, in the aggregate, approximately 70% of the face value of our outstanding senior subordinated notes (the Significant Noteholders), to pursue a refinancing that, if implemented as proposed, would 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 U.S. subsidiaries (collectively, the Debtors) filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code, in the U.S. Bankruptcy Court (the Bankruptcy Court) for the Western District of Texas (the Bankruptcy Filing) and 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).

Table of Contents

On February 24, 2009, stockholder Mittleman Brothers LLC sent a letter to the U.S. Trustee requesting the appointment of an official committee of equity security holders for the Bankruptcy Cases (an Equity Committee). On March 6, 2009, the U.S. Trustee filed a Notice of Appointment of Committee of Equity Security Holders, appointing the Equity Committee consisting of Mittleman Brothers LLC (Equity Committee Chairperson), Ralston H. Coffin, Cookie Jar LLC, and Peter and Karen Locke, Living Trust. The Equity Committee, which opposes the Plan, has indicated that it believes that shares of our stock have substantial value. The Debtors disagree with the Equity Committee's views on valuation.

On June 15, 2009, in connection with the Proposed Plan of Reorganization, we entered into a commitment letter, a copy of which is attached hereto as Exhibit 10.41 and incorporated herein by reference, with General Electric Capital Corporation (GE Capital), pursuant to which GE Capital has agreed to provide a senior secured revolving credit facility of up to \$242 million to finance, among other things, the Debtors' emergence from the Bankruptcy Cases and our ongoing working capital needs. The financing is subject to satisfaction of customary conditions to closing, including, without limitation, confirmation of the Proposed Plan by the Bankruptcy Court, the execution and delivery of definitive documentation, compliance with a minimum excess availability threshold and the payment of certain fees and expenses. The proposed financing is in the form of an asset-based revolving credit facility, which would be secured by our U.S. subsidiaries' accounts receivable and inventories and would replace our current \$235 million debtor-in-possession credit facility on the effective date of a plan of reorganization. The proposed principal terms of the credit facility are included in a summary of terms attached to the above-referenced commitment letter. Obtaining satisfactory credit availability under an exit facility is a condition precedent to the effective date of the Plan and, therefore, the Debtors' emergence from chapter 11 bankruptcy. There can be no assurances that the Debtors will be able to agree to definitive terms with GE Capital or to otherwise consummate this financing.

Confirmation of the Proposed Plan

We previously publicly disclosed that the Proposed Plan had provided for reinstatement of our Senior Term Credit Facility under Section 1124 of the Bankruptcy Code. The agent under the Senior Term Credit Facility on behalf of the senior term lenders (the Senior Term Agent) had alleged that the Proposed Plan did not leave the rights of the term lenders under the Senior Term Credit Facility unimpaired and therefore did not reinstate the Senior Term Credit Facility claims without alteration. We vigorously defended our position that the terms under the Senior Term Credit Facility could be reinstated. On June 24, 2009, we announced that we had reached agreement with our senior term lenders on a settlement that would resolve the senior term lenders' objection to the Proposed Plan. Pursuant to the settlement, we amended the Proposed Plan to provide that the Senior Term Credit Facility would be amended upon any consummation of the Proposed Plan, among other things, to include: (1) a floor on the LIBOR rate of 150 basis points, (2) an increase of 250 basis points in the applicable rate to apply to each tranche of the facility, (3) increased required senior leverage ratios to allow a maximum senior leverage ratio of 5.75 through September 2010, 5.50 from October 2010 through September 2011 and 5.00 thereafter and (4) a change in the maturity of the senior term loans from March 2013 to June 2012. A form of amendment has been approved by the requisite lenders under the Senior Term Credit Facility and has been filed with the Bankruptcy Court (the Proposed Term Credit Amendment).

The Bankruptcy Court overruled the objections of the Equity Committee to the Proposed Plan and on June 25, 2009, approved on the record the Proposed Plan, as amended, at the conclusion of the confirmation hearing. The Bankruptcy Court entered an order (the Confirmation Order) on July 15, 2009 confirming the Second Modification to Joint Plan of Reorganization (the Plan) of Debtors and Debtors-in-Possession.

The refinancing provided for in the 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 us upon reorganization to the noteholders. Our common stock would be extinguished under the Plan, and no distributions will be made to holders of our equity. 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 Plan.

Table of Contents

On July 15, 2009, the Equity Committee filed a notice indicating that it was appealing the Confirmation Order (such appeal, the Equity Committee Appeal). The Equity Committee has, since then, filed a variety of pleadings in connection with its appeal, including motions to stay the Confirmation Order pending the Equity Committee's appeal. On July 23, 2009, the United States District Court for the Western District of Texas declined to stay the Confirmation Order. On July 27, 2009, the Fifth Circuit entered an order granting a temporary stay of all proceedings pending in the Bankruptcy Court and the district court and has permitted the district court to consider on an expedited basis whether to certify the Equity Committee's appeal of the district court's stay denial to the Fifth Circuit. On July 27, 2009, the Equity Committee filed in the Fifth Circuit an emergency motion to stay the Confirmation Order pending appeal and contended in that motion that it was essential for the Fifth Circuit to issue an emergency stay. That same day, the Fifth Circuit issued an order that suspended the district court's denial of a stay of the Confirmation Order until further order of the Fifth Circuit and likewise stayed proceedings in the bankruptcy court and the district court until further order of the Fifth Circuit. In light of the allegations that the Equity Committee made in its emergency motion to stay the Confirmation Order pending appeal, the Fifth Circuit issued its order before the Debtors had an opportunity to respond. After the Debtors filed a response to the Equity Committee's motion and a motion to dismiss the appeal, arguing that the Fifth Circuit lacked jurisdiction and that the Equity Committee had failed to follow legally required procedures, the Fifth Circuit modified its stay order on July 30, 2009 to allow limited additional proceedings in the district court. In granting the stay, the Fifth Circuit made no final decision concerning the substantive merits of the Equity Committee's appeal or its request to stay the Confirmation Order until the appeal is finally resolved. The Debtors continue to oppose the Equity Committee's appeal and requests to stay the Confirmation Order during the pendency of the appeal, and have filed pleadings with the district court and the Fifth Circuit Court in support of the Debtors' position. As of the date of this Quarterly Report on Form 10-Q, the appeal remains pending and the temporary stay by the Fifth Circuit Court remains in effect.

We intend to continue to operate our 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 until the effective date of the Plan. The general impact, if any, that the Bankruptcy Cases may have on our operations cannot be accurately predicted or quantified. If the Confirmation Order is overturned or consummation of a plan of reorganization does 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 and nine month periods ended June 28, 2009 are not necessarily indicative of the results that may be expected for the full fiscal year ending September 30, 2009.

Defaults on Pre-Petition 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 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

Table of Contents

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) (collectively, the Senior Subordinated 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 Rate Notes and the 8¹/₂ Notes are approximately \$700 million, \$347 million and \$3 million, respectively.

Also, on February 2, 2009, we did not 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.

Accounting for Reorganization

Subsequent to the Petition Date, our financial statements are prepared in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7 (SOP 90-7), *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*. SOP 90-7 does not change the application of generally accepted accounting principles (GAAP) in the preparation of our financial statements. However, SOP 90-7 does require that financial statements, for periods including and subsequent to the filing of a Chapter 11 petition, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. In accordance with SOP 90-7 we have done the following:

On our Condensed Consolidated Balance Sheets (Unaudited), we have separated liabilities that are subject to compromise from liabilities that are not subject to compromise;

On our Condensed Consolidated Statements of Operations (Unaudited), we have distinguished transactions and events that are directly associated with the reorganization from the ongoing operations of the business;

On our Condensed Consolidated Statements of Cash Flows (Unaudited), we have separately disclosed Reorganization items, net;

Ceased accruing interest on the Variable Rate Notes, the 7³/₈% Notes and the 8¹/₂% Notes; and

Presented Condensed Consolidating Financial Statements (Unaudited) of entities not in Chapter 11 Proceedings in Note 15, Condensed Consolidating Financial Statements (Unaudited), included in this Quarterly Report on Form 10-Q. These Condensed Consolidating Financial Statements (Unaudited) of our entities not in Chapter 11 Proceedings have been prepared on the same basis as our Condensed Consolidated Financial Statements (Unaudited).

Fresh-Start Reporting

As required by SOP 90-7 we will adopt fresh-start reporting upon emergence from Chapter 11, which is currently expected to occur during the fourth quarter of Fiscal 2009. The financial statements for the periods ended June 28, 2009 and prior do not include the effect of any changes in our capital structure or changes in the fair value of assets and liabilities as a result of fresh-start reporting.

Table of Contents**Results of Operations****Fiscal Quarter and Fiscal Nine Month Periods Ended June 28, 2009 Compared to Fiscal Quarter and Fiscal Nine Month Periods Ended June 29, 2008**

In this Quarterly Report on Form 10-Q we refer to the three month period ended June 28, 2009 as the Fiscal 2009 Quarter, the nine month period ended June 28, 2009 as the Fiscal 2009 Nine Months, the three month period ended June 29, 2008 as the Fiscal 2008 Quarter and the nine month period ended June 29, 2008 as the Fiscal 2008 Nine Months.

For the Fiscal 2008 Quarter and the Fiscal 2008 Nine Months, we have presented the Canadian division of the Home and Garden Business, which was sold on November 1, 2007, as discontinued operations. For the Fiscal 2009 Quarter, the Fiscal 2009 Nine Months, the Fiscal 2008 Quarter and the Fiscal 2008 Nine Months, we have presented the growing products portion of the Home and Garden Business, which our board of directors committed to shutdown in November 2008 and the shutdown was completed during the second quarter of Fiscal 2009, as discontinued operations. See Note 3, 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 the Home and Garden Business and the shutdown of the growing products portion of the Home and Garden Business. As a result, and unless specifically stated, all discussions regarding the Fiscal 2009 Quarter, the Fiscal 2008 Quarter, the Fiscal 2009 Nine Months and the Fiscal 2008 Nine Months reflect results only from our continuing operations.

Net Sales. Net sales for the Fiscal 2009 Quarter decreased to \$589 million from \$634 million in the Fiscal 2008 Quarter, a 7.1% 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	\$ 639
Increase in Home and Garden control product sales	2
Increase in Pet product sales	1
Decrease in Global Batteries & Personal Care specialty battery sales	(11)
Decrease in Global Batteries & Personal Care lighting product sales	(3)
Decrease in Global Batteries & Personal Care alkaline battery sales	(2)
Decrease in Global Batteries & Personal Care Remington branded product sales	(1)
Foreign currency impact, net	(36)
Fiscal 2009 Quarter Net Sales	\$ 589

Net sales for the Fiscal 2009 Nine Months decreased to \$1,641 million from \$1,754 million in the Fiscal 2008 Nine Months, a 6.4% decrease. The following table details the principal components of the change in net sales from the Fiscal 2008 Nine Months to the Fiscal 2009 Nine Months (in millions):

	Net Sales
Fiscal 2008 Nine Months Net Sales	\$ 1,758
Increase in Global Batteries & Personal Care alkaline battery sales	22
Increase in Global Batteries & Personal Care Remington branded product sales	14
Decrease in Global Batteries & Personal Care specialty battery sales	(29)
Decrease in Pet product sales	(9)
Decrease in Global Batteries & Personal Care lighting product sales	(6)
Foreign currency impact, net	(109)
Fiscal 2009 Nine Months Net Sales	\$ 1,641

Table of Contents

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

	Fiscal Quarter		Fiscal Nine Months	
	2009	2008	2009	2008
Product line net sales				
Battery sales	\$ 185	\$ 218	\$ 590	\$ 655
Pet product sales	145	148	419	439
Home and Garden control product sales	148	146	249	249
Shaving and grooming product sales	49	53	166	177
Personal care product sales	44	52	158	169
Lighting product sales	18	22	59	69
Total net sales to external customers	\$ 589	\$ 639	\$ 1,641	\$ 1,758

Global consumer battery sales decreased \$33 million in the Fiscal 2009 Quarter compared to the Fiscal 2008 Quarter, primarily driven by unfavorable foreign exchange translation of \$20 million coupled with decreased consumer battery sales in Latin America and Europe of \$15 million and \$5 million, respectively. These declines were offset by increased consumer battery sales, mainly alkaline batteries, in North America of \$7 million. The alkaline battery sales increase in North America is mainly attributable to higher volume at a major customer. The decreased consumer battery sales, mainly zinc carbon batteries, in Latin America continues to be due to a slow down in economic conditions in all countries and inventory de-stocking at retailers mainly in Brazil. Global consumer battery sales decreased \$65 million in the Fiscal 2009 Nine Months when compared to the Fiscal 2008 Nine Months, primarily driven by unfavorable foreign exchange translation of \$58 million coupled with decreased consumer battery sales in Latin America and Europe of \$44 million and \$10 million, respectively. The decreases in Latin America and Europe are a result of the same factors mentioned above for the Fiscal 2009 Quarter. Offsetting these declines are increased consumer battery sales, mainly alkaline, in North America of \$47 million. The alkaline battery sales increase in North America is mainly due to higher volume at a major customer coupled with new distribution.

The Fiscal 2009 Quarter and the Fiscal 2009 Nine Months pet product sales versus the comparable periods in the prior year decreased \$3 million, or 2%, and \$20 million, or 5%, respectively. The decrease of \$3 million during the Fiscal 2009 Quarter is primarily attributable to decreased aquatics sales of \$3 million coupled with unfavorable foreign exchange impacts of \$4 million. These decreases were partially offset by increases of \$4 million within specialty pet products. The decline in aquatics sales was primarily a result of decreased sales of large equipment due to the slow down in economic conditions which was partially tempered by the increased sales of consumables, such as fish food. The increase of \$4 million in specialty pet products is a result of our expanded Dingo brand sales and price increases on select products, primarily in the U.S. The decrease of \$20 million during the Fiscal 2009 Nine Months is primarily due to declines within aquatics sales of \$22 million and unfavorable foreign exchange of \$11 million, partially offset by increased sales within specialty pet products of \$12 million. The decrease in aquatics sales of \$22 million during the Fiscal Nine Months was attributable to declines in the U.S., Europe and Pacific Rim of \$10 million, \$10 million and \$2 million, respectively. The declines in Europe were due to inventory de-stocking at retailers and the poor weather season whereas the declines in the Pacific Rim and U.S. were as a result of the slow down in economic conditions. The increased specialty pet product sales of \$12 million during the Fiscal 2009 Nine Months was a result of the same factors mentioned above for the Fiscal 2009 Quarter.

The Fiscal 2009 Quarter sales of home and garden control products versus the Fiscal 2008 Quarter increased \$2 million primarily due to increased repellent sales at a major customer. The Fiscal 2009 Nine Months in comparison to the Fiscal 2008 Nine Months sales of home and garden control products were flat at \$249 million.

Table of Contents

Electric shaving and grooming sales in the Fiscal 2009 Quarter and the Fiscal 2009 Nine Months, compared to the same periods last year, decreased \$4 million, or 8%, and \$11 million, or 6%, respectively, primarily due to unfavorable foreign exchange translation of \$5 million and \$16 million, respectively. Excluding the unfavorable foreign exchange translation, electronic shaving and grooming sales increased \$1 million and \$5 million during the Fiscal 2009 Quarter and Fiscal 2009 Nine Months, respectively, compared to the same periods last year. Contributing to the increase in electric shaving and grooming products, excluding unfavorable foreign exchange translation, for the Fiscal 2009 Quarter were increases within Europe and Australia driven by new product launches, pricing and promotions, which were tempered by slight declines in North America. The increase during the Fiscal 2009 Nine Months was also attributable to increases within Europe, as well as slight gains in both North America and Latin America.

Net sales of electronic personal care products for the Fiscal 2009 Quarter and the Fiscal 2009 Nine Months decreased \$8 million, or 15%, and \$11 million, or 7%, respectively, when compared to the same periods last year. The decrease of \$8 million in the Fiscal 2009 Quarter was attributable to unfavorable foreign exchange translation of \$6 million coupled with slight declines in both North America and Europe, which was partially offset by a slight increase in sales within Latin America. The decrease of \$11 million during the Fiscal 2009 Nine Months was attributable to unfavorable foreign exchange impacts of \$20 million offset by increases within Europe and Latin America of \$8 million and \$2 million, respectively. The increased sales within Europe and Latin America were a result of successful product launches, mainly in women's hair care. Sales of electronic personal care products were down slightly in North America during the Fiscal 2009 Nine Months.

Sales of portable lighting products in the Fiscal 2009 Quarter and the Fiscal 2009 Nine Months decreased \$4 million, or 18%, and \$10 million, or 14%, respectively, when compared to the same periods last year. The \$4 million decrease in the Fiscal 2009 Quarter is primarily related to unfavorable foreign exchange translation of \$1 million coupled with declines within North America and Latin America of \$2 million and \$1 million, respectively, due to a slow down in economic conditions. The \$10 million decrease in the Fiscal 2009 Nine Months was related to unfavorable foreign exchange translation of \$4 million coupled with decreases across all regions as a result of the slow down in economic conditions.

Gross Profit. Gross profit for the Fiscal 2009 Quarter was \$230 million versus \$242 million for the Fiscal 2008 Quarter. Our gross profit margin for the Fiscal 2009 Quarter increased to 39.1% from 37.9% in the Fiscal 2008 Quarter. Gross profit for the Fiscal 2009 Nine Months was \$605 million versus \$664 million for the Fiscal 2008 Nine Months. Our gross profit margin for the Fiscal 2009 Nine Months decreased to 36.9% from 37.8% in the Fiscal 2008 Nine Months. Cost of goods sold during the Fiscal 2009 Quarter and Fiscal 2009 Nine Months included Restructuring and related charges of approximately \$0 million and \$13 million, respectively, whereas the Fiscal 2008 Quarter and the Fiscal 2008 Nine Months included Restructuring and related charges of approximately \$14 million for both periods. The Restructuring and related charges incurred in the Fiscal 2009 Nine Months were associated with our exit of our battery manufacturing facility in Ningbo, China, various cost cutting initiatives in connection with our Global Pet Supplies business and European operations within our Global Batteries and Personal Care business and our global realignment announced in January 2007. The Restructuring and related charges incurred in the Fiscal 2008 Quarter and the Fiscal 2008 Nine Months were primarily related to the exit of our battery manufacturing facility in Ningbo, China. See *Restructuring and Related Charges* below, as well as Note 12, 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 \$147 million versus \$497 million for the Fiscal 2008 Quarter, representing a decrease of \$350 million. The decrease in operating expense during the Fiscal 2009 Quarter is primarily attributable to the non-recurrence of the impairment charge of \$303 million recorded in the Fiscal 2008 Quarter. See Note 3, Significant Accounting Policies - Intangible Assets, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information on the non-cash pretax impairment charge. Also contributing to the decline in

Table of Contents

operating expenses is a \$40 million decrease of Selling expense. The decrease in Selling expense is related to favorable foreign exchange impacts of \$8 million coupled with lower distribution costs, a global reduction of marketing and advertising expense and headcount.

Operating expenses for the Fiscal 2009 Nine Months totaled \$463 million versus \$873 million for the Fiscal 2008 Nine Months, representing a decrease of \$410 million. The decrease in operating expense during the Fiscal 2009 Nine Months is primarily attributable to the non-recurrence of the impairment charge of \$316 million recorded in the Fiscal 2008 Nine Months. See Note 3, Significant Accounting Policies Intangible Assets, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q, for additional information on the non-cash pretax impairment charge. The decrease in Selling expense of \$82 million is related to favorable foreign exchange impacts of \$24 million coupled with lower distribution costs, a global reduction of marketing and advertising expense and headcount. The decrease in General and administrative costs of \$22 million is primarily related to favorable foreign exchange impacts of \$3 million, ongoing organizational streamlining and the non-recurrence of a \$13 million charge recorded during the Fiscal 2008 Nine Months related to the catch-up of depreciation and amortization associated with the Home and Garden Business incurred as a result of our reclassification of the Home and Garden Business from discontinued operations to continuing operations. See *Introduction* above and *Segment Results Home and Garden* below as well as Note 1, Description of Business, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding the reclassification of the Home and Garden Business. These favorable items were partially offset by Restructuring and related charges of \$27 million in the Fiscal 2009 Nine Months versus \$16 million in the Fiscal 2008 Nine Months. The Restructuring and related charges incurred in the Fiscal 2009 Nine Months are primarily related to consulting, legal and accounting fees related to the evaluation of our capital structure coupled with various cost cutting initiatives in connection our Global Pet Supplies business and European operations within our Global Batteries and Personal Care business, the exit of our battery manufacturing facility in Ningbo, China and our global realignment announced in January 2007. The Restructuring and related charges incurred during the Fiscal 2008 Nine Months were primarily related to the exit of our battery manufacturing facility in Ningbo, China and our global realignment announced in January 2007. See *Restructuring and Related Charges* below, as well as Note 12, 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.

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

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 this business during Fiscal 2009. On November 1, 2007, we completed the sale of the Canadian division of the Home and Garden Business. We do not present results of the growing products portion of the Home and Garden Business and the Canadian division of the Home and Garden Business in *Segment Results* because we have designated such businesses as discontinued operations. For additional information about the results of operations of the growing products portion of the Home and Garden Business and the sale of the Canadian division of the Home and Garden Business, see *Management's Discussion and Analysis of Financial Condition and Results of Operations Discontinued Operations* and Note 3, 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, income tax expense and reorganization items. 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

Table of Contents

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 11, Segment Results, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q.

Global Batteries & Personal Care

	Fiscal Quarter		Fiscal Nine Months	
	2009	2008	2009	2008
	(in millions)			
Net sales to external customers	\$ 297	\$ 344	\$ 974	\$ 1,070
Segment profit	\$ 37	\$ 33	\$ 124	\$ 105
Segment profit as a % of net sales	12.5%	9.6%	12.7%	9.8%
Assets as of June 28, 2009 and September 30, 2008	\$ 1,016	\$ 1,183	\$ 1,016	\$ 1,183

Segment net sales to external customers in the Fiscal 2009 Quarter decreased \$47 million to \$297 million from \$344 million during the Fiscal 2008 Quarter, a 14% decrease. Unfavorable foreign currency exchange translation impacted net sales in the Fiscal 2009 Quarter by approximately \$31 million. Global battery sales decreased \$13 million, excluding foreign exchange, or 6%, in the Fiscal 2009 Quarter compared to the Fiscal 2008 Quarter primarily due to an \$11 million, or 11%, decrease in sales of specialty batteries, which includes zinc carbon batteries, primarily in Latin America. This decrease in Latin America is primarily attributable to a slow down in consumer spending and inventory de-stocking at retailers. Sales of alkaline batteries also declined slightly by \$2 million during the Fiscal 2009 Quarter. The decline in alkaline battery sales was due to decreases in Europe and Latin America of \$5 million and \$4 million, respectively, also due to a slow down in consumer spending and inventory de-stocking at retailers. The declines in Europe and Latin America were offset by increased alkaline battery sales of \$5 million in North America. The increased alkaline battery sales in North America are attributable to increased volume at a major customer. Excluding unfavorable foreign exchange impacts, electronic shaving and grooming sales increased \$1 million during the Fiscal 2009 Quarter compared to the Fiscal 2008 Quarter due to increases within Europe driven by new product launches, pricing and promotions, which were tempered by slight declines in North America. Excluding unfavorable foreign exchange, net sales of electronic personal care products for the Fiscal 2009 Quarter decreased \$2 million, or 4%, versus the Fiscal 2008 Quarter. This decrease was primarily attributable to slight declines in both North America and Europe, which was partially offset by a slight increase in sales within Latin America. The declines within North America and Europe are attributable to a slow down in consumer spending driven by economic conditions while the gains in Latin America are attributable to increased market share within women's hair care. Excluding unfavorable foreign exchange, sales of portable lighting products in the Fiscal 2009 Quarter decreased \$3 million, or 14%, when compared to the Fiscal 2008 Quarter. This decrease was attributable to declines within North America and Latin America of \$2 million and \$1 million, respectively, due to a slow down in consumer spending driven by economic conditions.

Segment net sales to external customers in the Fiscal 2009 Nine Months decreased \$96 million to \$974 million from \$1,070 million during the Fiscal 2008 Nine Months, a 9% decrease. Unfavorable foreign currency exchange translation impacted net sales in the Fiscal 2009 Nine Months by approximately \$109 million.

Table of Contents

Excluding unfavorable foreign exchange impacts, global battery sales decreased \$6 million, or 1%, in the Fiscal 2009 Nine Months when compared to the Fiscal 2008 Nine Months which was driven by a decrease in specialty battery sales of \$29 million, or 9%, which was offset by increased sales of alkaline battery sales of \$22 million, or 6%. The specialty battery sales decline during the Fiscal 2009 Nine Months was a result of the same reasons mentioned above for the specialty battery sales decline during the Fiscal 2009 Quarter. The increased alkaline battery sales during the Fiscal 2009 Nine Months is mainly due to increased sales volume at a major customer coupled with new distribution in North America which was tempered by decreases in both Europe and Latin America due to a slow down in consumer spending. Electric shaving and grooming sales, excluding unfavorable foreign exchange, in the Fiscal 2009 Nine Months compared to the Fiscal 2008 Nine Months increased \$5 million, or 3%. We experienced electronic shaving and grooming sales gains within all regions and most significantly in Europe, where we experienced sales increase of \$3 million. The increases within Europe were a result of new product launches, pricing and promotions. Excluding unfavorable foreign currency exchange, net sales of electronic personal care products for the Fiscal 2009 Nine Months increased \$9 million, or 6%, when compared to the Fiscal 2008 Nine Months. The increase of \$9 million during the Fiscal 2009 Nine Months was attributable to gains within Europe and Latin America of \$8 million and \$2 million. The increased sales within both Europe and Latin America were due to increased market share within women's hair care coupled with successful product launches. Sales of portable lighting products, excluding unfavorable foreign currency exchange, in the Fiscal 2009 Nine Months decreased \$6 million, or 9%, when compared to the Fiscal 2008 Nine Months. The \$6 million decrease in the Fiscal 2009 Nine Months is primarily related to slight declines within all regions, due to a slow down in consumer spending due to macro economic conditions.

Segment profitability in the Fiscal 2009 Quarter increased to \$37 million from \$33 million in the Fiscal 2008 Quarter. Segment profitability as a percentage of net sales increased to 12.5% in the Fiscal 2009 Quarter as compared with 9.6% in the Fiscal 2008 Quarter. The increase in segment profitability in the Fiscal 2009 Quarter is a result of lower marketing and advertising expense and cost savings from our global cost reduction initiatives. See *Restructuring and Related Charges* below, as well as Note 12, 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 were tempered by unfavorable foreign currency translation of \$5 million. Segment profitability in the Fiscal 2009 Nine Months increased to \$124 million from \$105 million in the Fiscal 2008 Nine Months. Segment profitability as a percentage of net sales increased to 12.7% in the Fiscal 2009 Nine Months from 9.8% in the comparable period last year. This increase in segment profitability was primarily due to the items discussed above which was tempered by unfavorable foreign currency translation of \$18 million.

Segment assets at June 28, 2009, decreased to \$1,016 million from \$1,183 million at September 30, 2008. The decrease is primarily due to the impacts of foreign currency translation. Goodwill and intangible assets at June 28, 2009, totaled approximately \$413 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 June 28, 2009 and September 30, 2008, these amounts totaled approximately \$4 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.

Table of Contents*Global Pet Supplies*

	Fiscal Quarter		Fiscal Nine Months	
	2009	2008	2009	2008
	(in millions)			
Net sales to external customers	\$ 145	\$ 149	\$ 419	\$ 439
Segment profit	\$ 19	\$ 17	\$ 46	\$ 49
Segment profit as a % of net sales	13.1%	11.3%	11.0%	11.1%
Assets as of June 28, 2009 and September 30, 2008	\$ 685	\$ 700	\$ 685	\$ 700

Segment net sales to external customers in the Fiscal 2009 Quarter and the Fiscal 2009 Nine Months versus the comparable periods in the prior year decreased \$4 million, or 3%, and \$20 million, or 5%, respectively. The decrease of \$4 million during the Fiscal 2009 Quarter is primarily attributable to unfavorable foreign exchange impacts of \$5 million. Excluding unfavorable foreign exchange impacts, sales of specialty pet products increased \$4 million which was offset by declines in aquatics sales of \$3 million during the Fiscal 2009 Quarter compared to the Fiscal 2008 Quarter. The increase of \$4 million in specialty pet products was primarily a result of our expanded Dingo brand sales and price increases within select brands, mainly in the U.S. The decline in aquatics sales of \$3 million was primarily a result of a decrease in Europe of \$2 million due to inventory de-stocking at retailers. We also experienced slight declines of aquatic sales in the Pacific Rim and the U.S. as a result of the slow down in consumer spending due to economic conditions.

The decrease of \$20 million during the Fiscal 2009 Nine Months compared to the Fiscal 2008 Nine Months includes unfavorable foreign exchange impacts of \$11 million. Excluding the impact of unfavorable foreign exchange, sales of specialty pet products increased \$12 million which was offset by declines in aquatics sales of \$22 million during the Fiscal 2009 Nine Months compared to the Fiscal 2008 Nine Months. The increase of \$11 million in specialty pet products was a result of the same reasons mentioned above for the sales increase during the Fiscal 2009 Quarter. The decline in aquatics sales of \$22 million was primarily a result of a decrease in Europe of \$10 million mainly due to inventory de-stocking at retailers coupled with declines within the U.S. due to a slow down in consumer spending as a result of the macro economic conditions.

Segment profitability in the Fiscal 2009 Quarter increased to \$19 million compared to \$17 million in the Fiscal 2008 Quarter. Segment profitability as a percentage of sales in the Fiscal 2009 Quarter also increased to 13.1% from 11.3% in the Fiscal 2008 Quarter. The increase in segment profitability in the Fiscal 2009 Quarter is attributable to cost savings from our global cost reduction initiatives. See *Restructuring and Related Charges* below, as well as Note 12, 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. Segment profitability in the Fiscal 2009 Nine Months decreased to \$46 million, or 11.0% of sales, from \$49 million, or 11.1% of sales, in the Fiscal 2008 Nine Months. This decrease in segment profitability during the Fiscal 2009 Nine Months was primarily due to decreased sales, as previously mentioned above, coupled with increases in cost of goods sold, which negatively impacted margins, as price increases lagged behind such cost increases. Offsetting the decreased margin is lower operating expenses, driven by decreased marketing and advertising expense.

Segment assets as of June 28, 2009, decreased to \$685 million from \$700 million at September 30, 2008. The decrease is primarily due to the impacts of foreign currency translation. Goodwill and intangible assets as of June 28, 2009, totaled approximately \$432 million and primarily relate to the acquisitions of Tetra and United.

Table of Contents*Home and Garden Business*

	Fiscal Quarter		Fiscal Nine Months	
	2009	2008	2009	2008
	(in millions)			
Net sales to external customers	\$ 148	\$ 146	\$ 249	\$ 249
Segment profit (loss)	\$ 39	\$ 31	\$ 37	\$ 13
Segment profit (loss) as a % of net sales	26.4%	21.2%	14.9%	5.2%
Assets as of June 28, 2009 and September 30, 2008	\$ 291	\$ 290	\$ 291	\$ 290

Segment net sales to external customers in the Fiscal 2009 Quarter increased to \$148 million from \$146 million in the Fiscal 2008 Quarter, representing an increase of \$2 million, or 1%. The increased home and garden control product sales during the Fiscal 2009 Quarter are attributable to increased repellent sales among several large customers which were tempered by our strategic decision to exit certain low margin products.

Segment net sales in the Fiscal 2009 Nine Months remained flat at \$249 million when compared to the Fiscal 2008 Nine Months as increases in repellent sales to several large customers were offset by our strategic decision to exit certain low margin products.

Segment profitability in the Fiscal 2009 Quarter increased to \$39 million from \$31 million in the Fiscal 2008 Quarter. Segment profitability as a percentage of sales in the Fiscal 2009 Quarter increased to 26.4% from 21.2% in the same period last year. This increase in segment profitability was due to the reduction of selling, general and administrative expenses associated with ongoing organizational streamlining. In the Fiscal 2009 Nine Months our Home and Garden Business segment profitability increased to \$37 million versus \$13 million in the Fiscal 2008 Nine Months. Segment profitability as a percentage of sales in the Fiscal 2009 Nine Months increased to 14.9% from 5.2% in the same period last year. The increased segment profitability for the Fiscal 2009 Nine Months was a result of the non-recurrence of a charge for depreciation and amortization expense of \$14 million recorded during the second quarter of our Fiscal 2008 related to prior period depreciation and amortization. From October 1, 2006 through December 30, 2007, the U.S. division of the 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. See Introduction above, as well as Note 1, Description of Business, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for addition information regarding the reclassification of the U.S. division of the Home and Garden Business. Also contributing to segment profitability during the Fiscal 2009 Nine Months were reductions in selling, general and administrative expenses, as mentioned above for the Fiscal 2009 Quarter.

Segment assets as of June 28, 2009 were \$291 million as compared to \$290 million at September 30, 2008. Intangible assets as of June 28, 2009, totaled approximately \$99 million and primarily relate to the acquisition of United.

Corporate Expense. Our corporate expenses in the Fiscal 2009 Quarter decreased to \$8 million from \$12 million in the Fiscal 2008 Quarter. Our corporate expense as a percentage of consolidated net sales in the Fiscal 2009 Quarter decreased to 1.4% from 2.0% in the Fiscal 2008 Quarter. For the Fiscal 2009 Nine Months corporate expenses decreased to \$25 million from \$30 million in the same period last year. Our corporate expense as a percentage of consolidated net sales in the Fiscal 2009 Nine Months decreased to 1.5% from 1.7% in the Fiscal 2008 Nine Months. The decrease in expense for the Fiscal 2009 Quarter and Fiscal 2009 Nine months is mostly driven by the non-recurring \$4 million charge incurred in the Fiscal 2008 Quarter and Fiscal 2008 Nine months to write off professional fees incurred in connection with the termination of substantive negotiations with a potential purchaser of our Global Pet Supplies business.

Table of Contents

Restructuring and Related Charges. See Note 12, 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, Fiscal 2008 Quarter, Fiscal 2009 Nine Months and Fiscal 2008 Nine Months, respectively (in millions):

	Fiscal Quarter		Fiscal Nine Months	
	2009	2008	2009	2008
Costs included in cost of goods sold:				
United & Tetra integration:				
Other associated costs	\$	\$ 0.2	\$	\$ 0.3
European Initiatives:				
Other associated costs				0.2
Latin American Initiatives:				
Termination benefits			0.2	
Global Realignment Initiatives:				
Termination benefits			0.3	
Ningbo Exit Plan:				
Termination benefits			0.8	
Other associated costs	0.2	13.7	11.2	13.7
Global Cost Reduction Initiatives:				
Termination benefits			0.2	
Other associated costs	0.2		0.5	
Total included in cost of goods sold	0.4	13.9	13.2	14.2
Costs included in operating expenses:				
United & Tetra integration:				
Termination benefits	(0.2)	0.1	2.2	0.9
Other associated costs	(0.6)	0.3	0.6	0.6
European Initiatives:				
Termination benefits				
Other associated costs				
Latin American Initiatives:				
Termination benefits				
Other associated costs				
Global Realignment Initiatives:				
Termination benefits	1.0	2.4	8.9	8.9
Other associated costs	0.5	3.2	2.3	5.7
Ningbo Exit Plan:				
Other associated costs			1.5	
Global Cost Reduction Initiatives:				
Termination benefits	0.5		2.5	
Other associated costs	1.6		9.2	
Total included in operating expenses	2.8	6.0	27.2	16.1
Total restructuring and related charges	\$ 3.2	\$ 19.9	\$ 40.4	\$ 30.3

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

Table of Contents

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. During the Fiscal 2009 Quarter and the Fiscal 2009 Nine Months we recorded \$(1) million pretax restructuring and related charges to adjust prior estimates and eliminate the accrual. Integration initiatives are now complete.

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 de minimis pretax restructuring and related charges during the Fiscal 2009 Quarter, \$1 million of charges in the Fiscal 2009 Nine Months and de minimis charges during both the Fiscal 2008 Quarter and Fiscal 2008 Nine Months, 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 June 28, 2009. 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. In connection with our integration activities within Global Pet Supplies we recorded de minimis pretax restructuring and related charges during the Fiscal 2009 Quarter, \$2 million of charges during the Fiscal 2009 Nine Months, \$1 million of charges during the Fiscal 2008 Quarter and \$2 million of charges during Fiscal 2008 Nine Months. 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 no pretax restructuring and related charges during both the Fiscal 2009 Quarter and Fiscal 2009 Nine Months, and recorded de minimis charges during the Fiscal 2008 Quarter and Fiscal 2008 Nine Months, 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 the Fiscal 2009 Quarter, the Fiscal 2009 Nine Months, the Fiscal 2008 Quarter and the Fiscal 2008 Nine Months, 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 \$1 million and \$12 million of pretax restructuring and related charges during the Fiscal 2009 Quarter and the Fiscal 2009 Nine Months, respectively, and recorded charges of \$6 million and \$15 million during the Fiscal 2008 Quarter and Fiscal 2008

Table of Contents

Nine Months, respectively, 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 \$93 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, China (the Ningbo Exit Plan). We recorded de minimis pretax restructuring and related charges during the Fiscal 2009 Quarter and \$12 million of pretax restructuring and related charges during the Fiscal 2009 Nine Months, respectively, and \$14 million in both the Fiscal 2008 Quarter and the Fiscal 2008 Nine Months 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 a series of initiatives within the Global Batteries & Personal Care segment and the Global Pet Supplies segment to reduce operating costs as well as evaluate our opportunities to improve our capital structure (the Global Cost Reduction Initiatives). These initiatives include headcount reductions within all our segments and the exit of certain facilities in the U.S. related to the Global Pet Supplies segment. These initiatives also included consultation, legal and accounting fees related to the evaluation of our capital structure. We recorded \$2 million and \$12 million of pretax restructuring and related charges during the Fiscal 2009 Quarter and Fiscal 2009 Nine Months, respectively, related to the Global Cost Reduction Initiatives. Costs associated with these initiatives, which are expected to be incurred through September 30, 2009, are projected at approximately \$18 million.

Interest Expense. Interest expense in the Fiscal 2009 Quarter decreased to \$49 million from \$57 million in the Fiscal 2008 Quarter. The decrease is primarily due to our discontinuation of the accrual of interest on our Senior Subordinated Notes as of February 3, 2009 in connection with the Bankruptcy Filing partially offset by the accrual of default interest on our U.S. Dollar Term B Loan and Euro Facility and ineffectiveness related to interest rate derivative contracts. In accordance with SOP 90-7 we ceased accruing interest on our Senior Subordinated Notes as the repayment of this debt and interest is an allowed claim by the bankruptcy court. Interest expense in the Fiscal 2009 Nine Months decreased to \$149 million from \$172 million in the Fiscal 2008 Nine Months. The decrease during the Fiscal 2009 Nine Months is also due to ceasing the accrual of interest on our Senior Subordinated Notes, partially offset by the accrual of default interest on our U.S. Dollar Term B Loan and Euro Facility and ineffectiveness related to interest rate derivative contracts, as mentioned above. Contractual interest not accrued on the Senior Subordinated Notes was \$24 million for the Fiscal 2009 Quarter and \$39 million during the Fiscal 2009 Nine Months. See *Liquidity and Capital Resources Debt Financing Activities* and Note 8, Debt, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our outstanding debt.

Reorganization Items. During the Fiscal 2009 Quarter and the Fiscal 2009 Nine Months we incurred approximately \$62 million and \$83 million, respectively, of expense in Reorganization items, net. The Fiscal 2009 Quarter included legal and professional fees of \$56 million and a provision for rejected leases of \$6 million. The Fiscal 2009 Nine Months Reorganization items, net, included the following: (i) legal and professional fees of \$67 million; (ii) write off deferred financing costs of \$11 million related to the Senior Subordinated Notes; and (iii) a provision for rejected leases of \$6 million.

Income Taxes. Our effective tax rate on income from continuing operations is approximately (30)% and (34)% for the Fiscal 2009 Quarter and Fiscal 2009 Nine Months, respectively. Our effective tax rate on income from continuing operations was approximately 11% and (13)% for the Fiscal 2008 Quarter and Fiscal 2008 Nine Months, respectively. While in bankruptcy, we continue to assess our ability to utilize our U.S. federal and state net operating losses against income and gains generated in the future, subject to limitations under applicable law, including Internal Revenue Code Section 382. Under SFAS No. 109, Accounting for Income Taxes (SFAS 109), we, as discussed more fully below, continue to have a full valuation allowance against our net deferred tax assets in the U.S., excluding certain indefinite lived intangible assets.

Table of Contents

As of June 28, 2009, we are estimating that at September 30, 2009 we will have U.S. federal and state net operating loss carryforwards of approximately \$1,169 million and \$2,058 million, respectively, which will expire through years ending in 2029, and we will have foreign net operating loss carryforwards of approximately \$116 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 the U.S. federal and state net operating loss carryforwards in accordance with Internal Revenue Code Section 382 and corresponding provisions under applicable law.

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 decreased our valuation allowance against net deferred tax assets by approximately \$30 million. Our total valuation allowance, established for the tax benefit of deferred tax assets that may not be realized, was approximately \$541 million and \$496 million at June 28, 2009 and September 30, 2008, respectively. Of this amount, approximately \$517 million and \$468 million relates to U.S. net deferred tax assets at June 28, 2009 and September 30, 2008, respectively and approximately \$24 million and \$28 million relates to foreign net deferred tax assets at June 28, 2009 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 June 28, 2009 and September 30, 2008, we had approximately \$7 million of unrecognized tax benefits in both periods, of which approximately \$5 million and \$5 million, respectively, would affect our effective tax rate if recognized and approximately \$2 million for both June 28, 2009 and September 30, 2008, of which would result in a reduction in goodwill if recognized. The change from September 30, 2008 to June 28, 2009 is primarily a result of the accrual of additional interest and penalties.

Discontinued Operations. 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 products portion of the Home and Garden Business during our Fiscal 2009. We believe the shutdown is consistent with what we have done in other areas of our business to eliminate unprofitable products from our portfolio. The shutdown of the growing products portion of the Home and Garden Business has been completed.

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 \$15 million 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.

Table of Contents

On February 5, 2008, we finalized the contractual working capital adjustment in connection with this sale which increased the proceeds we received. As a result of the finalization of the contractual working capital adjustments we recorded a loss on disposal of \$1 million, net of tax benefit.

The following amounts related to the growing products portion of the Home and Garden Business and the Canadian division of the Home and Garden Business have been segregated from continuing operations and are reflected as discontinued operations for the Fiscal 2009 Quarter, the Fiscal 2008 Quarter, the Fiscal 2009 Nine Months and the Fiscal 2008 Nine Months, respectively (in millions):

	Three Months		Nine Months	
	2009	2008	2009	2008 ^(A)
Net sales	\$	\$ 90.9	\$ 31.3	\$ 227.6
Loss from discontinued operations before income taxes	\$ (3.1)	\$ (5.3)	\$ (89.1)	\$ (9.9)
Income tax benefit	(1.1)	(0.4)	(5.1)	(1.4)
Loss from discontinued operations, net of tax	\$ (2.0)	\$ (4.9)	\$ (84.0)	\$ (8.5)

^(A) Included in the loss for the Fiscal 2008 Nine Months, is a loss on disposal of approximately \$1 million, net of tax benefit.

Liquidity and Capital Resources**Operating Activities**

During the Fiscal 2009 Nine Months cash used by operating activities totaled \$43 million as compared to a use of \$131 million in the Fiscal 2008 Nine Months. The \$88 million decrease in cash used represented a \$90 million decrease in cash used by operating activities of continued operations which was partially offset by an increase of \$2 million of cash used by operating activities from discontinuing operations. The decrease in cash used by operating activities from continuing operations were primarily the result of our ability to reduce operating expenses throughout the company. Selling expenses were \$301 million in the Fiscal 2009 Nine Months versus \$384 million during the Fiscal 2008 Nine Months. General and administrative expenses were \$117 million during the Fiscal 2009 Nine Months versus \$139 million during the Fiscal 2008 Nine Months. The reductions of our operating expenses were partially offset by unfavorable foreign exchange translation and transaction losses which negatively impacted operating income during the Fiscal 2009 Nine Months. The \$2 million increase in cash used by operating activities from discontinued operations was due to the costs related to the shutdown of the growing products portion of the Home and Garden Business. See Note 3, 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 disposal of the growing products portion of the Home and Garden Business.

As a result of the Bankruptcy Filing and the circumstances leading to the Bankruptcy Filing, as 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 Cases, we expect that our primary sources of liquidity will continue to 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 believe that we will be able to secure exit financing available to us upon consummation of the Proposed Plan, there can be no assurances in that regard or with respect to the terms necessary to secure such financing.

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, including, among other things, the Equity Committee Appeal. We anticipate that we will continue to incur significant professional fees and costs for the pendency of the Bankruptcy Cases. Pursuant to the terms of the Support Agreement, we are obligated to pay the fees and costs of specified legal and

Table of Contents

financial advisors to each of the Significant Noteholders at the end of the Bankruptcy Cases. Under the Final DIP Order, the fees and costs of the professionals retained by the agent under the DIP Facility and the Supplemental Loan participants are payable by us during the Bankruptcy Cases. The Equity Committee is continuing to seek to have us pay the fees and expenses of its professionals. In addition, as described elsewhere in this report, pursuant to a Bankruptcy Court order, we are required to make certain adequate protection payments with respect to the Senior Term Credit Facility, including, without limitation, the payment of reasonable fees and expenses of the legal and financial advisors to the agent under the Senior Term Credit Facility. In our Fiscal 2009 Quarter, we have also been spending and expect to continue to spend, substantial resources responding to requests for information from both the Senior Term Agent and the Equity Committee in connection with litigation over the Proposed Plan.

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. 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 consummated, 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 July 26, 2009, we had approximately \$68 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 or DIP financing order entered by the Bankruptcy Court in connection with the Bankruptcy Cases.

Investing Activities

Net cash used by investing activities was approximately \$6 million for the Fiscal 2009 Nine Months. For the Fiscal 2008 Nine Months investing activities provided cash of approximately \$1 million. The \$7 million decrease was primarily due to the proceeds received in connection with the November 2007 sale of the Canadian division of the Home and Garden Business of approximately \$15 million, which was partially offset by a \$7 million reduction of capital expenditures related to continuing operations. During the Fiscal 2009 Nine Months continuing operations capital expenditures totaled \$6 million versus \$13 million in the Fiscal 2008 Nine Months. Capital expenditures for Fiscal 2009 are expected to be approximately \$15 million.

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.

Table of Contents**Senior Term Credit Facility and ABL Facility**

During the second quarter of Fiscal 2007, we refinanced our outstanding senior credit facilities with 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. We anticipate that upon consummation of the Plan the terms of the credit agreement, including the maturity dates, would be amended pursuant to the Proposed Term Credit Amendment. See *Chapter II Proceedings* above for a further description of the Proposed Term Credit Amendment.

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 our 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 Fiscal 2009 nine month period, we made \$3 million of scheduled prepayments of term loan indebtedness under the Senior Credit Agreement. Pursuant to an order from the Bankruptcy Court entered on April 22, 2009, we are required to make certain adequate protection payments with respect to the Senior Term Credit Facility. These payments include fees, costs and expenses incurred by the agent under the Senior Term Credit Facility and its professionals. We are also required, until August 28, 2009, to make cash payments of interest at the non-default rate as and when due pursuant to the terms of the Senior Credit Agreement, subject to certain specified conditions, including, among others, sufficient availability as reflected in our revised budget prepared in connection with our DIP Facility.

At June 28, 2009, the aggregate amount outstanding under our Senior Credit Facilities totaled a U.S. Dollar equivalent of approximately \$1,449 million, including principal amounts of approximately \$974 million under the U.S. Dollar Term B Loan, approximately 255 million under the Euro Facility (USD approximately \$357 million at June 28, 2009), approximately \$68 million under the Revolving DIP Credit Facility, including approximately \$9 million in letters of credit, approximately \$20 million of un-reimbursed letters of credit, and letters of credit outstanding under the L/C Facility totaling approximately \$30 million.

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 our 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

Table of Contents

default under the Senior Term Credit Facility and the indebtedness under the facility has been accelerated; however, the claims in respect to the Senior Credit Agreement are not impaired under the Proposed Plan and continues to be classified as Long-term debt, net of current maturities, in the Condensed Consolidated Balance Sheets (Unaudited) included in this Quarterly Report on Form 10-Q. We anticipate that upon consummation of the Plan, the Term Credit Facility will be reinstated and the terms of the Term Credit Facility would be amended pursuant to the Proposed Term Credit Amendment. See *Chapter 11 Proceedings* above for a description of the Proposed Term Credit Amendment.

The Company expects to enter into the Proposed Term Credit Amendment in connection with implementation of the Plan which, among other things, would increase the interest rates on the senior term loans and provide the Company with more flexibility under the senior secured leverage ratio requirements under the Senior Credit Agreement. See *Chapter 11 Proceedings* above for a further description of the Proposed Term Credit Amendment.

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 March 5, 2009, we received final approval from the Bankruptcy Court (the *Final DIP 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 revolving 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 our working capital needs, 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 Final DIP Financing Order if the permanent financing order 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 Final DIP Order constitutes the permanent financing order and, therefore, we have satisfied the 45 day requirement. We have classified the DIP Facility as current based on the requirement of Emerging Issues Task Force Issue No. 95-22, *Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that include both a Subjective Acceleration Clause and a Lock-Box Arrangement*.

Table of Contents

As a result of borrowings and payments under the DIP Facility during the quarter ended June 28, 2009, we had aggregate borrowing availability of approximately \$121 million, net of lender reserves of approximately \$34 million and outstanding letters of credit of approximately \$9 million, under the DIP facility.

The Supplemental Loan will mature on the earliest of (a) February 5, 2010, (b) 45 days after the entry of the Final DIP Financing Order if the permanent financing order, 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 noted above, the Final DIP Order constitutes the permanent financing order and, therefore, we have satisfied the 45 day requirement.

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 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 Final DIP 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 due outstanding 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. As of June 28, 2009, we were in compliance with all covenants under the DIP Facility.

Under the DIP Credit Agreement, the Supplemental Loan lenders are eligible to receive an equity fee at the Debtors' emergence of chapter 11 in connection with implementation of the Plan. The Plan provides for 9.9% of the new common stock to be issued under the Plan to be issued to the Supplemental Loan lenders to satisfy the Supplemental Loan lenders' claims with respect to the equity fee arrangement.

We currently believe that cash on hand, funds from our operations and availability under the DIP Facility will provide us with sufficient liquidity to fund our operations, capital expenditures and debt service obligations under the DIP Facility during the Chapter 11 proceedings. Also, we expect to have additional liquidity during Chapter 11 proceedings as a result of the stay of certain pre-petition liabilities. However, our ability to continue as a going concern is predicated upon, among other things, the timely confirmation and consummation of a satisfactory plan of reorganization, compliance with the provisions of the DIP Facility, our ability to generate sufficient cash flows from operations and our ability to obtain financing sufficient to satisfy our future obligations. We can provide no assurance that it will be successful in this regard.

The Company intends to pay off the DIP Facility on the effective date of the Plan with proceeds of the Debtors' exit financing.

Table of Contents

Senior Subordinated Notes

At June 28, 2009, 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. Under the Proposed Plan, the allowed claims in the Bankruptcy Cases with respect to the Senior Subordinated Notes would be converted into a combination of new common stock and new notes that we would issue upon emergence of Chapter II.

The indentures governing the Senior Subordinated Notes contain customary covenants that limit, among other things, the incurrence of additional indebtedness, payment of dividends on or redemption or repurchase of equity interests, the making of certain investments, expansion into unrelated businesses, creation of liens on assets, merger or consolidation with another company, transfer or sale of all or substantially all assets, and 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, we did not 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. The holders of Senior Subordinated Notes hold unsecured claims in the Bankruptcy Cases with respect to the indebtedness under the Senior Subordinated Notes as of the time of the Bankruptcy Filing. As of June 28, 2009, the Senior Subordinated Notes are presented within Liabilities subject to compromise in the Condensed Consolidated Balance Sheets (Unaudited) included in this Quarterly Report on Form 10-Q.

Interest Payments and Fees

In addition to principal payments on our Senior Term Credit Facility and DIP Facility, we 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 for the U.S. Term B Loan at the base rate and for the Euro Term Loan Facility at the one month Euro LIBOR rate and, as described in *Senior Term Credit Facility and ABL Facility* above, is payable as and when due, subject to certain limitations. 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 June 28, 2009, we estimate annual interest payments of approximately \$95 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 default interest or outstanding interest rate swaps. We expect interest expense would increase in connection with our entry into the Proposed Term Credit Amendment in connection with implementation of the Plan. See *Chapter 11 Proceedings* above.

Table of Contents

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 Nine Months, 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 U.S. Bankruptcy Code and through the Bankruptcy Court to reject or otherwise seek relief from time to time under certain of our contracts.

Critical Accounting Policies and Critical Accounting Estimates

Our Condensed Consolidated Financial Statements (Unaudited) have been prepared in accordance with GAAP in the U.S. 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 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*

Table of Contents

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 our 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 GAAP in the U.S. SFAS 162 is effective 60 days following SEC approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of GAAP 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.

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements* (SFAS 157), which establishes a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. In February 2008, the FASB issued FSP 157-2, *Effective Date of FASB Statement 157* (FSP 157-2), which allows for a one year deferral of the adoption date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. We elected to defer the adoption of SFAS 157 for the assets and liabilities within the scope of FSP 157-2. In October 2008, the FASB issued FSP 157-3,

Determining the Fair Value of a Financial Asset in a Market That Is Not Active (FSP 157-3), which clarifies the application of SFAS 157 when the market for a financial asset is inactive. The adoption of SFAS 157 for those assets and liabilities not subject to the deferral permitted by FSP 157-2 did not have a material impact on our financial position, results of operations or cash flows. We do not expect the adoption of SFAS 157 for non-financial assets and liabilities to have a material impact on our consolidated financial statements.

In December 2008, the FASB issued FSP No. 132(R)-1, *Employers' Disclosures about Pensions and Other Postretirement Benefits* (FSP 132R-1). FSP 132R-1 requires enhanced disclosures about the plan assets of a company's defined benefit pension and other postretirement plans. The enhanced disclosures required by this FSP are intended to provide users of financial statements with a greater understanding of: (1) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies; (2) the major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and (5) significant concentrations of risk within plan assets. FSP 132R-1 is effective for fiscal years beginning after December 15, 2009. We do not believe the adoption of FSP 132R-1 will have a material impact on our financial position, results of operations or cash flows.

In May 2009, the FASB issued SFAS 165, *Subsequent Events* (SFAS 165), which defines and establishes the period after the balance sheet date during which management of a reporting entity evaluates transactions and events for potential disclosure in the financial statements in addition to disclosing the date

Table of Contents

through which such events have been evaluated. SFAS 165 is effective for financial statements issued for fiscal years and interim periods ending after June 15, 2009 and is to be applied prospectively. We adopted SFAS 165 during the Fiscal 2009 Quarter. The adoption of SFAS 165 did not have a material impact on our consolidated financial position, results of operations, or cash flows. In accordance with SFAS 165, we evaluated subsequent events through August 7, 2009, which is the date on which these financial statements were issued.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. The statement makes the FASB Accounting Standards Codification (the Codification) the single source of authoritative U.S. accounting and reporting standards, but it does not change U.S. GAAP. SFAS 168 is effective for interim and annual periods ending after September 15, 2009. We will adopt the statement as required, and the financial statements for the period ending September 30, 2009 will reflect the Codification references. The adoption of SFAS 168 will have no impact on our results of operations, financial condition or liquidity.

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 3 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.

Table of Contents

Sensitivity Analysis

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

As of June 28, 2009, the potential change in fair value of outstanding interest rate derivative instruments, assuming a one percentage point unfavorable shift in the underlying interest rates would be a loss of \$1.1 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 loss of \$1.1 million.

As of June 28, 2009, 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 \$8.2 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 \$0.6 million.

As of June 28, 2009, 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 \$1.5 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 \$0.7 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.

Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On February 3, 2009, the Company and its U.S. subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code with the U.S. 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;

Table of Contents

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 June 28, 2009 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 U.S. 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.

Table of Contents

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 of the bankruptcy Code 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 consummate the approved plan of reorganization, or any other plan of reorganization, with respect to the Bankruptcy Cases;

our ability to successfully defend the approved plan of reorganization against the Equity Committee Appeal;

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;

our ability to retain key vendors or secure alternative supply sources;

our ability to fund and execute our business plan; and

our ability to obtain acceptable and appropriate exit financing.

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.

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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 proceedings will have on our business, financial condition and results of operations, and there is no 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

Table of Contents

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 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 implementation of the Plan.

If implemented in accordance with its terms, the Plan will substantially change our capital structure. The 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 Plan (or any other plan of reorganization) will be consummated, 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 23% of the Company's consolidated net sales for the Fiscal 2009 Nine Months. 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 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 \$75 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.

Table of Contents

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.

Our ability to emerge from the Bankruptcy Cases will depend on obtaining sufficient exit financing to settle administrative expenses of the reorganization and any other related obligations, and to provide adequate future liquidity.

For our Plan to be effective, we will need to obtain and demonstrate the sufficiency of exit financing. While we have entered into a commitment letter with GE Capital, we cannot presently determine the final terms of such financing, nor can there be any assurances of our success in obtaining it, particularly in light of the recent substantial disruption in the global credit markets which has resulted in credit becoming more expensive and difficult to obtain. Failure to obtain exit financing as contemplated by the Plan may further delay our emergence from the Bankruptcy Cases, leaving us vulnerable to any further deterioration in economic conditions.

Emergence from the Bankruptcy Cases is not assured.

The Company cannot predict the impact that the Equity Committee Appeal might have on the Bankruptcy Court's approval of the Plan. The Company believes that it has meritorious defenses against the Equity Committee Appeal, but there can be no assurances that the Bankruptcy Court's approval of the Plan will not be overturned. Further defense of the appeal may cause the Company to devote significant resources in response which could materially and adversely affect the Company's business, financial condition and results of operations.

If the Bankruptcy Court's approval of the Plan is overturned, 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 our secured creditors, would ultimately receive with respect to their claims. The Debtors would likely incur significant costs in connection with developing and seeking approval of an alternative plan of reorganization, which might not be supported by any of the Significant Noteholders, the Senior Term Agent, the Equity Committee or other stakeholders. 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 the Bankruptcy Cases in the future, there can be no assurance as to whether we will successfully reorganize and emerge from the Bankruptcy Cases or, if we do successfully reorganize, as to when we would emerge from the Bankruptcy Cases.

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 and other key personnel. During the Bankruptcy Cases, the Bankruptcy Code limits our ability to enter into retention, severance or similar types of arrangements with our key personnel and other persons who may be considered insiders. Our business, financial condition and results of operations could be materially adversely affected if we lose any key personnel and are unable to attract and retain qualified replacements.

Table of Contents

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 June 28, 2009, we had total indebtedness of approximately \$2.5 billion, of which approximately \$1.1 billion has been classified as Liabilities subject to compromise.

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

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

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;

Table of Contents

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.

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 control 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

Table of Contents

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 \$235 million DIP 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, 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. 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 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 expect that the stock issued in connection with the implementation of the Plan will be traded in the over the counter market.

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 the 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.

Table of Contents

If our product offerings are unable to compete successfully, 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 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 zinc, 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. In addition, for certain of the principle raw materials we use to produce our products, such as electrolytic manganese dioxide powder, there are no available, effective hedging markets. 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 the 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 June 28, 2009, we are estimating that at September 30, 2009 we will have U.S. federal and state net operating loss carryforwards of approximately \$1,169 and \$2,058 million, respectively. These net operating loss carryforwards expire through years ending in 2029. As of June 28, 2009, management determined that it continues to be 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

Table of Contents

had changes of ownership, as defined under Internal Revenue Code Section 382, that continue to subject a significant amount of 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 further limitations if we were to undergo an additional ownership change for purposes of Section 382 of the Internal Revenue Code during or as a result of the Bankruptcy Cases. During the pendency of the bankruptcy proceedings, the Bankruptcy Court has entered an 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 42% of our net sales and 44% of our operating expenses were denominated in

Table of Contents

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.

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.

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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 U.S. 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.

Table of Contents

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 insect control products that are offered through the 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 U.S. 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

Table of Contents

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.

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.

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.

Table of Contents

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 U.S., 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 obtain or

Table of Contents

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 the 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 other products which are sold through Global Pet Supplies and through the 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.

Our businesses could suffer from the effects of the H1N1 virus.

The effects of the H1N1 virus, commonly known as Swine Flu, could adversely affect our businesses. An outbreak of the virus in a given location could severely interfere with and substantially disrupt the manufacture and/or shipment of our products and could have a material adverse effect on our operations. A prolonged recurrence of the virus could also adversely affect the various economies into which we ship our products and cause an immediate and prolonged drop in consumer demand for our products in those economies. Any of these events could adversely affect our financial condition and results of operations. The general impact, if any, of the virus on our operations, our results of operations and financial condition is highly speculative, cannot be accurately predicted or quantified, and would depend on numerous factors, including the rate of contagion, the regions of the world most affected, the effectiveness of treatment for the infected population and the rates of mortality and morbidity.

Table of Contents

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 the Home and Garden Business, such as 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 U.S. 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.

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 20% of our total labor force is employed under collective bargaining agreements. None of the collective bargaining agreements are scheduled to expire during the remainder of Fiscal 2009. However, four of these agreements, which cover approximately 56% of the labor force under collective bargaining agreements, or approximately 11% of our total labor force, are scheduled to expire during Fiscal 2010. 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.

Significant changes in actual investment return on pension assets, discount rates, and other factors could affect our results of operations, equity, and pension contributions in future periods.

Our results of operations may be positively or negatively affected by the amount of income or expense we record for our defined benefit pension plans. U.S. GAAP requires that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial market and other economic conditions, which may change based on changes in key economic indicators. The most significant year-end assumptions we used to estimate pension income or expense are the discount rate and the expected long-term rate

Table of Contents

of return on plans assets. In addition, we are required to make an annual measurement of plan assets and liabilities, which may result in a significant change to equity as a result of fluctuations in the values of our underlying plan assets. Although pension expense and pension funding contributions are not directly related, key economic factors that affect pension expense would also likely affect the amount of cash we would contribute to pension plans as required under the Employee Retirement Income Security Act.

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 June 28, 2009				
03/30/09 04/26/09	764	\$ 0.14		
04/27/09 05/24/09				
05/25/09 06/28/09	16,227	\$ 0.27		
Total	16,991	\$ 0.26		

⁽¹⁾ During the three months ended June 28, 2009, 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.

Table of Contents

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: August 7, 2009

SPECTRUM BRANDS, INC.

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

99

Table of Contents

EXHIBIT INDEX

Exhibit 2.1	Purchase Agreement, dated February 21, 2004, by and among Rayovac Corporation, ROV Holding, Inc., VARTA AG, Interelectrica 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	Joint Plan of Reorganization of Spectrum Jungle Labs Corporation, et al., Debtors (filed by incorporation by reference to Exhibit 99.T3E.2 to the Company's Form T-3, filed with the SEC on April 28, 2009).
Exhibit 2.3	First Modification to Joint Plan of Reorganization (filed by incorporation by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K, filed with the SEC on July 16, 2009).
Exhibit 2.4	Second Modification to Joint Plan of Reorganization (filed by incorporation by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K, filed with the SEC on July 16, 2009).
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).
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).

Table of Contents

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).
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).

Table of Contents

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).
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).

Table of Contents

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 (filed by incorporation by reference to Exhibit 10.23 to the Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2008, filed with the SEC on February 11, 2009).
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).
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).

Table of Contents

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 (filed by incorporation by reference to Exhibit 10.40 to the Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2008, filed with the SEC on February 11, 2009).
Exhibit 10.41	Commitment Letter, dated June 15, 2009, between General Electric Capital Corporation and Spectrum Brands, Inc. (filed by incorporation by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 17, 2009).
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