Spectrum Brands, Inc.
Form 10-Q
May 18, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 4, 2010

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)

Delaware **(State or other jurisdiction of** **incorporation or organization)**	**22-2423556** **(I.R.S. Employer** **Identification Number)**
601 Rayovac Drive **Madison, Wisconsin** **(Address of principal executive offices)**	**53711** **(Zip Code)**

(608) 275-3340

(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 x 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 x

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes x No ¨

The number of shares outstanding of the Registrant s common stock, $.01 par value, as of May 17, 2010, was 30,629,213.

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SPECTRUM BRANDS, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR QUARTER ENDED April 4, 2010

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SPECTRUM BRANDS, INC.

Condensed Consolidated Statements of Financial Position

April 4, 2010 and September 30, 2009

(Unaudited)

(Amounts in thousands, except per share figures)

	Successor Company	
	April 4, 2010	**September 30, 2009**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 55,486	$ 97,800
Receivables:		
Trade accounts receivable, net of allowances of $7,857 and $1,011, respectively	276,171	274,483
Other	26,697	24,968
Inventories	342,907	341,505
Deferred income taxes	24,526	28,137
Assets held for sale	11,730	11,870
Prepaid expenses and other	37,961	39,973
Total current assets	775,478	818,736
Property, plant and equipment, net	185,981	212,361
Deferred charges and other	35,325	34,934
Goodwill	475,499	483,348
Intangible assets, net	1,418,369	1,461,945
Debt issuance costs	10,329	9,422
Total assets	$ 2,900,981	$ 3,020,746
LIABILITIES AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Current maturities of long-term debt	$ 106,380	$ 53,578
Accounts payable	165,050	186,235
Accrued liabilities:		
Wages and benefits	60,956	88,443
Income taxes payable	24,195	21,950
Restructuring and related charges	25,665	26,104
Accrued interest	17,804	8,678
Other	71,245	110,080
Total current liabilities	471,295	495,068
Long-term debt, net of current maturities	1,520,598	1,529,957
Employee benefit obligations, net of current portion	55,229	55,855
Deferred income taxes	230,419	227,498
Other	48,457	51,489

Total liabilities	2,325,998	2,359,867
Commitments and contingencies		
Shareholders equity:		
Common stock, $.01 par value, authorized 150,000 shares; issued 30,629 and 30,000 shares, respectively; outstanding 30,629 and 30,000 shares, respectively	306	300
Additional paid-in capital	731,183	724,796
Accumulated deficit	(150,068)	(70,785)
Accumulated other comprehensive (loss) income	(6,438)	6,568
Total shareholders equity	574,983	660,879
Total liabilities and shareholders equity	$ 2,900,981	$ 3,020,746

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

(Unaudited).

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SPECTRUM BRANDS, INC.

Condensed Consolidated Statements of Operations

For the three and six month periods ended April 4, 2010 and March 29, 2009

(Unaudited)

(Amounts in thousands, except per share figures)

	Successor Company	Predecessor Company	Successor Company	Predecessor Company
	THREE MONTHS		SIX MONTHS	
	2010	2009	2010	2009
Net sales	$ 532,586	$ 503,262	$ 1,124,526	$ 1,051,765
Cost of goods sold	321,017	315,767	726,844	664,253
Restructuring and related charges	1,989	2,661	3,640	12,807
Gross profit	209,580	184,834	394,042	374,705
Selling	104,163	94,848	215,452	206,181
General and administrative	48,421	37,562	91,614	74,447
Research and development	7,823	5,759	14,268	11,325
Restructuring and related charges	3,402	13,479	8,178	24,361
Total operating expenses	163,809	151,648	329,512	316,314
Operating income	45,771	33,186	64,530	58,391
Interest expense	48,410	47,446	97,892	99,910
Other expense, net	6,338	710	6,984	4,387
Loss from continuing operations before reorganization items and income taxes	(8,977)	(14,970)	(40,346)	(45,906)
Reorganization items expense, net		21,311	3,646	21,311
Loss from continuing operations before income taxes	(8,977)	(36,281)	(43,992)	(67,217)
Income tax expense	10,057	8,348	32,556	23,949
Loss from continuing operations	(19,034)	(44,629)	(76,548)	(91,166)
Loss from discontinued operations, net of tax		(15,820)	(2,735)	(81,940)
Net loss	$ (19,034)	$ (60,449)	$ (79,283)	$ (173,106)
Basic earnings per share:				
Weighted average shares of common stock outstanding	30,000	51,354	30,000	51,404
Loss from continuing operations	$ (0.63)	$ (0.87)	$ (2.55)	$ (1.78)
Loss from discontinued operations		(0.31)	(0.09)	(1.59)
Net loss	$ (0.63)	$ (1.18)	$ (2.64)	$ (3.37)
Diluted earnings per share:				
Weighted average shares and equivalents outstanding	30,000	51,354	30,000	51,404
Loss from continuing operations	$ (0.63)	$ (0.87)	$ (2.55)	$ (1.78)
Loss from discontinued operations		(0.31)	(0.09)	(1.59)

Net loss	$	(0.63)	$	(1.18)	$	(2.64)	$	(3.37)

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

(Unaudited).

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SPECTRUM BRANDS, INC.

Condensed Consolidated Statements of Cash Flows

For the six month periods ended April 4, 2010 and March 29, 2009

(Unaudited)

(Amounts in thousands)

	Successor Company	Predecessor Company
	SIX MONTHS	
	2010	2009
Cash flows from operating activities:		
Net loss	$ (79,283)	$ (173,106)
Loss from discontinued operations	(2,735)	(81,940)
Loss from continuing operations	(76,548)	(91,166)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	25,244	20,642
Amortization of intangibles	20,864	10,314
Amortization of unearned restricted stock compensation	6,393	1,163
Amortization of debt issuance costs	1,839	6,561
Administrative related reorganization items	3,646	21,311
Payments for administrative related reorganization items	(45,782)	
Non-cash increase to cost of goods sold due to fresh-start reporting inventory valuation	34,494	
Non-cash interest expense on 12% Notes	13,383	
Non-cash debt accretion	12,246	
Write off of debt issuance costs		2,358
Other non-cash adjustments	30,954	39,194
Net changes in assets and liabilities, net of discontinued operations	(98,447)	(130,467)
Net cash used by operating activities of continuing operations	(71,714)	(120,090)
Net cash used by operating activities of discontinued operations	(9,290)	(18,795)
Net cash used by operating activities	(81,004)	(138,885)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(10,843)	(3,267)
Proceeds from sale of equipment	208	322
Net cash used by investing activities of continuing operations	(10,635)	(2,945)
Net cash used by investing activities of discontinued operations		(860)
Net cash used by investing activities	(10,635)	(3,805)
Cash flows from financing activities:		
Debt issuance costs	(2,950)	(7,750)
Proceeds from debt financing	27,820	162,104
Reduction of debt	(8,096)	(240,937)
Proceeds from ABL Revolving Credit Facility	614,900	
Payments on ABL Revolving Credit Facility	(576,033)	

Debtor in possession revolving credit facility, net		136,206
Proceeds from supplemental loan		45,000
Refund of debt issuance costs	204	
Treasury stock purchases		(56)
Net cash provided by financing activities	55,845	94,567
Effect of exchange rate changes on cash and cash equivalents	(880)	(5,094)
Effect of exchange rate changes on cash and cash equivalents due to Venezuela hyperinflation	(5,640)	
Net decrease in cash and cash equivalents	(42,314)	(53,217)
Cash and cash equivalents, beginning of period	97,800	104,773
Cash and cash equivalents, end of period	$ 55,486	$ 51,556

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

(Unaudited).

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(Amounts in thousands, except per share figures)

1 DESCRIPTION OF BUSINESS

Spectrum Brands, Inc., at the time a Wisconsin corporation, and each of its wholly owned United States (U.S.) subsidiaries (collectively, the Debtors) filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code (the Bankruptcy Code), in the U.S. Bankruptcy Court for the Western District of Texas (the Bankruptcy Court) on February 3, 2009. On August 28, 2009 (the Effective Date), the Debtors emerged from Chapter 11 of the Bankruptcy Code. As of the Effective Date and pursuant to the Debtors confirmed plan of reorganization, Spectrum Brands, Inc. converted from a Wisconsin corporation to a Delaware corporation.

Unless the context indicates otherwise, Spectrum Brands, Inc. is used interchangeably in this Quarterly Report on Form 10-Q to refer both to the Delaware corporation and its Wisconsin predecessor, and the terms the Company, Spectrum, Spectrum Brands, are used to refer to Spectrum Brands, Inc. and its subsidiaries both before and after the Effective Date. The term Predecessor Company refers only to Spectrum Brands, Inc., the Company s Wisconsin predecessor, and its subsidiaries prior to the Effective Date and the term Successor Company refers only to Spectrum Brands, Inc., the Delaware successor, and its subsidiaries subsequent to the Effective Date. The Company s fiscal year ends September 30. References herein to Fiscal 2010 and Fiscal 2009 refer to the fiscal years ended September 30, 2010 and 2009, respectively.

Prior to and including August 30, 2009, all operations of the business resulted from the operations of the Predecessor Company. All conditions required for the adoption of fresh-start reporting were met upon emergence from Chapter 11 of the Bankruptcy Code on the Effective Date. However in light of the proximity of that date to the Company s August accounting period close, which was August 30, 2009, the Company elected to adopt a convenience date of August 30, 2009, (the Fresh-Start Adoption Date) for recording fresh-start reporting. The Company analyzed the transactions that occurred during the two-day period from August 29, 2009, the day after the Effective Date, and August 30, 2009, the Fresh-Start Adoption Date, and concluded that such transactions represented less than one-percent of the total net sales during Fiscal 2009. As a result, the Company determined that August 30, 2009 would be an appropriate Fresh-Start Adoption Date to coincide with the Company s normal financial period close for the month of August 2009. As a result, the fair value of the Predecessor Company s assets became the new basis for the Successor Company s Consolidated Statement of Financial Position as of the Fresh-Start Adoption Date, and all operations beginning August 31, 2009, are related to the Successor Company. Financial information of the Company s financial statements prepared for the Predecessor Company will not be comparable to financial information for the Successor Company.

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 control.

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

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SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

The Company s operations utilize manufacturing and product development facilities located in the U.S., Europe, Asia 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.

Russell Hobbs Combination

On February 9, 2010 the Company signed a definitive agreement with Russell Hobbs, Inc. (Russell Hobbs), a small appliance brand company, to form a new combined company. Investment funds managed by Harbinger Capital Partners (Harbinger) currently own approximately 40% of the Company s shares and 100% of Russell Hobbs shares. As part of this transaction, Russell Hobbs has received commitments for the combined companies for approximately $1,800,000 in financing in order to refinance the Company s existing Senior Credit Facilities and a portion of Russell Hobbs existing senior debt through a combination of new term loans, new senior notes and a new $300,000 ABL revolving facility.

The proposed all stock transaction is expected to close in the third or fourth quarter of the Company s Fiscal 2010 and is subject to approval by holders of a majority of the Company s common stock not owned by Harbinger, closing of the new financing and other customary closing conditions. Upon closing, current shareholders of Spectrum Brands will receive one share in the new combined company for each share they hold in Spectrum Brands Inc. Furthermore, as part of the transaction, Harbinger has agreed to convert its existing approximately $158,000 aggregate principal amount of Russell Hobbs term debt and approximately $207,000 of Russell Hobbs preferred stock into common stock of the new combined company at a price of $31.50 per share. Following the closing of the transaction, Harbinger is expected to own approximately 65% of the new combined company.

2 VOLUNTARY REORGANIZATION UNDER CHAPTER 11

On February 3, 2009, the Predecessor Company announced that it had reached agreements with certain noteholders, representing, in the aggregate, approximately 70% of the face value of the Company s then outstanding senior subordinated notes, to pursue a refinancing that, if implemented as proposed, would significantly reduce the Predecessor Company s outstanding debt. On the same day, the Debtors filed voluntary petitions under Chapter 11 of the Bankruptcy Code, in the Bankruptcy Court (the Bankruptcy Filing) and filed with the Bankruptcy Court a proposed plan of reorganization (the Proposed Plan) that detailed the Debtors proposed terms for the refinancing. The Chapter 11 cases were jointly administered by the Bankruptcy Court as Case No. 09-50455 (the Bankruptcy Cases).

The Bankruptcy Court entered a written order (the Confirmation Order) on July 15, 2009 confirming the Proposed Plan (as so confirmed, the Plan).

Plan Effective Date

On the Effective Date the Plan became effective, and the Debtors emerged from Chapter 11 of the Bankruptcy Code. Pursuant to and by operation of the Plan, on the Effective Date, all of Predecessor Company s existing equity securities, including the existing common stock and stock options, were extinguished and deemed cancelled. Spectrum Brands filed a certificate of incorporation authorizing new shares of the common stock.

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SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

Pursuant to and in accordance with the Plan, on the Effective Date, Successor Company issued a total of 27,030 shares of common stock and $218,076 of 12% Senior Subordinated Toggle Notes due 2019 (the 12% Notes) to holders of allowed claims with respect to Predecessor Company s 8 1/2% Senior Subordinated Notes due 2013 (the 8 1/2 Notes), 7 7/8% Senior Subordinated Notes due 2015 (the 7 7/8 Notes) and Variable Rate Toggle Senior Subordinated Notes due 2013 (the Variable Rate Notes) (collectively, the Senior Subordinated Notes). (See also Note 8, Debt, for a more complete discussion of the 12% Notes.) Also on the Effective Date, Successor Company issued a total of 2,970 shares of common stock to supplemental and sub-supplemental debtor-in-possession facility participants in respect of the equity fee earned under the Debtors debtor-in-possession credit facility. The common stock is currently listed on the New York Stock Exchange.

On the Effective Date, pursuant to the Plan, the Company entered into Amendment No. 1 to the senior secured term credit facility agreement reflecting the terms of the Confirmation Order, including a new covenant restricting the Company from paying cash interest on the 12% Notes until the date that is 18 months from the Effective Date, or February 28, 2011. In addition, on the Effective Date, the Company entered into Amendment No. 2 to the senior secured term credit facility agreement to give effect to certain technical amendments to the senior secured term credit facility agreement. (See also Note 8, Debt, for a more complete discussion of the amendments.)

In order to consummate the Plan, the Debtors obtained a $242,000 asset-based exit loan facility pursuant to a credit agreement among the Debtors, General Electric Capital Corporation, as the administrative agent, co-collateral agent, swingline lender and supplemental loan lender, Bank of America, N.A., as co-collateral agent and L/C Issuer, RBS Asset Finance, Inc., through its division RBS Business Capital, as syndication agent and the lenders party thereto. (See also Note 8, Debt, for a more complete discussion of the facility.)

Reorganization Items

In accordance with ASC Topic 852: *Reorganizations,* reorganization items are presented separately in the accompanying Condensed Consolidated Statements of Operations (Unaudited) and represent expenses, income, gains and losses that the Company has identified as directly relating to the Bankruptcy Cases. Reorganization items expense, net for the three month period ended March 29, 2009 and the six month period ended April 4, 2010 and March 29, 2009 are summarized as follows:

	Predecessor Company Three Months Ended 2009	Successor Company Six Months Ended 2010	Predecessor Company Six Months Ended 2009
Legal and professional fees	$ 10,263	$ 3,536	$ 10,263
Deferred financing costs	10,668		10,668
Provision for rejected leases	380	110	380
Reorganization items expense, net	$ 21,311	$ 3,646	$ 21,311

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 (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 April 4, 2010 and September 30, 2009, and the results of operations for the three and six month periods ended April 4, 2010 and March 29, 2009 and the

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SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

cash flows for the six month periods ended April 4, 2010 and March 29, 2009. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) 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 and any amendments thereto for the fiscal year ended September 30, 2009. 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. All intercompany transactions have been eliminated.

The preparation of condensed consolidated financial statements in conformity with GAAP 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: On November 11, 2008, the Predecessor Company board of directors (the Predecessor Board) approved the shutdown of the growing products portion of the Home and Garden Business, which included the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed. The decision to shutdown the growing products portion of the Home and Garden Business was made only after the Predecessor Company was unable to successfully sell this business, in whole or in part. The growing products portion of the Home and Garden Business qualified as a component of an entity, in accordance with GAAP, of the Home and Garden Business, as operations and cash flows of the growing products portion were clearly distinguished both operationally and for financial reporting purposes from the rest of the Home and Garden Business. The operations and cash flows of the growing products portion of the Home and Garden Business were eliminated from ongoing operations during the second quarter of Fiscal 2009. The Company did not have significant involvement in the operations of the growing products portion of the Home and Garden Business subsequent to the second quarter of Fiscal 2009.

The presentation herein of the results of continuing operations has been changed to exclude the growing products portion of the Home and Garden Business for all periods presented. The following amounts have been segregated from continuing operations and are reflected as discontinued operations for the three month period ended March 29, 2009 and the six month periods ended April 4, 2010 and March 29, 2009, respectively:

	Predecessor Company	Successor Company	Predecessor Company
	Three Months Ended	Six Months Ended	
	2009	2010	2009
Net sales	$ 15,620	$	$ 31,306
Loss from discontinued operations before income taxes	$ (18,188)	$ (2,512)	$ (85,972)
Provision for income tax (benefit) expense	(2,368)	223	(4,032)
Loss from discontinued operations, net of tax	$ (15,820)	$ (2,735)	$ (81,940)

SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

Assets Held for Sale: At April 4, 2010 and September 30, 2009, the Company had $11,730 and $11,870, respectively, included in Assets held for sale in its Condensed Consolidated Statements of Financial Position (Unaudited) consisting of certain assets related to the Ningbo, China battery manufacturing facility and a manufacturing facility in Brazil.

Intangible Assets: Intangible assets are recorded at cost or at fair value if acquired in a purchase business combination. Customer lists and proprietary technology intangibles are amortized, using the straight-line method, over their estimated useful lives of approximately 4 to 20 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 with such groupings being consistent with the Company s reportable segments. 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. The Company s annual impairment testing is completed at its August financial period end.

ASC Topic 350: *Intangibles-Goodwill and Other,* (ASC 350) requires that goodwill and indefinite-lived intangible assets be tested for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. Management uses its judgment in assessing whether assets may have become impaired between annual impairment tests. Indicators such as unexpected adverse business conditions, economic factors, unanticipated technological change or competitive activities, loss of key personnel, and acts by governments and courts may signal that an asset has become impaired. The fair values of the Company s goodwill and indefinite-lived intangible assets were not tested for impairment during the three and six month period ended April 4, 2010 and March 29, 2009, respectively, as no event or circumstance arose which indicated that an impairment loss may have been incurred.

Shipping and Handling Costs: The Successor Company incurred shipping and handling costs of $34,950 and $71,411 for the three and six month periods ended April 4, 2010. The Predecessor Company incurred shipping and handling costs of $36,991 and $76,339 for the three and six month periods ended March 29, 2009. These costs are included in Selling expenses in the accompanying Condensed Consolidated Statements of Operations (Unaudited). Shipping and handling costs include costs incurred with third-party carriers to transport products to customers as well as salaries and overhead costs related to activities to prepare the Company s products for shipment from its distribution facilities.

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

The Company has a broad range of customers including many large retail outlet chains, one of which accounts for a significant percentage of its sales volume. This customer represented approximately 22% and 21% of the Successor Company s Net sales during the three and six month periods ended April 4, 2010, respectively. This customer represented approximately 21% and 22% of the Predecessor Company s Net sales during the three and six month periods ended March 29, 2009, respectively. This customer also represented approximately 15% and 14% of the Successor Company s Trade accounts receivable, net at April 4, 2010 and September 30, 2009, respectively.

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SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

Approximately 43% and 47% of the Successor Company s Net sales during the three and six month periods ended April 4, 2010, respectively, and 41% and 45% of the Predecessor Company s Net sales during the three and six month periods ended March 29, 2009, respectively, occurred outside the United States. These sales and related receivables are subject to varying degrees of credit, currency, political and economic risk. The Company monitors these risks and makes appropriate provisions for collectibility based on an assessment of the risks present.

Stock-Based Compensation: In 1996, the Predecessor Board approved the Rayovac Corporation 1996 Stock Option Plan (1996 Plan). Under the 1996 Plan, stock options to acquire up to 2,318 shares of common stock, in the aggregate, could be granted to select employees and non-employee directors of the Predecessor Company under either or both a time-vesting or a performance-vesting formula at an exercise price equal to the market price of the common stock on the date of grant. The 1996 Plan expired on September 12, 2006.

In 1997, the Predecessor Board adopted the 1997 Rayovac Incentive Plan (1997 Plan). Under the 1997 Plan, the Predecessor Company could grant to employees and non-employee director s stock options, stock appreciation rights (SARs), restricted stock, and other stock-based awards, as well as cash-based annual and long-term incentive awards. Accelerated vesting would have occurred in the event of a change in control, as defined in the 1997 Plan. Up to 5,000 shares of common stock could have been issued under the 1997 Plan. The 1997 Plan expired in August 31, 2007.

In 2004, the Predecessor Board adopted the 2004 Rayovac Incentive Plan (2004 Plan). The 2004 Plan supplemented the 1997 Plan. Under the 2004 Plan, the Predecessor Company could have granted to employees and non-employee directors stock options, SARs, restricted stock, and other stock-based awards, as well as cash-based annual and long-term incentive awards. Accelerated vesting would occur in the event of a change in control, as defined in the 2004 Plan. Up to 3,500 shares of common stock, net of forfeitures and cancellations, could have been issued under the 2004 Plan. The 2004 Plan would have expired on July 31, 2014.

Upon the Effective Date, however, by operation of the Plan all the existing common stock of the Predecessor Company was extinguished and deemed cancelled and, in connection with the cancellation of the Predecessor s common stock, any and all equity awards granted under, and understandings with respect to participation in, the 2004 Plan in effect prior to the Effective Date became null and void as of the Effective Date.

In September 2009, the Successor Company s board of directors (the Board) adopted the 2009 Spectrum Brands Inc. Incentive Plan (the 2009 Plan). Up to 3,333 shares of common stock, net of forfeitures and cancellations, may be issued under the 2009 Plan.

The Successor Company granted approximately 629 shares of restricted stock during the three month period ended January 3, 2010. Of these grants, 18 are time-based and vest after a one year period and 611 shares are time-based and vest over a two year period. All vesting dates are subject to the recipient s continued employment with the Company, except as otherwise permitted by the Board or in certain cases if the employee is terminated without cause. The total market value of the restricted shares on the date of grant is approximately $14,555.

The Predecessor Company granted approximately 229 shares of restricted stock during the three month period ended December 28, 2008. All shares granted were purely performance based and would have vested only upon achievement of certain performance goals which consisted of reportable segment and consolidated company earnings before interest, taxes, depreciation and amortization and cash flow components, each as defined by the Company for purposes of such awards. All vesting dates were subject to the recipient s continued employment with the Company, except as otherwise permitted by the Predecessor Board. The total market value of the restricted shares on the date of grant was approximately $150.

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SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

In connection with the adoption of ASC Topic 718: *Compensation-Stock Compensation,* (ASC 718), the Company is required to recognize expense related to the fair value of its employee stock awards. Total stock compensation expense associated with restricted stock awards recognized by the Successor Company during the three and six month periods ended April 4, 2010 was $3,197 or $2,078, net of taxes and $6,393, or $4,155, net of taxes, respectively. Total stock compensation expense associated with restricted stock awards recognized by the Predecessor Company during the three and six month periods ended March 29, 2009 was $1,183 or $734, net of taxes and $1,163, or $721, net of taxes, respectively.

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 Successor Company s non-vested restricted stock at April 4, 2010 is as follows:

Restricted Stock	Shares	Weighted Average Grant Date Fair Value	Fair Value
Restricted stock at September 30, 2009		$	$
Granted	629	23.13	14,555
Restricted stock at April 4, 2010	629	$ 23.13	$ 14,555

Derivative Financial Instruments: In accordance with ASC Topic 815: Derivatives and Hedging, (ASC 815) the Company has provided enhanced disclosures about (1) how and why an entity uses derivative instruments; (2) how derivative instruments and related hedged items are accounted for under ASC 815; and (3) how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows.

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 hedge accounting is elected at inception, the Company formally designates the financial instrument as a hedge of a specific underlying exposure if such criteria are met, and documents both the risk management objectives and strategies for undertaking the hedge. The Company formally assesses, both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in the forecasted 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 forecasted 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. For derivatives that are not designated as cash flow hedges, or do not qualify for hedge accounting treatment, the change in the fair value is also immediately recognized in earnings.

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SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

The Successor Company s fair value of outstanding derivative contracts recorded as assets in the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) were as follows:

Asset Derivatives		**April 4, 2010**	**September 30, 2009**
Derivatives designated as hedging instruments under ASC 815:			
Commodity contracts	Receivables Other	$ 3,375	$ 2,861
Commodity contracts	Deferred charges and other	296	554
Foreign exchange contracts	Receivables Other	2,271	295
Total asset derivatives designated as hedging instruments under ASC 815		$ 5,942	$ 3,710
Derivatives not designated as hedging instruments under ASC 815:			
Commodity contracts	Receivables Other	151	
Foreign exchange contracts	Receivables Other	68	75
Total asset derivatives		$ 6,161	$ 3,785

The Successor Company s fair value of outstanding derivative contracts recorded as liabilities in the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) were as follows:

Liability Derivatives		**April 4, 2010**	**September 30, 2009**
Derivatives designated as hedging instruments under ASC 815:			
Interest rate contracts	Accounts payable	$ 4,874	$
Interest rate contracts	Accrued interest	1,116	
Interest rate contracts	Other long term liabilities	3,794	
Foreign exchange contracts	Accounts payable	748	1,036
Total liability derivatives designated as hedging instruments under ASC 815		$ 10,532	$ 1,036
Derivatives not designated as hedging instruments under ASC 815:			
Foreign exchange contracts	Accounts payable	79	131
Total liability derivatives		$ 10,611	$ 1,167

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 accumulated other comprehensive income (AOCI) 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.

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SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

The following table summarizes the pretax impact of derivative instruments designated as cash flow hedges on the accompanying Condensed Consolidated Statements of Operations (Unaudited) for the three month period ended April 4, 2010 (Successor Company):

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI 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)
Commodity contracts	$ (1,210)	Cost of goods sold	$ 620	Cost of goods sold	$ 70
Interest rate contracts	(5,893)	Interest expense	(1,740)	Interest expense	
Foreign exchange contracts	(231)	Net sales	(92)	Net sales	
Foreign exchange contracts	2,466	Cost of goods sold	509	Cost of goods sold	
Total	$ (4,868)		$ (703)		$ 70

The following table summarizes the pretax impact of derivative instruments designated as cash flow hedges on the accompanying Condensed Consolidated Statements of Operations (Unaudited) for the six month period ended April 4, 2010 (Successor Company):

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI 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)
Commodity contracts	$ 2,446	Cost of goods sold	$ 951	Cost of goods sold	$ 141
Interest rate contracts	(11,646)	Interest expense	(2,978)	Interest expense	
Foreign exchange contracts	(350)	Net sales	(186)	Net sales	
Foreign exchange contracts	2,045	Cost of goods sold	(219)	Cost of goods sold	

Total	$	(7,505)	$	(2,432)	$	141

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SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

The following table summarizes the pretax impact of derivative instruments designated as cash flow hedges on the accompanying Condensed Consolidated Statements of Operations (Unaudited) for the three month period ended March 29, 2009 (Predecessor Company):

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI 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)
Commodity contracts	$ (1,220)	Cost of goods sold	$ (3,477)	Cost of goods sold	$ (260)
Interest rate contracts	(3,260)	Interest expense		Interest expense	(4,478)
Foreign exchange contracts	181	Net sales	56	Net sales	
Foreign exchange contracts	(186)	Cost of goods sold	2,281	Cost of goods sold	
Commodity contracts		Discontinued Operations		Discontinued Operations	(74)
Total	$ (4,485)		$ (1,140)		$ (4,812)

The following table summarizes the pretax impact of derivative instruments designated as cash flow hedges on the accompanying Condensed Consolidated Statements of Operations (Unaudited) for the six month period ended March 29, 2009 (Predecessor Company):

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI 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)
Commodity contracts	$ (7,917)	Cost of goods sold	$ (7,035)	Cost of goods sold	$ 542
Interest rate contracts	(7,353)	Interest expense	(822)	Interest expense	(4,478)
Foreign exchange contracts	1,080	Net sales	19	Net sales	
Foreign exchange contracts	8,729		5,625		

			Cost of goods sold			Cost of goods sold		
Commodity contracts		(1,313)	Discontinued operations		(2,116)	Discontinued operations		(12,803)
Total	$	(6,774)		$	(4,329)		$	(16,739)

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SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

Derivative Contracts

For derivative instruments that are used to economically hedge the fair value of the Company s third party and intercompany foreign exchange payments and commodity purchases, the gain (loss) is recognized in earnings in the period of change associated with the derivative contract. During the three month period ended April 4, 2010 (Successor Company) and the three month period ended March 29, 2009 (Predecessor Company), the Company recognized the following respective gains (losses) on derivative contracts:

Derivatives Not Designated as Hedging Instruments Under ASC 815	Amount of Gain (Loss) Recognized in Income on Derivatives Successor Company 2010	Predecessor Company 2009	Location of Gain or (Loss) Recognized in Income on Derivatives
Commodity contracts	$ 149	$	Cost of goods sold
Foreign exchange contracts	(459)	4,963	Other expense, net
Total	$ (310)	$ 4,963	

During the six month period ended April 4, 2010 (Successor Company) and the six month period ended March 29, 2009 (Predecessor Company), the Company recognized the following respective gains (losses) on derivative contracts:

Derivatives Not Designated as Hedging Instruments Under ASC 815	Amount of Gain (Loss) Recognized in Income on Derivatives Successor Company 2010	Predecessor Company 2009	Location of Gain or (Loss) Recognized in Income on Derivatives
Commodity contracts	$ 191	$	Cost of goods sold
Foreign exchange contracts	(2,289)	6,458	Other expense, net
Total	$ (2,098)	$ 6,458	

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 maximum loss due to credit risk equals the fair value of the gross asset derivatives which are primarily concentrated with a foreign financial institution counterparty. The Company considers these exposures when measuring its credit reserves on its derivatives. 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 contingent features 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 April 4, 2010 and September 30, 2009, the

Successor Company had posted cash collateral of $1,774 and $1,943, respectively, related to such liability positions. In addition, at April 4, 2010 and September 30, 2009, the Successor Company had posted standby letters of credit of $12,580 and $0, respectively, related to such liability positions. The cash collateral is included in Current Assets Receivables-Other within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited).

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SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

Derivative Financial Instruments

Cash Flow Hedges

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 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. At April 4, 2010, the Successor Company had a portfolio of U.S. dollar-denominated interest rate swaps outstanding which effectively fixes the interest on floating rate debt, exclusive of lender spreads as follows: 2.25% for a notional principal amount of $300,000 through December 2011 and 2.29% for a notional principal amount of $300,000 through January 2012. In addition, at April 4, 2010, the Successor Company had a portfolio of Euro-denominated interest rate swaps outstanding which effectively fixes the interest on floating rate debt, exclusive of lender spreads as follows: 2.31% for a notional principal amount of 100,000 through January 2012 and 2.37% for a notional principal amount of 100,000 through February 2012. The Successor Company had no interest rate swap financial instruments at September 30, 2009. The derivative net loss on these contracts recorded in AOCI by the Successor Company at April 4, 2010 was $5,374, net of tax benefit of $3,294.

In connection with the Company s proposed combination with Russell Hobbs and the anticipated refinancing of the Company s existing senior credit facilities associated with the closing of the transaction, the Company continues to assess the prospective effectiveness of its interest rate cash flow hedges. At April 4, 2010, the Company believes that all forecasted interest rate swap transactions are probable of occurring. The point at which the Company believes that certain of these forecasted interest rate transactions are not probable of occurring, the Company will prospectively discontinue the associated hedge accounting and ultimately assess when amounts recorded in AOCI are required to be reclassified to interest expense.

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.

At April 4, 2010 the Successor Company had a series of foreign exchange derivative contracts outstanding through December 2010 with a contract value of $59,388. At September 30, 2009 the Successor Company had a series of foreign exchange derivative contracts outstanding through September 2010 with a contract value of $92,963. The derivative net gain on these contracts recorded in AOCI by the Successor Company at April 4, 2010 was $1,149, net of tax expense of $406. The derivative net loss on these contracts recorded in AOCI by the Successor Company at September 30, 2009 was $378, net of tax benefit of $167. At April 4, 2010, the portion of derivative net gains estimated to be reclassified from AOCI into earnings by the Successor Company over the next 12 months is $1,149, net of tax.

The Company is exposed to risk from fluctuating prices for raw materials, specifically zinc used in its manufacturing processes. The Company hedges a portion of the risk associated with these materials through the use of commodity 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

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SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

hedge contracts are reclassified from AOCI into earnings when the hedged purchase of raw materials also affects earnings. The swaps effectively fix the floating price on a specified quantity of raw materials through a specified date. At April 4, 2010 the Successor Company had a series of such swap contracts outstanding through September 2011 for 8 tons with a contract value of $14,875. At September 30, 2009 the Successor Company had a series of such swap contracts outstanding through September 2011 for 8 tons with a contract value of $11,830. The derivative net gain on these contracts recorded in AOCI by the Successor Company at April 4, 2010 was $1,314, net of tax expense of $711. The derivative net gain on these contracts recorded in AOCI by the Successor Company at September 30, 2009 was $347, net of tax expense of $183. At April 4, 2010, the portion of derivative net gains estimated to be reclassified from AOCI into earnings by the Successor Company over the next 12 months is $1,154, net of tax.

The Company was also exposed to fluctuating prices of raw materials, specifically urea and di-ammonium phosphates (DAP), used in its manufacturing processes in the growing products portion of the Home and Garden Business. The Successor Company did not have any contracts outstanding and did not record any activity for these raw materials during the three and six month periods ended April 4, 2010 as the Company completed the shutdown of the growing products portion of the Home and Garden Business during the second quarter of Fiscal 2009. See Note 3, Significant Accounting Policies Discontinued Operations, for further information on the shutdown of the growing products portion of the Home and Garden Business.

Derivative Contracts

The Predecessor Company periodically enters into forward and swap 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 or Australian Dollars. These foreign exchange contracts are fair value hedges of a related liability or asset recorded in the accompanying Condensed Consolidated Statement of Financial Position (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. At April 4, 2010 and September 30, 2009 the Successor Company had $40,116 and $37,478, respectively, of such foreign exchange derivative contracts outstanding.

The Company is indirectly exposed to economic risk from fluctuating prices for underlying raw materials, including nickel, through its purchases of processed parts used in its manufacturing processes. Periodically the Company economically hedges a portion of the risk associated with these parts through swap agreements with the supplier of the parts. The swap agreements are designated as fair value hedges. The swaps effectively fix the floating price on a specified quantity of underlying raw materials through the life of the purchase contract with the supplier. The unrealized change in fair value of the hedge contracts is recorded in earnings and as a hedge asset or liability, as applicable. The unrealized gains or losses are reversed from earnings as the hedged purchases of processed parts also effects earnings. At April 4, 2010 and September 30, 2009 the Successor Company had $364 and $0, respectively, of such commodity derivative contracts outstanding.

Fair Value of Financial Instruments: The Company measures certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company uses a three-level hierarchy which prioritizes fair value measurements based on the types of inputs used for the various valuation techniques.

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SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

The valuation techniques required by ASC Topic 820: *Fair Value Measurements and Disclosures,* 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 that are based on market observable inputs including interest rate curves and both forward and spot prices for currencies and commodities.

The Successor Company s net derivative portfolio at April 4, 2010 contains Level 2 instruments and represents commodity and foreign exchange contracts.

	Level 1	Level 2	Level 3	Total
Assets:				
Commodity contracts	$	$ 3,822	$	$ 3,822
Foreign exchange contracts, net		1,512		1,512
Total Assets	$	$ 5,334	$	$ 5,334
Liabilities:				
Interest rate contracts	$	$ (9,784)	$	$ (9,784)
Total Liabilities	$	$ (9,784)	$	$ (9,784)

The Successor Company s net derivative portfolio at September 30, 2009 contains Level 2 instruments and represents, commodity and foreign exchange contracts.

	Level 1	Level 2	Level 3	Total

Assets:				
Commodity contracts	$	$ 3,415	$	$ 3,415
Total Assets	$	$ 3,415	$	$ 3,415
Liabilities:				
Foreign exchange contracts, net	$	$ (797)	$	$ (797)
Total Liabilities	$	$ (797)	$	$ (797)

SPECTRUM BRANDS, INC.

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 ($967,244 at April 4, 2010 and $973,125 at September 30, 2009) due June 30, 2012 with interest payable periodically but not less than quarterly (with such interest rate at LIBOR, subject to a floor of 1.50%, plus 6.5%), a 262,000 senior secured Euro Term Loan ($342,358 at April 4, 2010 and $371,874 at September 30, 2009) due June 30, 2012 with interest payable periodically but not less than quarterly (with such interest rate at EURIBOR, subject to a floor of 1.5%, plus 7.0%). In addition, at April 4, 2010 and September 30, 2009 the Successor Company had $231,161 and $218,076, respectively, outstanding of 12% Notes due August 28, 2019 with interest payable semiannually. The Successor Company total fair value of the Term Loans at April 4, 2010 and September 30, 2009 was approximately $1,310,257 and $1,284,030, respectively. The total fair value of the Successor Company s 12% Notes at April 4, 2010 and September 30, 2009 approximated $231,161 and $207,718, 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 Successor Company s financial instruments are summarized as follows ((liability)/asset):

	April 4, 2010		September 30, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt	$ (1,626,978)	$ (1,693,870)	$ (1,583,535)	$ (1,592,987)
Interest rate swap agreements	(9,784)	(9,784)		
Commodity swap and option agreements	3,822	3,822	3,415	3,415
Foreign exchange forward agreements	1,512	1,512	(797)	(797)

Subsequent Events: During Fiscal 2009, the Company adopted ASC 855, Subsequent Events, (ASC 855). ASC 855 establishes general standards of accounting and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The adoption of ASC 855 requires the Company to evaluate all subsequent events that occur after the balance sheet date through the date and time the Company s financial statements are issued. The Company has evaluated subsequent events through May 18, 2010, which is the date these financial statements were issued. (See also, Note 15, Subsequent Events, for additional information.)

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SPECTRUM BRANDS, INC.

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 six month periods ended April 4, 2010 and March 29, 2009 are as follows:

	Successor Company	Predecessor Company	Successor Company	Predecessor Company
	Three Months		Six Months	
	2010	2009	2010	2009
Net loss	$ (19,034)	$ (60,449)	$ (79,283)	$ (173,106)
Other comprehensive (loss) income:				
Foreign currency translation	(5,321)	(3,986)	(6,436)	(28,285)
Valuation allowance adjustments	(2,022)	1,029	(3,121)	557
Pension liability adjustments	(52)		(52)	
Net unrealized (loss) gain on derivative instruments	(2,194)	269	(3,398)	2,609
Net change to derive comprehensive loss for the period	(9,589)	(2,688)	(13,007)	(25,119)
Comprehensive loss	$ (28,623)	$ (63,137)	$ (92,290)	$ (198,225)

Net exchange gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries are accumulated in the AOCI section of Shareholders equity. 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 six month periods ended April 4, 2010 and March 29, 2009 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 six month periods ended April 4, 2010 and March 29, 2009 is calculated based upon the following number of shares:

	Successor Company	Predecessor Company	Successor Company	Predecessor Company
	Three Months		Six Months	
	2010	2009	2010	2009
Basic	30,000	51,354	30,000	51,404
Effect of restricted stock				
Diluted	30,000	51,354	30,000	51,404

For the three and six month periods ended April 4, 2010 and March 29, 2009 the Company has not assumed the exercise of common stock equivalents as the impact would be antidilutive.

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SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

6 INVENTORIES

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

	April 4, 2010	September 30, 2009
Raw materials	$ 65,310	$ 64,314
Work-in-process	23,425	27,364
Finished goods	254,172	249,827
	$ 342,907	$ 341,505

7 GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets for the Successor Company consist of the following:

	Global Batteries & Personal Care	Home and Garden	Global Pet Supplies	Total
Goodwill:				
Balance at September 30, 2009	$ 152,293	$ 170,807	$ 160,248	$ 483,348
Effect of translation	(4,133)		(3,716)	(7,849)
Balance at April 4, 2010	$ 148,160	$ 170,807	$ 156,532	$ 475,499
Intangible Assets:				
Trade names Not Subject to Amortization				
Balance at September 30, 2009	$ 401,983	$ 76,000	$ 212,253	$ 690,236
Effect of translation	(4,351)		(7,765)	(12,116)
Balance at April 4, 2010	$ 397,632	$ 76,000	$ 204,488	$ 678,120
Intangible Assets Subject to Amortization				
Balance at September 30, 2009, net	$ 354,433	$ 172,271	$ 245,005	$ 771,709
Amortization during period	(8,975)	(4,375)	(7,514)	(20,864)
Effect of translation	(5,770)		(4,826)	(10,596)
Balance at April 4, 2010, net	$ 339,688	$ 167,896	$ 232,665	$ 740,249
Total Intangible Assets, net at April 4, 2010	$ 737,320	$ 243,896	$ 437,153	$ 1,418,369

Intangible assets subject to amortization include proprietary technology, customer relationships and certain trade names. The carrying value of technology assets was $59,907, net of accumulated amortization of $3,092 at April 4, 2010 and $62,985, net of accumulated amortization of

$515 at September 30, 2009. The carrying value of these trade names was $427, net of accumulated amortization of $63, at April 4, 2010 and $490, net of accumulated amortization of $10, at September 30, 2009. Remaining intangible assets subject to amortization include customer relationship intangibles. The carrying value of customer relationships was $679,915, net of accumulated amortization of $17,709, at April 4, 2010 and $708,234, net of accumulated amortization of $2,988, at September 30, 2009. The useful life of the Successor Company s intangible assets subject to amortization are 8 years for technology assets related to the Global Pet Supplies segment, 17 years for technology assets associated with the Global Batteries and Personal Care segment, 20 years for customer relationships and 4 years for trade names.

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(Amounts in thousands, except per share figures)

Amortization expense for the three and six month periods ended April 4, 2010 and March 29, 2009 is as follows:

	Successor Company	Predecessor Company	Successor Company	Predecessor Company
	Three Months		Six Months	
	2010	2009	2010	2009
Proprietary technology amortization	$ 1,547	$ 933	$ 3,092	$ 1,869
Customer relationships amortization	8,918	4,037	17,709	8,083
Trade names amortization	32	262	63	362
	$ 10,497	$ 5,232	$ 20,864	$ 10,314

The Company estimates annual amortization expense for the next five fiscal years will approximate $40,000 per year.

8 DEBT

Debt of the Successor Company consists of the following:

	April 4, 2010		September 30, 2009	
	Amount	Rate[(A)]	Amount	Rate[(A)]
Term Loan B, U.S. Dollar, expiring June 30, 2012	967,244	8.1%	973,125	8.1%
Term Loan, Euro, expiring June 30, 2012	342,358	8.6%	371,874	8.6%
12% Senior Subordinated Notes, due August 28, 2019	231,161	12.0%	218,076	12.0%
ABL Revolving Credit Facility, expiring March 31, 2012	72,092	6.6%	33,225	6.6%
Supplemental Loan, expiring March 31, 2012	45,000	17.7%	45,000	17.7%
Other notes and obligations	20,015	7.6%	5,919	6.2%
Capitalized lease obligations	12,004	5.1%	12,924	4.9%
	1,689,874		1,660,143	
Adjustments resulting from fresh-start reporting valuation	(62,896)		(76,608)	
Less current maturities	106,380		53,578	
Long-term debt, net of current maturities	$ 1,520,598		$ 1,529,957	

(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. Although the ABL Revolving Credit Facility does not mature until March 31, 2012, the balance is included in current maturities in accordance with GAAP as a result of a lock-box arrangement required under the ABL Revolving Credit Facility.

Senior Term Credit Facility

During the second quarter of Fiscal 2007, the Predecessor Company refinanced its then outstanding senior credit facility with a new senior secured 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 and together with the U.S. Dollar Term B Loan, the U.S. Dollar Term B II Loan and the Euro Facility, collectively,

SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

the Senior Term Facility). The proceeds of borrowings under the Senior Credit Agreement were used to repay all outstanding obligations under the Predecessor 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 Predecessor 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 at maturity. Letters of credit issued pursuant to the L/C Facility are required to expire, at the latest, upon the day that is five business days prior to maturity of the Senior Credit Agreement. In connection with the Company s emergence from voluntary reorganization under Chapter 11 of the Bankruptcy Code and pursuant to the Plan, the Successor Company entered into certain amendments to the Senior Credit Agreement (the Term Credit Amendments). Among other things, the Term Credit Amendments provide for a minimum Eurodollar interest rate floor of 1.5%, interest spreads over market rates of 6.5% for the U.S. Dollar Term B Loan and 7.0% for the Euro Facility, increases to the maximum Senior Secured Leverage Ratio and a shortened maturity date of June 30, 2012.

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

During the three and six month periods ended April 4, 2010, the Company made scheduled, and in connection with asset sales, mandatory, prepayments of term loan indebtedness totaling $3,334 and $8,039, respectively, under the Senior Credit Agreement.

At April 4, 2010, the aggregate amount outstanding under the Successor Company s senior secured term credit facility totaled a U.S. Dollar equivalent of $1,355,227, consisting of principal amounts of $967,244 under the U.S. Dollar Term B Loan, 253,430 under the Euro Facility (USD $342,358 at April 4, 2010) as well as letters of credit outstanding under the L/C Facility totaling $45,625.

At September 30, 2009, the aggregate amount outstanding under the Successor Company s senior secured term credit facility totaled a U.S. Dollar equivalent of $1,391,459, consisting of principal amounts of $973,125 under the U.S. Dollar Term B Loan, 254,970 under the Euro Facility (USD $371,874 at September 30, 2009) as well as letters of credit outstanding under the L/C Facility totaling $46,460.

At April 4, 2010, the Successor Company was in compliance with all covenants under the Senior Credit Agreement.

12% Notes

On August 28, 2009, in connection with emergence from the voluntary reorganization under Chapter 11 and pursuant to the Plan, the Successor Company issued $218,076 in aggregate principal amount of 12% Notes maturing August 28, 2019. Semiannually, at its option, the Successor Company may elect to pay interest on the

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

(Amounts in thousands, except per share figures)

12% Notes in cash or as payment in kind, or PIK . PIK interest would be added to principal upon the relevant semi-annual interest payment date. Under the Term Credit Amendments, the Successor Company agreed to make interest payments on the 12% Notes through PIK for the first three semi-annual interest payment periods. During both the three and six month periods ended April 4, 2010, the Company reclassified $13,085 of accrued interest from Other long term liabilities to principal in connection with the PIK provision of the 12% Notes. At April 4, 2010, the Company had $2,697 of accrued interest included in Other long term liabilities in the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) that will be reclassified to principal upon the next semi-annual interest payment date of August 28, 2010.

The Company may redeem all or a part of the 12% Notes, upon not less than 30 or more than 60 days notice, beginning August 28, 2012 at specified redemption prices. Further, the indenture governing the 12% Notes require the Company to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control of the Company, as defined in such indenture.

At April 4, 2010 and September 30, 2009, the Successor Company had outstanding principal of $231,161 and $218,076, respectively, under the 12% Notes.

The indenture governing the 12% Notes (the 2019 Indenture), contains 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 2019 Indenture provides 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 indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 12% Notes. If any other event of default under the 2019 Indenture occurs and is continuing, the trustee for the indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 12% Notes may declare the acceleration of the amounts due under those notes.

At April 4, 2010, the Successor Company was in compliance with all covenants under the 12% Notes. The Successor Company, however, is subject to certain limitations as a result of the Company s Fixed Charge Coverage Ratio under the 2019 Indenture being below 2:1. Until the test is satisfied, the Successor Company and certain of its subsidiaries are limited in their ability to make significant acquisitions or incur significant additional senior credit facility debt beyond the Senior Credit Facilities. The Successor Company does not expect its inability to satisfy the Fixed Charge Coverage Ratio test to impair its ability to provide adequate liquidity to meet the short-term and long-term liquidity requirements of its existing businesses, although no assurance can be given in this regard.

In connection with the anticipated closing of the proposed Russell Hobbs combination, the Company obtained the consent of the required note holders to certain amendments to the 2019 Indenture (the Supplemental Indenture). The Supplemental Indenture becomes effective only and upon the closing of the proposed Russell Hobbs combination. Among other things, the Supplemental Indenture amended the definition of change in control to exclude the Harbinger parties and increased the Company s ability to incur indebtedness

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(Amounts in thousands, except per share figures)

up to $1,850,000. During both the three and six month periods ended April 4, 2010, the Company recorded $2,950 of fees in connection with the consent. The fees are classified as Debt issuance costs and will be amortized as an adjustment to interest expense over the remaining life of the 12% Notes effective with the closing of the proposed Russell Hobbs combination.

ABL Revolving Credit Facility

On August 28, 2009, in connection with the Company s emergence from voluntary reorganization under Chapter 11 of the Bankruptcy Code, the Successor Company entered into a $242,000 U.S. Dollar asset based revolving loan facility (the ABL Revolving Credit Facility and together with the Senior Term Credit Facility, the Senior Credit Facilities) pursuant to a credit agreement (the ABL Credit Agreement) with General Electric Capital Corporation as administrative and co-collateral agent (the Agent) with a participating interest from the Significant Noteholders and certain of their affiliates. The ABL Revolving Credit Facility replaced the Company s debtor-in-possession credit facility, which was simultaneously repaid using cash on hand generated from the Company s operations and available cash from prior borrowings under the ABL Revolving Credit Facility. The ABL Revolving Credit 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 ABL Revolving Credit Facility. The proceeds of borrowings under the ABL Revolving Credit Facility and Supplemental Loan are to be used for costs, expenses and fees in connection with the ABL Revolving Credit Facility, for working capital requirements of the Company and its subsidiaries , restructuring costs, and other general corporate purposes.

The ABL Revolving Credit Facility carries an interest rate, at the Company s option, of either (a) the base rate plus 3.0% per annum or (b) the reserve-adjusted LIBOR rate (the Eurodollar Rate) plus 4.0% per annum, except that the Supplemental Loan carries an interest rate, equal to the Eurodollar Rate plus 14.5% per annum. No amortization will be required with respect to the ABL Revolving Credit Facility. For purposes of the Revolving Loans, the Eurodollar Rate shall at no time be less than 2.5%. For purposes of the Supplemental Loan, the Eurodollar Rate shall at no time be less than 3.0%. The ABL Revolving Credit Facility will mature on March 31, 2012.

The ABL Credit Agreement contains various representations and warranties and covenants, including, without limitation, enhanced collateral reporting, and a maximum fixed charge coverage ratio. The ABL Credit Agreement also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness.

As a result of borrowings and payments under the ABL Revolving Credit Facility at April 4, 2010, the Successor Company had aggregate borrowing availability of approximately $92,390, net of lender reserves of $18,863 under the ABL Revolving Credit Facility.

At April 4, 2010, the Successor Company had an aggregate amount outstanding under the ABL Revolving Credit Facility of $117,092 which includes the Supplemental Loan of $45,000.

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(Amounts in thousands, except per share figures)

At September 30, 2009, the Successor Company had an aggregate amount outstanding under the ABL Revolving Credit Facility of $84,225 which includes the Supplemental Loan of $45,000 and $6,000 in outstanding letters of credit.

At April 4, 2010, the Successor Company was in compliance with all covenants under the ABL Credit Agreement.

9 EMPLOYEE BENEFIT PLANS

Pension Benefits

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 94 percent current liability funded status. At January 1, 2009, the date of the most recent calculation, all U.S. funded defined benefit pension plans reflected a current liability funded status equal to or greater than 94 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.

Other Benefits

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.

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The Company s results of operations for the three and six month periods ended April 4, 2010 and March 29, 2009 reflect the following pension and deferred compensation benefit costs:

	Successor Company	Predecessor Company	Successor Company	Predecessor Company
	Three Months		Six Months	
Components of net periodic pension benefit and deferred compensation benefit cost	**2010**	**2009**	**2010**	**2009**
Service cost	$ 725	$ 601	$ 1,450	$ 1,202
Interest cost	1,813	1,727	3,626	3,453
Expected return on assets	(1,272)	(1,147)	(2,544)	(2,295)
Amortization of prior service cost	1	55	3	110
Recognized net actuarial loss	1	39	3	79
Employee contributions	(88)	(29)	(177)	(58)
Net periodic benefit cost	$ 1,180	$ 1,246	$ 2,361	$ 2,491

	Successor Company	Predecessor Company	Successor Company	Predecessor Company
	Three Months		Six Months	
Pension and deferred compensation contributions	**2010**	**2009**	**2010**	**2009**
Contributions made during period	$ 1,635	$ 713	$ 2,003	$ 1,250

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 contributions to its U.S. subsidiaries defined contribution pension plans effective April 1, 2009 through December 31, 2009. Effective January 1, 2010 the Company reinstated its annual contribution as described above. The Company also sponsors defined contribution pension plans for employees of certain foreign subsidiaries. Successor Company contributions charged to operations, including discretionary amounts, for the three and six month periods ended April 4, 2010 were $1,377 and $1,476, respectively. Predecessor Company contributions charged to operations, including discretionary amounts, for the three and six month periods ended March 29, 2009 were $1,235 and $2,449, respectively.

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 carryforward from the Company s fiscal year ended September 30, 2005 is subject to Internal Revenue Service (IRS) examination until the year that such net operating loss carryforward is utilized and that year is closed for audit. The Company s fiscal years ended September 30, 2006, 2007, 2008, and 2009 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.

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During Fiscal 2010, certain of the Company s German legal entities are undergoing audits for the fiscal years ended 2003 through 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 and income tax expense. Accordingly, corporate expenses include primarily general and administrative expenses associated with corporate overhead and global long-term incentive compensation plans. All depreciation and amortization included in income from operations is related to operating segments or corporate expense. Costs are identified to operating segments or corporate expense according to the function of each cost center.

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

Segment information for the three and six month periods ended April 4, 2010 and March 29, 2009 is as follows:

	Successor Company	Predecessor Company	Successor Company	Predecessor Company
	Three Months		Six Months	
	2010	2009	2010	2009
Net sales from external customers				
Global Batteries & Personal Care	$ 308,264	$ 287,477	$ 736,936	$ 676,836
Global Pet Supplies	148,177	142,131	285,172	274,491
Home and Garden Business	76,145	73,654	102,418	100,438
Total segments	$ 532,586	$ 503,262	$ 1,124,526	$ 1,051,765

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(Amounts in thousands, except per share figures)

	Successor Company	Predecessor Company	Successor Company	Predecessor Company
	Three Months		Six Months	
	2010	2009	2010	2009
Segment profit (loss)				
Global Batteries & Personal Care	$ 33,692	$ 33,829	$ 79,696	$ 87,090
Global Pet Supplies	18,961	14,523	20,097	26,578
Home and Garden Business	10,967	8,891	1,387	(1,775)
Total segments	63,620	57,243	101,180	111,893
Corporate expense	12,458	7,917	24,832	16,334
Restructuring and related charges	5,391	16,140	11,818	37,168
Interest expense	48,410	47,446	97,892	99,910
Other expense, net	6,338	710	6,984	4,387
Loss from continuing operations before reorganization items and income taxes	$ (8,977)	$ (14,970)	$ (40,346)	$ (45,906)

	Successor Company	
	April 4, 2010	September 30, 2009
Segment total assets		
Global Batteries & Personal Care	$ 1,506,424	$ 1,630,139
Global Pet Supplies	824,792	866,901
Home and Garden	554,155	505,586
Total segments	2,885,371	3,002,626
Corporate	15,610	18,120
Total assets at period end	$ 2,900,981	$ 3,020,746

The Global Batteries & Personal Care segment does business in Venezuela through a Venezuelan subsidiary. At January 4, 2010, the beginning of the Company s second quarter of Fiscal 2010, the Company determined that Venezuela meets the definition of a highly inflationary economy under GAAP. As a result, beginning January 4, 2010, the U.S. dollar is the functional currency for the Company s Venezuelan subsidiary. Accordingly, going forward, currency remeasurement adjustments for this subsidiary s financial statements and other transactional foreign exchange gains and losses are reflected in earnings. Through January 3, 2010, prior to being designated as highly inflationary, translation adjustments related to our Venezuelan subsidiary were reflected in Shareholders equity as a component of other comprehensive income.

In addition, on January 8, 2010, the Venezuelan government announced its intention to devalue its currency, the Bolivar fuerte, relative to the U.S. dollar. The official exchange rate for imported goods classified as essential, such as food and medicine, changed from 2.15 to 2.6 to the U.S. dollar, while payments for other non-essential goods moved to an exchange rate of 4.3 to the U.S. dollar. Some of the Company s imported products are expected to fall into the essential classification and qualify for the 2.6 rate; however, the Company s overall results in Venezuela will be reflected at the 4.3 rate expected to be applicable to dividend repatriations. As a result, the Company remeasured the local statement of financial position of its Venezuela entity during the second quarter of Fiscal 2010 to reflect the impact of the devaluation. There is also an ongoing impact related to measuring the Company s Venezuelan statement of operations at the new exchange rate of 4.3 to the U.S. dollar.

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The designation of the Company s Venezuela entity as a highly inflationary economy and the devaluation of the Bolivar fuerte resulted in a $1,156 reduction to the Company s operating income and a foreign exchange loss, reported in Other expense, net, of $5,823 for both the three and six month periods ended April 4, 2010.

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, compensation 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.

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 Predecessor 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 six month periods ended April 4, 2010 and March 29, 2009:

	Successor Company	Predecessor Company	Successor Company	Predecessor Company
	Three Months		Six Months	
	2010	2009	2010	2009
Cost of goods sold:				
Global Batteries & Personal Care	$ 606	$ 2,135	$ 1,453	$ 12,275
Global Pet Supplies	1,383	526	2,149	532
Home and Garden Business			38	
Total restructuring and related charges in cost of goods sold	1,989	2,661	3,640	12,807
Operating expenses:				
Global Batteries & Personal Care	733	2,768	(206)	7,309
Global Pet Supplies	(26)	1,474	502	3,959
Home and Garden Business	1,494	233	7,838	1,781
Corporate	1,201	9,004	44	11,312
Total restructuring and related charges in operating expenses	3,402	13,479	8,178	24,361
Total restructuring and related charges	$ 5,391	$ 16,140	$ 11,818	$ 37,168

2009 Restructuring Initiatives

The Predecessor Company implemented a series of initiatives within the Global Batteries & Personal Care segment, the Global Pet Supplies segment and the Home and Garden Business segment to reduce operating costs as well as evaluate the Company s opportunities to improve its capital structure (the   Global Cost Reduction

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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 and Home and Garden Business segments. These initiatives also included consultation, legal and accounting fees related to the evaluation of the Predecessor Company s capital structure. The Successor Company recorded $3,668 and $11,389 of pretax restructuring and related charges during the three and six month periods ended April 4, 2010, respectively, and the Predecessor Company recorded $10,092 of pretax restructuring and related charges during both the three and six month periods ended March 29, 2009 related to the Global Cost Reduction Initiatives. Costs associated with these initiatives, which are expected to be incurred through March 31, 2014, are projected at approximately $53,000.

Global Cost Reduction Initiatives Summary

The following table summarizes the remaining accrual balance associated with the 2009 initiatives and the activity during the six month period ended April 4, 2010:

	Termination and Compensation Benefits	Other Costs	Total
Accrual balance at September 30, 2009	$ 4,180	$ 84	$ 4,264
Provisions	2,753	4,626	7,379
Cash expenditures	(2,254)	(367)	(2,621)
Non-cash items	44	(200)	(156)
Accrual balance at April 4, 2010	$ 4,723	$ 4,143	$ 8,866
Expensed as incurred[(A)]	$ 323	$ 3,687	$ 4,010

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

The following table summarizes the expenses as incurred during the six month period ended April 4, 2010, 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 the six month period ended April 4, 2010	$ 863	$ 2,651	$ 7,876	$	$ 11,390
Restructuring and related charges since initiative inception	$ 5,465	$ 6,107	$ 12,628	$ 7,591	$ 31,791
Total remaining restructuring and related charges expected	$ 2,000	$ 19,000	$ 300	$	$ 21,300

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 Successor Company recorded $637 and $1,333 of pretax restructuring and related charges during the three and six month

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period ended April 4, 2010, respectively, and the Predecessor Company recorded $1,867 and $12,262 of pretax restructuring and related charges during the three and six month periods ended March 29, 2009, respectively, in connection with the Ningbo Exit Plan. The Company has recorded pretax restructuring and related charges of $28,288 since the inception of the Ningbo Exit Plan, which are substantially complete.

Ningbo Exit Plan Summary

The following table summarizes the remaining accrual balance associated with the 2008 initiatives and the activity during the six month period ended April 4, 2010:

	Other Costs
Accrual balance at September 30, 2009	$ 308
Provisions	348
Cash expenditures	(150)
Non-cash items	(10)
Accrual balance at April 4, 2010	$ 496
Expensed as incurred[(A)]	$ 985

(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 Successor Company recorded $(108) and $79 of pretax restructuring and related charges during the three and six month periods ended April 4, 2010, respectively, and the Predecessor Company recorded $60 and $146 of pretax restructuring and related charges during the three and six month period ended March 29, 2009, respectively, in connection with the Latin American Initiatives. The Company has recorded pretax restructuring and related charges of $11,526 since the inception of the Latin American Initiatives, which are substantially complete.

The following table summarizes the remaining accrual balance associated with the Latin American Initiatives and the activity during the six month period ended April 4, 2010:

Latin American Initiatives Summary

	Other Costs
Accrual balance at September 30, 2009	$ 331
Non-cash items	1

Accrual balance at April 4, 2010	$ 332
Expensed as incurred[(A)]	$ 79

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

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SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

In Fiscal 2007, the Company began managing its business in three vertically integrated, product-focused reporting segments; Global Batteries & Personal Care, Global Pet Supplies and the Home and Garden Business. As part of this realignment, the Company s Global Operations organization, previously included in corporate expense, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, is now included in each of the operating segments. In connection with these changes the Company undertook a number of cost reduction initiatives, primarily headcount reductions, at the corporate and operating segment levels (the Global Realignment Initiatives). The Successor Company recorded $1,194 and $(983) of pretax restructuring and related charges during the three and six month periods ended April 4, 2010, respectively, and the Predecessor Company recorded $4,110 and $11,051 of pretax restructuring and related charges during the three and six month periods ended March 29, 2009, respectively, in connection with the Global Realignment Initiatives. Costs associated with these initiatives, which are expected to be incurred through December 31, 2010, relate primarily to severance and are projected at approximately $85,400, the majority of which are cash costs.

The following table summarizes the remaining accrual balance associated with the Global Realignment Initiatives and the activity during the six month period ended April 4, 2010:

Global Realignment Initiatives Summary

	Termination and Compensation Benefits	Other Costs	Total
Accrual balance at September 30, 2009	$ 14,581	$ 3,678	$ 18,259
Provisions	(103)	(1,101)	(1,204)
Cash expenditures	(3,252)	54	(3,198)
Non-cash items	(178)	(89)	(267)
Accrual balance at April 4, 2010	$ 11,048	$ 2,542	$ 13,590
Expensed as incurred[(A)]	$ 146	$ 75	$ 221

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

The following table summarizes the expenses as incurred during the six month period ended April 4, 2010, 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 the six month period ended April 4, 2010	$ (1,027)	$	$ 44	$ (983)
Restructuring and related charges since initiative inception	$ 46,623	$ 7,558	$ 29,818	$ 83,999
Total remaining restructuring and related charges expected	$	$	$ 1,400	$ 1,400

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

SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

the Ellwangen, Germany packaging center to the Dischingen, Germany battery plant and restructuring its sales, marketing and support functions. The Successor Company recorded no pretax restructuring and related charges during the three and six month periods ended April 4, 2010 and the Predecessor Company also recorded no pretax restructuring and related charges during the three and six month periods ended March 29, 2009 in connection with the European Initiatives. The Company has recorded pretax restructuring and related charges of $27,057 since the inception of the European Initiatives.

The following table summarizes the remaining accrual balance associated with the 2006 initiatives and the activity during the six month period ended April 4, 2010:

European Initiatives Summary

	Termination and Compensation Benefits	Other Costs	Total
Accrual balance at September 30, 2009	$ 2,623	$ 319	$ 2,942
Cash expenditures	(352)	(77)	(429)
Non-cash items	(174)	42	(132)
Accrual balance at April 4, 2010	$ 2,097	$ 284	$ 2,381

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 $3,272, 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) at September 30, 2009 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. The statute of limitations with respect to the latest IPI presumed credits expired in October 2009 and as such there is no longer a provision for such credits at April 4, 2010. At September 30, 2009, the presumed credits totaled approximately $4,661 and are included in Other long-term liabilities in the Condensed Consolidated Statements of Financial Position (Unaudited).

On February 3, 2009, the Company and all of the Company s U.S. subsidiaries filed voluntary petitions for reorganization relief under Chapter 11 of the Bankruptcy Code. The Company and such subsidiaries emerged from bankruptcy on August 28, 2009. With the exception of Spectrum Jungle Labs Corporation, the related cases of the reorganized Debtors were closed at September 30, 2009. The case of Spectrum Jungle Labs Corporation was closed on March 31, 2010. See Note 2, Voluntary Reorganization Under Chapter 11, for a further description of the Bankruptcy Cases.

In December 2009, San Francisco Technology, Inc. filed an action in the Federal District Court for the Northern District of California against the Company, as well as a number of unaffiliated defendants, claiming

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SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

that each of the defendants had falsely marked patents on certain of its products in violation of Article 35, Section 292 of the U.S. Code and seeking to have civil fines imposed on each of the defendants for such claimed violations. The Company is reviewing the claims but is unable to estimate any possible losses at this time.

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

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

14 NEW ACCOUNTING PRONOUNCEMENTS

Employers Disclosures About Postretirement Benefit Plan Assets

In December 2008, the FASB issued new accounting guidance on employers disclosures about assets of a defined benefit pension or other postretirement plan. It requires employers to disclose information about fair value measurements of plan assets. The objectives of the disclosures are to provide an understanding of: (a) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies, (b) the major categories of plan assets, (c) the inputs and valuation techniques used to measure the fair value of plan assets, (d) the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period and (e) significant concentrations of risk within plan assets. The disclosures required are effective for the Company s annual financial statements for the period that began after December 15, 2009. The adoption of this guidance is not expected to have a material effect on the Company s financial position, results of operations or cash flows.

Accounting for Transfers of Financial Assets

In June 2009, the FASB issued new accounting guidance to improve the information provided in financial statements concerning transfers of financial assets, including the effects of transfers on financial position, financial performance and cash flows, and any continuing involvement of the transferor with the transferred financial assets. The provisions are effective for the Company s financial statements for the fiscal year beginning October 1, 2010. The Company is in the process of evaluating the impact that the guidance may have on its financial statements and related disclosures.

Variable Interest Entities

In June 2009, the FASB issued new accounting guidance requiring an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. It also requires enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise s involvement in a variable interest entity. The provisions are effective for the Company s financial statements for the fiscal year beginning October 1, 2010. The Company is in the process of evaluating the impact that the guidance may have on its financial statements and related disclosures.

15 SUBSEQUENT EVENTS

On April 15, 2010, Spectrum Brands announced the appointment of David R. Lumley, Spectrum s President Global Batteries and Personal Care and Home and Garden, as the Chief Executive Officer (CEO) and a director of the Company and the retirement of Kent J. Hussey as CEO of the Company, effective as of

SPECTRUM BRANDS, INC.

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

(Amounts in thousands, except per share figures)

April 13, 2010. Mr. Hussey will remain the Chairman of Spectrum s Board of Directors until the earlier of August 12, 2010 or the closing of Spectrum s proposed business combination with Russell Hobbs.

16 CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

In connection with the acquisitions of Remington Products Company, L.L.C., United Industries Corporation and Tetra Holding GmbH and its affiliates and subsidiaries in the aquatics business, the Predecessor Company completed debt offerings of Senior Subordinated Notes. Payment obligations of such Senior Subordinated Notes were fully and unconditionally guaranteed on a joint and several basis by all of the Predecessor Company s domestic subsidiaries. Pursuant to and in accordance with the Plan, the Company refinanced its Senior Subordinated Notes. On the Effective Date, pursuant to the Plan, the Successor Company and its domestic subsidiaries, as guarantors, issued the 12% Notes under the 2019 Indenture for the benefit of holders of allowed claims with respect to the Predecessor Company s Senior Subordinated Notes. See Note 2, Voluntary Reorganization Under Chapter 11, for further details of the Bankruptcy Cases and See Note 8, Debt, for further information on the 12% Notes and the 2019 Indenture.

The following condensed consolidating financial statements illustrate the components of the condensed consolidated financial statements of the Successor Company and the Predecessor Company. 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.

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Successor Company

Condensed Consolidating Statement of Financial Position

April 4, 2010

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 2,603	$ 3,853	$ 49,030	$	$ 55,486
Receivables, net	529,556	641,347	143,582	(1,011,617)	302,868
Inventories	70,371	143,120	132,991	(3,575)	342,907
Deferred income taxes	11,727	8,032	4,339	428	24,526
Assets held for sale			11,730		11,730
Prepaid expenses and other	13,804	5,410	18,747		37,961
Total current assets	628,061	801,762	360,419	(1,014,764)	775,478
Property, plant and equipment, net	55,229	39,094	91,658		185,981
Long term intercompany receivables	398,201	316,716	(660,561)	(54,356)	
Deferred charges and other	9,588	2,163	23,574		35,325
Goodwill	67,722	277,691	130,086		475,499
Intangible assets, net	541,072	520,647	356,650		1,418,369
Debt issuance costs	10,329				10,329
Investments in subsidiaries	4,215,860	3,392,157	3,442,066	(11,050,083)	
Total assets	$ 5,926,062	$ 5,350,230	$ 3,743,892	$ (12,119,203)	$ 2,900,981
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 342,664	$ 10	$ 20,782	$ (257,076)	$ 106,380
Accounts payable	595,882	619,591	88,201	(1,138,624)	165,050
Accrued liabilities	65,196	32,567	102,102		199,865
Total current liabilities	1,003,742	652,168	211,085	(1,395,700)	471,295
Long-term debt, net of current maturities	1,510,600	311,460	38,877	(340,339)	1,520,598
Employee benefit obligations, net of current portion	10,897	921	43,411		55,229
Deferred income taxes	31,747	169,821	28,852	(1)	230,419
Other	17,862		29,510	1,085	48,457
Total liabilities	2,574,848	1,134,370	351,735	(1,734,955)	2.325,998
Shareholders equity:					
Common stock	307	451	611,869	(612,321)	306
Additional paid-in capital	731,187	2,166,073	3,301,809	(5,467,886)	731,183
(Accumulated deficit) retained earnings	(18,085)	126,760	(518,194)	259,451	(150,068)

Accumulated other comprehensive income (loss)	2,637,805	1,922,576	(3,327)	(4,563,492)	(6,438)
Total shareholders equity	3,351,214	4,215,860	3,392,157	(10,384,248)	574,983
Total liabilities and shareholders equity	$ 5,926,062	$ 5,350,230	$ 3,743,892	$ (12,119,203)	$ 2,900,981

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Successor Company

Condensed Consolidating Statement of Financial Position

September 30, 2009

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1,450	$ 3,364	$ 92,986	$	$ 97,800
Receivables, net	472,616	559,802	111,618	(844,585)	299,451
Inventories	84,267	116,291	143,701	(2,754)	341,505
Deferred income taxes	16,407	9,149	2,153	428	28,137
Assets held for sale		321	11,549		11,870
Prepaid expenses and other	15,530	6,062	18,381		39,973
Total current assets	590,270	694,989	380,388	(846,911)	818,736
Property, plant and equipment, net	59,229	42,888	110,244		212,361
Long term intercompany receivables	379,000	488,077	(861,730)	(5,347)	
Deferred charges and other	7,462	2,463	25,009		34,934
Goodwill	67,722	277,691	137,935		483,348
Intangible assets, net	546,480	530,807	384,846	(188)	1,461,945
Debt issuance costs	9,422				9,422
Investments in subsidiaries	4,196,025	3,359,913	3,440,646	(10,996,584)	
Total assets	$ 5,855,610	$ 5,396,828	$ 3,617,338	$ (11,849,030)	$ 3,020,746
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 248,787	$ 11	$ 4,382	$ (199,602)	$ 53,578
Accounts payable	510,608	577,291	136,787	(1,038,451)	186,235
Accrued liabilities	111,803	37,441	106,011		255,255
Total current liabilities	871,198	614,743	247,180	(1,238,053)	495,068
Long-term debt, net of current maturities	1,518,790	402,980	(106,686)	(285,127)	1,529,957
Employee benefit obligations, net of current portion	11,667	953	43,235		55,855
Deferred income taxes	12,506	179,049	35,943		227,498
Other	11,892	3,078	37,754	(1,235)	51,489
Total liabilities	2,426,053	1,200,803	257,426	(1,524,415)	2,359,867
Shareholders equity:					
Common stock	300	451	613,335	(613,786)	300
Additional paid-in capital	724,679	2,166,066	3,300,215	(5,466,164)	724,796
Retained earnings (accumulated deficit)	54,073	101,822	(630,365)	403,685	(70,785)

Accumulated other comprehensive income (loss)	2,650,505	1,927,686	(1,649)	(4,569,974)	6,568
	3,429,557	4,196,025	3,281,536	(10,246,239)	660,879
Less treasury stock, at cost			78,376	(78,376)	
Total shareholders equity	3,429,557	4,196,025	3,359,912	(10,324,615)	660,879
Total liabilities and shareholders equity	$ 5,855,610	$ 5,396,828	$ 3,617,338	$ (11,849,030)	$ 3,020,746

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Successor Company

Condensed Consolidating Statement of Operations

Three Month Period Ended April 4, 2010

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 91,692	$ 227,456	$ 244,922	$ (31,484)	$ 532,586
Cost of goods sold	52,198	157,683	142,311	(31,175)	321,017
Restructuring and related charges	454	1,383	152		1,989
Gross profit	39,040	68,390	102,459	(309)	209,580
Operating expenses:					
Selling	16,655	30,459	57,062	(13)	104,163
General and administrative	23,179	9,438	15,804		48,421
Research and development	5,238	1,594	991		7,823
Restructuring and related charges	1,795	1,605	2		3,402
	46,867	43,096	73,859	(13)	163,809
Operating (loss) income	(7,827)	25,294	28,600	(296)	45,771
Interest expense	39,605	3,000	5,788	17	48,410
Other (income) expense, net	(13,390)	14,368	5,746	(386)	6,338
(Loss) income before reorganization items, net and income taxes	(34,042)	7,926	17,066	73	(8,977)
Reorganization items expense, net	946	(946)			
(Loss) income before income taxes	(34,988)	8,872	17,066	73	(8,977)
Income tax expense (benefit)	3,971	1,301	4,850	(65)	10,057
Net (loss) income	$ (38,959)	$ 7,571	$ 12,216	$ 138	$ (19,034)

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Predecessor Company

Condensed Consolidating Statement of Operations

Three Month Period Ended March 29, 2009

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 88,477	$ 226,624	$ 216,052	$ (27,891)	$ 503,262
Cost of goods sold	54,269	164,152	127,492	(30,146)	315,767
Restructuring and related charges	2,091	525	45		2,661
Gross profit	32,117	61,947	88,515	2,255	184,834
Operating expenses:					
Selling	14,090	31,943	48,819	(4)	94,848
General and administrative	16,492	6,736	14,334		37,562
Research and development	3,699	1,310	750		5,759
Restructuring and related charges	11,063	651	1,765		13,479
	45,344	40,640	65,668	(4)	151,648
Operating (loss) income	(13,227)	21,307	22,847	2,259	33,186
Interest expense	35,065	6,588	5,801	(8)	47,446
Other (income) expense, net	(11,884)	3,535	1,762	7,297	710
(Loss) income from continuing operations before reorganization items, net and income taxes	(36,408)	11,184	15,284	(5,030)	(14,970)
Reorganization items expense, net	20,931	380			21,311
(Loss) income from continuing operations before income taxes	(57,339)	10,804	15,284	(5,030)	(36,281)
Income tax expense (benefit)	6,508	(2,540)	4,380		8,348
(Loss) income from continuing operations	(63,847)	13,344	10,904	(5,030)	(44,629)
Income (loss) from discontinuing operations, net of tax	1,178	(16,998)			(15,820)
Net (loss) income	$ (62,669)	$ (3,654)	$ 10,904	$ (5,030)	$ (60,449)

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Successor Company

Condensed Consolidating Statement of Operations

Six Month Period Ended April 4, 2010

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 196,770	$ 435,319	$ 554,769	$ (62,332)	$ 1,124,526
Cost of goods sold	117,090	336,174	334,708	(61,128)	726,844
Restructuring and related charges	3,323	2,186	(1,869)		3,640
Gross profit	76,357	96,959	221,930	(1,204)	394,042
Operating expenses:					
Selling	36,734	56,708	122,086	(76)	215,452
General and administrative	48,749	15,514	27,351		91,614
Research and development	9,283	3,040	1,945		14,268
Restructuring and related charges	(369)	8,477	70		8,178
	94,397	83,739	151,452	(76)	329,512
Operating (loss) income	(18,040)	13,220	70,478	(1,128)	64,530
Interest expense	75,603	10,437	11,815	37	97,892
Other (income) expense, net	(41,883)	(3,535)	6,378	46,024	6,984
(Loss) income from continuing operations before reorganization items, net and income taxes	(51,760)	6,318	52,285	(47,189)	(40,346)
Reorganization items expense, net	4,482	(836)			3,646
(Loss) income from continuing operations before income taxes	(56,242)	7,154	52,285	(47,189)	(43,992)
Income tax expense (benefit)	24,934	(8,388)	16,173	(163)	32,556
(Loss) income from continuing operations	(81,176)	15,542	36,112	(47,026)	(76,548)
Loss from discontinued operations, net of tax		(2,735)			(2,735)
Net (loss) income	$ (81,176)	$ 12,807	$ 36,112	$ (47,026)	$ (79,283)

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Predecessor Company

Condensed Consolidating Statement of Operations

Six Month Period Ended March 29, 2009

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 196,888	$ 429,523	$ 467,932	$ (42,578)	$ 1,051,765
Cost of goods sold	115,500	328,548	263,278	(43,073)	664,253
Restructuring and related charges	8,544	532	3,732	(1)	12,807
Gross profit	72,844	100,443	200,922	496	374,705
Operating expenses:					
Selling	38,124	61,513	106,673	(129)	206,181
General and administrative	33,073	14,483	26,892	(1)	74,447
Research and development	7,061	2,710	1,555	(1)	11,325
Restructuring and related charges	15,753	4,552	4,056		24,361
	94,011	83,258	139,176	(131)	316,314
Operating (loss) income	(21,167)	17,185	61,746	627	58,391
Interest expense	76,107	12,975	(10,691)	21,519	99,910
Other (income) expense, net	(27,423)	(20,386)	4,364	47,832	4,387
(Loss) income from continuing operations before reorganization items, net and income taxes	(69,851)	24,596	68,073	(68,724)	(45,906)
Reorganization items expense, net	20,931	380			21,311
(Loss) income from continuing operations before income taxes	(90,782)	24,216	68,073	(68,724)	(67,217)
Income tax expense (benefit)	48,073	(39,771)	15,647		23,949
(Loss) income from continuing operations	(138,855)	63,987	52,426	(68,724)	(91,166)
Income (loss) from discontinuing operations, net of tax	2,841	(84,781)			(81,940)
Net (loss) income	$ (136,014)	$ (20,794)	$ 52,426	$ (68,724)	$ (173,106)

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Successor Company

Condensed Consolidating Statement of Cash Flows

Six Month Period Ended April 4, 2010

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash (used) provided by operating activities of continuing operations	$ (104,485)	$ (65,222)	$ 99,651	$ (1,658)	$ (71,714)
Net cash used by operating activities of discontinued operations		(9,290)			(9,290)
Net cash (used) provided by operating activities	(104,485)	(74,512)	99,651	(1,658)	(81,004)
Cash flows from investing activities:					
Purchases of property, plant and equipment	(4,697)	(2,773)	(3,373)		(10,843)
Intercompany investments	(119)	119			
Proceeds from sale of property, plant and equipment and investments		201	7		208
Net cash used by investing activities	(4,816)	(2,453)	(3,366)		(10,635)
Cash flows from financing activities:					
Debt issuance costs	(2,950)				(2,950)
Proceeds from debt financing	11,067		16,753		27,820
Reduction of debt	(8,039)		(57)		(8,096)
Proceeds from ABL Revolving Credit Facility	614,900				614,900
Payments of ABL Revolving Credit Facility	(576,033)				(576,033)
Refund of debt issuance costs	204				204
Proceeds from (advances related to) intercompany transactions	71,305	77,454	(150,417)	1,658	
Net cash provided (used) by financing activities	110,454	77,454	(133,721)	1,658	55,845
Effect of exchange rate changes on cash and cash equivalents			(6,520)		(6,520)
Net increase in cash and cash equivalents	1,153	489	(43,956)		(42,314)
Cash and cash equivalents, beginning of period	1,450	3,364	92,986		97,800
Cash and cash equivalents, end of period	$ 2,603	$ 3,853	$ 49,030	$	$ 55,486

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Predecessor Company

Condensed Consolidating Statement of Cash Flows

Six Month Period Ended March 29, 2009

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash (used) provided by operating activities of continuing operations	$ (202,126)	$ 68,810	$ 151,417	$ (138,191)	$ (120,090)
Net cash (used) provided by operating activities of discontinued operations		(18,795)			(18,795)
Net cash (used) provided by operating activities	(202,126)	50,015	151,417	(138,191)	(138,885)
Cash flows from investing activities:					
Purchases of property, plant and equipment	(839)	(751)	(1,677)		(3,267)
Proceeds from sale of property, plant and equipment and investments			322		322
Intercompany investments		39	(39)		
Net cash used by investing activities from continuing operations	(839)	(712)	(1,394)		(2,945)
Net cash used by investing activities from discontinuing operations		(860)			(860)
Net cash used by investing activities	(839)	(1,572)	(1,394)		(3,805)
Cash flows from financing activities:					
Reduction of debt	(240,460)		(477)		(240,937)
Proceeds from debt financing	168,894		(6,790)		162,104
Debt issuance costs	(7,750)				(7,750)
Debtor in possession revolving credit facility activity, net	136,206				136,206
Proceeds from supplemental loan	45,000				45,000
Treasury stock purchases	(56)				(56)
Proceeds from (advances related to) intercompany transactions	94,132	(49,068)	(183,255)	138,191	
Net cash provided (used) by financing activities	195,966	(49,068)	(190,522)	138,191	94,567
Effect of exchange rate changes on cash and cash equivalents			(5,094)		(5,094)
Net decrease in cash and cash equivalents	(6,999)	(625)	(45,593)		(53,217)
Cash and cash equivalents, beginning of period	9,786	3,667	91,320		104,773
Cash and cash equivalents, end of period	$ 2,787	$ 3,042	$ 45,727	$	$ 51,556

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

As further described below, on February 3, 2009, we and our wholly owned United States (U.S.) subsidiaries (collectively, the Debtors) filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code (the Bankruptcy Code), in the U.S. Bankruptcy Court for the Western District of Texas (the Bankruptcy Court). On August 28, 2009 (the Effective Date), the Debtors emerged from Chapter 11 of the Bankruptcy Code. Effective as of the Effective Date and pursuant to the Debtors confirmed plan of reorganization, we converted from a Wisconsin corporation to a Delaware corporation. On March 18, 2010, we became listed on the New York Stock Exchange.

Unless the context indicates otherwise, Spectrum Brands, Inc. is used interchangeably in this Quarterly Report on Form 10-Q to refer both to the Delaware corporation and its Wisconsin predecessor, and the terms the Company, Spectrum, Spectrum Brands, we, our or us are used to r Spectrum Brands, Inc. and its subsidiaries both before and on and after the Effective Date. The term New Spectrum, however, refers only to Spectrum Brands, Inc., our Delaware successor, and its subsidiaries, after the Effective Date, and the term Old Spectrum, refers only to Spectrum Brands, Inc., our Wisconsin predecessor, and its subsidiaries prior to the Effective Date.

Financial information included in our financial statements prepared after August 30, 2009 will not be comparable to financial information from prior periods. See Item 1A. Risk Factors *Risks Related To Our Emergence From Bankruptcy* for more information.

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 control products.

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 home and garden control product offerings, including household insecticides, repellants and herbicides (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 U.S., Europe, Latin America and Asia. 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 (OEMs) 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, 8-in-1, Spectracide, Cutter and various other brands.

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

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Our operating performance is influenced by a number of factors including: general economic conditions; foreign exchange fluctuations; trends in consumer markets; consumer confidence and preferences; our overall product line mix, including pricing and gross margin, which vary by product line and geographic market; pricing of certain raw materials and commodities; energy and fuel prices; and our general competitive position, especially as impacted by our competitors advertising and promotional activities and pricing strategies.

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 then outstanding senior subordinated notes, to pursue a refinancing that, if implemented as proposed, would significantly reduce our outstanding debt. On the same day, the Debtors filed the Bankruptcy Filing and filed with the Bankruptcy Court a proposed plan of reorganization (the Proposed Plan) that detailed the Debtors proposed terms for the refinancing. The Chapter 11 cases were jointly administered by the Bankruptcy Court as Case No. 09-50455 (the Bankruptcy Cases). The Bankruptcy Court entered a written order (the Confirmation Order) on July 15, 2009 confirming the Proposed Plan (as so confirmed, the Plan). For more details regarding the Chapter 11 Proceedings, as well as the events leading to our voluntary filing for Chapter 11 bankruptcy, see Item 1. Business in our Annual Report on Form 10-K for our fiscal year ended September 30, 2009.

Plan Effective Date

On the Effective Date the Plan became effective, and the Debtors emerged from Chapter 11 of the Bankruptcy Code. Pursuant to and by operation of the Plan, on the Effective Date, all of Old Spectrum s existing equity securities, including the existing common stock and stock options, were extinguished and deemed cancelled. Reorganized Spectrum Brands, Inc. filed a certificate of incorporation authorizing new shares of common stock. Pursuant to and in accordance with the Plan, on the Effective Date, reorganized Spectrum Brands, Inc. issued a total of 27,030,000 shares of common stock and approximately $218 million in aggregate principal amount of 12% Senior Subordinated Toggle Notes due 2019 (the 12% Notes) to holders of allowed claims with respect to Old Spectrum 8 1/2% Senior Subordinated Notes due 2013 (the 8 1/2 Notes), 7 7/8 % Senior Subordinated Notes due 2015 (the 7 7/8 Notes) and Variable Rate Toggle Senior Subordinated Notes due 2013 (the Variable Rate Notes) (collectively, the Senior Subordinated Notes). For a further discussion of the 12% Notes see *Debt Financing Activities 12% Notes.* Also on the Effective Date, reorganized Spectrum Brands, Inc. issued a total of 2,970,000 shares of common stock to supplemental and sub-supplemental debtor-in-possession credit facility participants in respect of the equity fee earned under the Debtors debtor-in-possession credit facility.

On the Effective Date, pursuant to the Plan (as amended pursuant to the settlement), we entered into Amendment No. 1 to the senior secured term credit facility agreement reflecting the terms of the Settlement as authorized by the Confirmation Order, including a new covenant restricting us from paying cash interest on the 12% Notes until the date that is 18 months from the Effective Date, or February 28, 2011. In addition, on the Effective Date, we entered into Amendment No. 2 to the senior secured term credit facility agreement to give effect to certain technical amendments to the senior secured term credit facility agreement. For a further discussion of the amendments see *Debt Financing Activities Senior Term Credit Facility.*

In order to consummate the Plan, the Debtors also obtained a $242 million asset-based exit loan facility pursuant to a credit agreement among the Debtors, General Electric Capital Corporation, as the administrative agent, co-collateral agent, swingline lender and supplemental loan lender, Bank of America, N.A., as co-collateral agent and L/C Issuer, RBS Asset Finance, Inc., through its division RBS Business Capital, as syndication agent and the lenders party thereto. For a further discussion of the asset-based loan facility see *Debt Financing Activities ABL Revolving Credit Facility.*

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With the exception of Spectrum Jungle Labs Corporation, the related cases of the reorganized Debtors were closed at September 30, 2009. On March 31, 2010, the court issued a final decree closing the Chapter 11 Case of Spectrum Jungle Labs Corporation. As a result of our Bankruptcy Filing, we were able to significantly reduce our indebtedness. However, we continue to have a significant amount of indebtedness relative to our competitors and continue to explore potential strategies that may be available to us to restructure this indebtedness.

Russell Hobbs Combination

On February 9, 2010 we signed a definitive agreement with Russell Hobbs, Inc. (Russell Hobbs), a small appliance brand company, to form a new combined company. Investment funds managed by Harbinger Capital Partners (Harbinger) currently own approximately 40% of our shares and 100% of Russell Hobbs shares. As part of this transaction, the combined companies have received commitments for approximately $1,800 million in financing in order to refinance the Company s existing senior debt and a portion of Russell Hobbs existing senior debt through a combination of new term loans, new senior notes and a new $300 million ABL revolving facility.

The proposed all stock transaction is expected to close in the third or fourth quarter of our Fiscal 2010 and is subject to approval by holders of a majority of our common stock not owned by Harbinger, closing of the new financing and other customary closing conditions.

Upon closing, current shareholders of Spectrum Brands, Inc. will receive one share in the new combined company for each share they hold in Spectrum Brands Inc. Furthermore, as part of the transaction, Harbinger has agreed to convert its existing approximately $158 million aggregate principal amount of Russell Hobbs term debt and approximately $207 million of Russell Hobbs preferred stock into common stock of the new combined company at a price of $31.50 per share. Following the closing of the transaction Harbinger is expected to own approximately 65% of the new combined company.

Results of Operations

Fiscal Quarter and Fiscal Six Month Period Ended April 4, 2010 Compared to Fiscal Quarter and Fiscal Six Month Period Ended March 29, 2009

In this Quarterly Report on Form 10-Q we refer to the three month period ended April 4, 2010 as the Fiscal 2010 Quarter, the six month period ended April 4, 2010 as the Fiscal 2010 Six Months, the three month period ended March 29, 2009 as the Fiscal 2009 Quarter and the six month period ended March 29, 2009 as the Fiscal 2009 Six Months.

For the Fiscal 2010 Six Months, the Fiscal 2009 Quarter and the Fiscal 2009 Six Months we have presented the growing products portion of our Home and Garden Business as discontinued operations. The board of directors of Old Spectrum committed to the shutdown of the growing products portion of the Home and Garden Business in November 2008 and the shutdown was completed during the second quarter of our Fiscal 2009. 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 shutdown of the growing products portion of our Home and Garden Business. As a result, and unless specifically stated, all discussions regarding the Fiscal 2010 Quarter, the Fiscal 2010 Six Months, the Fiscal 2009 Quarter and the Fiscal 2009 Six Months only reflect results from our continuing operations.

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Net Sales. Net sales for the Fiscal 2010 Quarter increased to $533 million from $503 million in the Fiscal 2009 Quarter, a 5.8% increase. The following table details the principal components of the change in net sales from the Fiscal 2009 Quarter to the Fiscal 2010 Quarter (in millions):

	Net Sales
Fiscal 2009 Quarter Net Sales	$ 503
Increase in Global Batteries & Personal Care Remington branded product sales	6
Increase in Pet supplies sales	4
Increase in Home and garden control product sales	3
Increase in Portable Lighting product sales	3
Decrease in Global Batteries & Personal Care consumer battery sales	(2)
Foreign currency impact, net	16
Fiscal 2010 Quarter Net Sales	$ 533

Net sales for the Fiscal 2010 Six Months increased to $1,125 million from $1,052 million in the Fiscal 2009 Six Months, a 6.9% increase. The following table details the principal components of the change in net sales from the Fiscal 2009 Six Months to the Fiscal 2010 Six Months (in millions):

	Net Sales
Fiscal 2009 Six Months Net Sales	$ 1,052
Increase in Global Batteries & Personal Care Remington branded product sales	15
Increase in Global Batteries & Personal Care consumer battery sales	6
Increase in Pet product sales	5
Increase in Home and Garden control product sales	2
Foreign currency impact, net	45
Fiscal 2010 Six Months Net Sales	$ 1,125

Consolidated net sales by product line for the Fiscal 2010 Quarter, the Fiscal 2009 Quarter, the Fiscal 2010 Six Months and the Fiscal 2009 Six Months are as follows (in millions):

	Fiscal Quarter		Fiscal Six Months	
	2010	2009	2010	2009
Product line net sales				
Battery sales	$ 190	$ 184	$ 434	$ 405
Pet supplies sales	148	142	285	274
Home and Garden control product sales	76	74	102	100
Shaving and grooming product sales	49	39	136	117
Personal care product sales	48	46	124	114
Lighting product sales	22	18	44	42
Total net sales to external customers	$ 533	$ 503	$ 1,125	$ 1,052

Global consumer battery sales increased $6 million, or 3%, in the Fiscal 2010 Quarter compared to the Fiscal 2009 Quarter, primarily driven by favorable foreign exchange translation of $8 million. The $6 million, or 4%, increase in pet supplies sales during the Fiscal 2010 Quarter compared to the Fiscal 2009 Quarter is due to favorable foreign exchange translation of $2 million coupled with increased aquatics sales. The increased aquatics sales in the Fiscal 2010 Quarter were driven by sales of filtration products and aquatic system kits. The $2 million, or 3%, increase in home and garden control product sales in the Fiscal 2010 Quarter compared to the

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Fiscal 2009 Quarter is a result of certain customers that delayed orders historically made in the first quarter of our fiscal year to the second quarter of our fiscal year in connection with their continuing effort to reduce inventory levels. Shaving and grooming product sales increased $10 million in the Fiscal 2010 Quarter compared to the Fiscal 2009 Quarter driven by increases within Europe and North America of $4 million and $3 million, respectively, coupled with favorable foreign exchange translation of $2 million. Personal care product sales during the Fiscal 2010 Quarter increased $2 million, or 2%, compared to the Fiscal 2009 Quarter, as a result of favorable foreign exchange impacts. Lighting product sales increased $4 million, or 21%, during the Fiscal 2010 Quarter compared to the Fiscal 2009 Quarter.

Global consumer battery sales increased $29 million, or 7%, in the Fiscal 2010 Six Months compared to the Fiscal 2009 Six Months. The increase was driven by favorable foreign exchange translation of $23 million coupled with increased sales to a major customer in North America as well as increases in Central America and Columbia. These increases were tempered by decreased consumer battery sales of $11 million in Europe, primarily due to our continued exit of unprofitable or low margin private label battery sales. The $11 million, or 4%, increase in pet supplies sales in the Fiscal 2010 Six Months compared to the Fiscal 2009 Six Months is primarily attributable to favorable foreign exchange translation of $6 million coupled with increased sales in our companion animal products of $3 million, which were driven by the continued growth of our Dingo and Nature s Miracle branded products, coupled with the annualized impact of price increases implemented in the Fiscal 2009 Quarter. Home and garden control product sales increased $2 million, or 2%, in the Fiscal 2010 Six Months compared to the Fiscal 2009 Six Months. The slight increase is due to increased sales with a major customer. Electric shaving and grooming products increased $19 million, or 16%, in the Fiscal 2010 Six Months compared to the Fiscal 2009 Six Months. This increase is primarily due to favorable foreign exchange translation of $7 million and increased sales in Europe of $13 million. During the Fiscal 2010 Six Months electric personal care sales increased $10 million, or 9%, compared to the Fiscal 2009 Six Months primarily due to favorable foreign exchange translation of $6 million and increases within North America and Latin America of $3 million and $2 million, respectively. These increases within electric personal care sales were slightly offset by declines in Europe of $1 million. The $2 million, or 5%, increase in portable lighting sales in the Fiscal 2010 Six Months compared to the Fiscal 2009 Six Months was primarily a result of favorable foreign exchange translation of $2 million.

Gross Profit. Gross profit for the Fiscal 2010 Quarter was $210 million versus $185 million for the Fiscal 2009 Quarter. Our gross profit margin for the Fiscal 2010 Quarter increased to 39.4% from 36.7% in the Fiscal 2009 Quarter. This increase in gross profit margin is primarily due to favorable foreign exchange translation and Restructuring and related charges of $2 million in the Fiscal 2010 Quarter compared to $3 million in the Fiscal 2009 Quarter. Restructuring and related charges in the Fiscal 2010 Quarter were primarily related to cost reduction initiatives announced in 2009 while the Fiscal 2009 Quarter primarily related to the shutdown of our Ningbo, China battery manufacturing facility. Gross profit for the Fiscal 2010 Six Months was $394 million versus $375 million for the Fiscal 2009 Six Months. Our gross profit margin for the Fiscal 2010 Six Months decreased slightly to 35.0% from 35.6% in the Fiscal 2009 Six Months. As a result of our adoption of fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code, in accordance with SFAS No. 141, *Business Combinations,* (SFAS 141), inventory balances were revalued at August 30, 2009 resulting in an increase in such inventory balances of $49 million. As a result of the inventory revaluation, New Spectrum recognized $34 million in additional cost of goods sold in the Fiscal 2010 Six Months. The impact of the inventory revaluation was offset by lower Restructuring and related charges as Cost of goods sold during the Fiscal 2010 Six Months included $4 million of Restructuring and related charges whereas the Fiscal 2009 Six Months included $13 million of Restructuring and related charges. The Restructuring and related charges incurred in the Fiscal 2010 Six Months were primarily associated with cost reduction initiatives announced in 2009. The $13 million of Restructuring and related charges incurred in the Fiscal 2009 Six Months primarily related to the shutdown of our Ningbo, China battery manufacturing facility. 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.

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Operating Expense. Operating expenses for the Fiscal 2010 Quarter totaled $164 million versus $152 million for the Fiscal 2009 Quarter representing an increase of $12 million. During the Fiscal 2010 Quarter we incurred additional depreciation and amortization in connection with the revaluation of our long lived assets as a result of our adoption of fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code, in accordance with SFAS 141. This increase was partially offset by lower restructuring and related charges in the Fiscal 2010 Quarter versus the Fiscal 2009 Quarter. In the Fiscal 2010 Quarter we recorded approximately $3 million of restructuring and related charges which included cost reduction initiatives announced in 2009 and our global realignment announced in January 2007. We recorded $13 million of restructuring and related charges in the Fiscal 2009 Quarter which included consulting, legal and accounting fees related to the evaluation of our capital structure coupled with various cost reduction initiatives announced in 2009. Operating expenses for the Fiscal 2010 Six Months totaled $330 million versus $316 million for the Fiscal 2009 Six Months representing an increase of $14 million. The increase in the Fiscal 2010 Six Months was due to the same factors affecting the Fiscal 2010 Quarter increase which was also partially offset by lower restructuring and related charges. In the Fiscal 2010 Six Months we recorded approximately $8 million of restructuring and related charges which were primarily related to cost reduction initiatives announced in 2009. We recorded $24 million of restructuring and related charges in the Fiscal 2009 Six Months which related to consulting, legal and accounting fees related to the evaluation of our capital structure coupled with various cost reduction initiatives announced in 2009 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) our Home and Garden Business.

Operating segment profits do not include restructuring and related charges, interest expense, interest income, impairment charges, reorganization items and income tax expense. Expenses associated with global operations, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain are included in the determination of operating segment profits. In addition, certain general and administrative expenses necessary to reflect the operating segments on a standalone basis have been included in the determination of operating segment profits. 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 Six Months	
	2010	2009	2010	2009
	(in millions)			
Net sales to external customers	$ 308	$ 287	$ 737	$ 676
Segment profit	$ 34	$ 34	$ 80	$ 87
Segment profit as a % of net sales	10.9%	11.8%	10.8%	12.9%
Assets as of April 4, 2010 and September 30, 2009	$ 1,506	$ 1,630	$ 1,506	$ 1,630

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Segment net sales to external customers in the Fiscal 2010 Quarter increased $21 million to $308 million from $287 million during the Fiscal 2009 Quarter, a 7% increase. Favorable foreign currency exchange translation impacted net sales in the Fiscal 2010 Quarter by approximately $14 million. Battery sales for the Fiscal 2010 Quarter increased to $190 million when compared to sales of $184 million in the Fiscal 2009 Quarter. The increased sales are attributable to favorable foreign currency exchange translation of $9 million coupled with increased specialty battery sales of $6 million which was partially tempered by a decline in alkaline sales of $8 million. These specialty battery sales were driven by increased volume in Central America and Columbia while the decreases in alkaline batteries was primarily attributable to declines in Europe, primarily due to our continued exit of unprofitable or low margin private label battery sales. Net sales of electric shaving and grooming products in the Fiscal 2010 Quarter increased by $10 million from their levels in the Fiscal 2009 Quarter due to favorable foreign exchange translation of $2 million coupled with increased sales in Europe and North America of $4 million and $3 million, respectively. Net sales of electric personal care products in the Fiscal 2010 Quarter increased by $2 million compared to the Fiscal 2009 Quarter due to favorable foreign exchange translation. Net sales of portable lighting products for the Fiscal 2010 Quarter increased to $22 million as compared to sales of $18 million for the Fiscal 2009 Quarter. Segment net sales to external customers in the Fiscal 2010 Six Months increased $61 million to $737 million from $676 million during the Fiscal 2009 Six Months, a 9% increase. Favorable foreign currency exchange translation impacted net sales in the Fiscal 2010 Six Months by approximately $39 million. Battery sales for the Fiscal 2010 Six Months increased to $434 million when compared to sales of $405 million in the Fiscal 2009 Six Months. The increased sales are attributable to favorable foreign currency exchange translation of $23 million coupled with increased specialty battery sales of $13 million which was partially tempered by a decline in alkaline sales of $7 million. The increases in specialty battery sales and declines in alkaline battery sales are due to the same factors mentioned above. Net sales of electric shaving and grooming products in the Fiscal 2010 Six Months increased by $19 million from their levels in the Fiscal 2009 Six Months, due to favorable foreign exchange translation of $7 million coupled with increased sales in Europe of $13 million. Net sales of electric personal care products in the Fiscal 2010 Six Months increased by $10 million compared to the Fiscal 2009 Six Months due to favorable foreign exchange translation of $6 million coupled with increases within North America and Latin America of $3 million and $2 million, respectively. These increases within electric personal care sales were slightly offset by declines in Europe of $1 million. Net sales of portable lighting products for the Fiscal 2010 Six Months increased to $44 million as compared to sales of $42 million for the Fiscal 2009 Six Months.

Segment profitability in the Fiscal 2010 Quarter held flat at $34 million compared to the Fiscal 2009 Quarter. Segment profitability as a percentage of net sales decreased to 10.9% in the Fiscal 2010 Quarter compared to 11.8% in the Fiscal 2009 Quarter. Segment profitability in the Fiscal 2010 Quarter was negatively impacted by an increase of approximately $4 million in intangible amortization, primarily related to customer relationship lists, as was required when we adopted fresh-start reporting upon our emergence from Chapter 11 of the Bankruptcy Code. Offsetting this decrease to segment profitability was higher sales, primarily due to favorable foreign exchange translation, and savings from our cost reduction initiatives announced in Fiscal 2009, the shutdown of our Ningbo, China battery manufacturing facility and our global realignment initiatives announced in January 2007. Segment profitability in the Fiscal 2010 Six Months decreased to $80 million from $87 million in the Fiscal 2009 Six Months. Segment profitability as a percentage of net sales decreased to 10.8% in the Fiscal 2010 Six Months compared to 12.9% in the Fiscal 2009 Six Months. The decrease in segment profitability for the Fiscal 2010 Six Months was mainly attributable to a $19 million increase in cost of goods sold due to the revaluation of inventory coupled with approximately a $8 million increase in intangible amortization due to our adoption of fresh-start reporting as mentioned in the Fiscal 2010 Quarter. Offsetting this decrease to segment profitability was higher sales, primarily due to favorable foreign exchange translation, and savings from our restructuring initiatives mentioned above in the Fiscal 2010 Quarter. 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.

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Segment assets at April 4, 2010 decreased to $1,506 million from $1,630 million at September 30, 2009. The decrease is primarily due to the impact of foreign currency translation. On April 4, 2010 and September 30, 2009, goodwill and intangible assets, which were revalued in conjunction with fresh-start reporting upon our emergence from Chapter 11 of the Bankruptcy Code, totaled approximately $885 million and $909 million, respectively. See Note 2, Voluntary Reorganization Under Chapter 11, of Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information on fresh-start reporting.

Foreign Currency Translation Venezuela Impacts

The Global Batteries & Personal Care segment does business in Venezuela through a Venezuelan subsidiary. As of January 4, 2010, the beginning of our second quarter of Fiscal 2010, we have determined that Venezuela meets the definition of a highly inflationary economy under GAAP. As a result, beginning January 4, 2010, the U.S. dollar is the functional currency for our Venezuelan subsidiary. Accordingly, going forward, currency remeasurement adjustments for this subsidiary s financial statements and other transactional foreign exchange gains and losses are reflected in earnings. Through January 3, 2010, prior to being designated as highly inflationary, translation adjustments related to our Venezuelan subsidiary were reflected in Shareholders equity as a component of other comprehensive income.

In addition, on January 8, 2010, the Venezuelan government announced its intention to devalue its currency, the Bolivar fuerte, relative to the U.S. dollar. The official exchange rate for imported goods classified as essential, such as food and medicine, changed from 2.15 to 2.6 to the U.S. dollar, while payments for other non-essential goods moved to an exchange rate of 4.3 to the U.S. dollar. Some of our imported products fell into the essential classification and qualified for the 2.6 rate; however, our overall results in Venezuela are reflected at the 4.3 rate expected to be applicable to dividend repatriations. As a result, we remeasured the local statement of financial position of our Venezuela entity during the Fiscal 2010 Quarter to reflect the impact of the devaluation. There will also be an ongoing impact related to measuring our Venezuelan statement of operations at the new exchange rate of 4.3 to the U.S. dollar; however, we do not expect that impact to be material.

The designation of our Venezuela entity as a highly inflationary economy and the devaluation of the Bolivar fuerte resulted in a $1 million unfavorable impact to our operating income and a foreign exchange loss, reflected in Other expense, net, of approximately $6 million for both the Fiscal 2010 Quarter and the Fiscal 2010 Six Months.

Global Pet Supplies

	Fiscal Quarter		Fiscal Six Months	
	2010	2009	2010	2009
	(in millions)			
Net sales to external customers	$ 148	$ 142	$ 285	$ 274
Segment profit	$ 19	$ 15	$ 20	$ 27
Segment profit as a % of net sales	12.8%	10.6%	7.0%	9.9%
Assets as of April 4, 2010 and September 30, 2009	$ 825	$ 867	$ 825	$ 867

Segment net sales to external customers in the Fiscal 2010 Quarter increased to $148 million from $142 million in the Fiscal 2009 Quarter, representing an increase of $6 million or 4%. The increase in net sales in the Fiscal 2010 Quarter was primarily driven by favorable foreign currency exchange translation of $2 million and increased aquatics sales, primarily driven by filtration products and aquatic system kits in the U.S. and Europe. Segment net sales to external customers in the Fiscal 2010 Six Months increased to $285 million from $274 million in the Fiscal 2009 Six Months, representing an increase of $11 million or 4%. The increase in net sales in the Fiscal 2010 Six Months was primarily driven by favorable foreign currency exchange translation of $6 million and increased sales of our companion animal products of $3 million, which were driven by the continued growth of our Dingo and Nature s Miracle branded products coupled with the annualized impact of price increases implemented in the second quarter of Fiscal 2009.

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Segment profitability in the Fiscal 2010 Quarter was $19 million versus $15 million in the Fiscal 2009 Quarter. Segment profitability as a percentage of sales in the Fiscal 2009 Quarter increased to 12.8% from 10.6% in the same period last year. The increase in segment profitability for the Fiscal 2010 Quarter was mainly attributable to improved pricing and lower manufacturing costs. Segment profitability in the Fiscal 2010 Six Months was $20 million versus $27 million in the Fiscal 2009 Six Months. Segment profitability as a percentage of sales in the Fiscal 2010 Six Months decreased to 7.0% from 9.9% in the same period last year. The decrease in segment profitability for the Fiscal 2010 Six Months was mainly attributable to a $14 million increase in cost of goods sold due to the revaluation of inventory in accordance with SFAS 141, as was required when we adopted fresh-start reporting upon our emergence from Chapter 11 of the Bankruptcy Code which was partially offset by the factors mentioned above for the increase segment profitability during the Fiscal 2010 Quarter.

Segment assets at April 4, 2010 decreased to $825 million from $867 million at September 30, 2009. The decrease is primarily due to the impact of foreign currency translation. On April 4, 2010 and September 30, 2009, goodwill and intangible assets, which were revalued in conjunction with fresh-start reporting upon our emergence from Chapter 11 of the Bankruptcy Code, totaled approximately $594 million and $618 million, respectively. See Note 2, Voluntary Reorganization Under Chapter 11, of Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information on fresh-start reporting.

Home and Garden

	Fiscal Quarter		Fiscal Six Months	
	2010	2009	2010	2009
	(in millions)			
Net sales to external customers	$ 76	$ 74	$ 102	$ 100
Segment profit (loss)	$ 11	$ 9	$ 1	$ (2)
Segment profit (loss) as a % of net sales	14.5%	12.2%	1.0%	(2.0)%
Assets as of April 4, 2010 and September 30, 2009	$ 554	$ 506	$ 554	$ 506

Segment net sales to external customers in the Fiscal 2010 Quarter increased slightly to $76 million from $74 million in the Fiscal 2009 Quarter. The slight increase in net sales in the Fiscal 2010 Quarter was primarily is a result of certain customers that delayed orders historically made in the first quarter of our fiscal year to the second quarter of our fiscal year in connection with their continuing effort to reduce inventory levels. Segment net sales to external customers increased slightly to $102 million in the Fiscal 2010 Six Months from $100 million in the Fiscal 2009 Six Months. The slight increase in net sales in the Fiscal 2010 Six Months is attributable to increased sales with a major customer.

Segment profitability in the Fiscal 2010 Quarter increased to $11 million from $9 million in the Fiscal 2009 Quarter. Segment profitability as a percentage of sales in the Fiscal 2010 Quarter increased to 14.5% from 12.2% in the same period last year. This slight increase in segment profitability was attributable to savings from our global cost reduction initiatives announced in Fiscal 2009. Segment profitability in the Fiscal 2010 Six Months increased to $1 million from a loss of $(2) million in the Fiscal 2009 Six Months. Segment profitability as a percentage of sales in the Fiscal 2010 Six Months increased to 1.0% from (2.0)% in the same period last year. This slight increase in segment profitability was also attributable to savings from our global cost reduction initiatives announced in Fiscal 2009. 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. The increase in profitability during the Fiscal 2010 Six Months was tempered by a $2 million increase in cost of goods sold due to the revaluation of inventory and increased intangible amortization due to the revaluation of our customer relationships in accordance with SFAS 141 as was required when we adopted fresh-start reporting upon our emergence from Chapter 11 of the Bankruptcy Code.

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Segment assets at April 4, 2010 increased to $554 million from $506 million at September 30, 2009. On April 4, 2010 and September 30, 2009, goodwill and intangible assets, which were revalued in conjunction with fresh-start reporting upon our emergence from Chapter 11 of the Bankruptcy Code, totaled approximately $415 million and $419 million, respectively. See Note 2, Voluntary Reorganization Under Chapter 11, of Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information on fresh-start reporting.

Corporate Expense. Our corporate expense in the Fiscal 2010 Quarter was $12 million compared to $8 million during the Fiscal 2009 Quarter. Corporate expense as a percentage of consolidated net sales for the Fiscal 2010 Quarter was 2.3% and 1.5% for the Fiscal 2009 Quarter. The increase is primarily due to stock compensation expense of $3 million in the Fiscal 2010 Quarter compared to $1 million stock compensation expense in the Fiscal 2009 Quarter coupled with transaction costs of $3 million related to the proposed Russell Hobbs combination. Our corporate expense in the Fiscal 2010 Six Months was $25 million compared to $16 million during the Fiscal 2009 Six Months. Corporate expense as a percentage of consolidated net sales for the Fiscal 2010 Six Months was 2.2% and 1.5% for the Fiscal 2009 Six Months. The increase is primarily due to stock compensation expense of $6 million in the Fiscal 2010 Six Months compared to $1 million of stock compensation expense in the Fiscal 2009 Six Months coupled with transaction costs of $6 million related to the proposed Russell Hobbs combination. See *Introduction Russell Hobbs Combination* 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 additional information regarding the proposed business combination with Russell Hobbs.

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.

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The following table summarizes all restructuring and related charges we incurred in the Fiscal 2010 Quarter, the Fiscal 2009 Quarter, the Fiscal 2010 Six Months and the Fiscal 2009 Six Months (in millions):

	Fiscal Quarter		Fiscal Six Months	
	2010	2009	2010	2009
Costs included in cost of goods sold:				
Latin American Initiatives:				
Termination benefits		0.1	0.2	0.2
Other associated costs	(0.1)		(0.1)	
Global Realignment Initiatives:				
Termination benefits		0.2		0.3
Ningbo Exit Plan:				
Termination benefits		0.1		0.8
Other associated costs	0.6	1.8	1.2	11.0
Global Cost Reduction Initiatives:				
Termination benefits	1.1	0.2	1.3	0.2
Other associated costs	0.4	0.3	1.0	0.3
Total included in cost of goods sold	2.0	2.7	3.6	12.8
Costs included in operating expenses:				
United & Tetra integration:				
Termination benefits				2.4
Other associated costs				1.2
Global Realignment Initiatives:				
Termination benefits	1.2	3.6		7.9
Other associated costs		0.3	(1.0)	1.8
Ningbo Exit Plan:				
Other associated costs				1.5
Global Cost Reduction Initiatives:				
Termination benefits	1.1	2.0	1.8	2.0
Other associated costs	1.1	7.6	7.4	7.6
Total included in operating expenses	3.4	13.5	8.2	24.4
Total restructuring and related charges	$ 5.4	$ 16.2	$ 11.8	$ 37.2

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 the Fiscal 2010 Quarter, the Fiscal 2009 Quarter, the Fiscal 2010 Six Months and the Fiscal 2009 Six 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). The initiatives, which are substantially complete, 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 2010 Quarter, the Fiscal 2009 Quarter, the Fiscal 2010 Six Months and the Fiscal 2009 Six Months in connection with the Latin American Initiatives. We have recorded restructuring and related charges of approximately $12 million since the inception of the Latin American Initiatives.

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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 $(1) million of pretax restructuring and related charges during the Fiscal 2010 Quarter and Fiscal 2010 Six Months, respectively, and recorded $4 million and $11 million during the Fiscal 2009 Quarter and Fiscal 2009 Six Months, respectively, in connection with the Global Realignment Initiatives. Costs associated with these initiatives, which are expected to be incurred through December 31, 2010, relate primarily to severance and are projected at approximately $85 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, which are substantially complete, include the exit of our battery manufacturing facility in Ningbo, China (Ningbo) (the Ningbo Exit Plan). We recorded approximately $1 million of pretax restructuring and related charges during both the Fiscal 2010 Quarter and the Fiscal 2010 Six Months, $2 million during the Fiscal 2009 Quarter and $12 million during the Fiscal 2009 Six Months in connection with the Ningbo Exit Plan. We have recorded restructuring and related charges of approximately $28 million since the inception of the Ningbo Exit Plan.

During Fiscal 2009, we implemented a series of initiatives within the Global Batteries & Personal Care segment, the Global Pet Supplies segment, and the Home and Garden Business 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 and the Home and Garden Business segments. These initiatives also included consultation, legal and accounting fees related to the evaluation of our capital structure. We recorded $4 million of restructuring and related charges during the Fiscal 2010 Quarter, $11 million during the Fiscal 2010 Six Months and $10 million during both the Fiscal 2009 Quarter and the Fiscal 2009 Six Months related to the Global Cost Reduction Initiatives. Costs associated with these initiatives, which are expected to be incurred through March 31, 2014, are projected at approximately $53 million.

Interest Expense. Interest expense in the Fiscal 2010 Quarter increased to $48 million from $47 million in the Fiscal 2009 Quarter. Included in the Fiscal 2010 Quarter interest expense is $6 million representing the accretion of the net discount to our debt, a non-cash charge, which was recorded as a result of the revaluation of our debt in accordance with SFAS 141 in connection with our adoption of fresh-start reporting upon our emergence from Chapter 11 of the Bankruptcy Code. Excluding the non-cash accretion, interest expense for the Fiscal 2010 Quarter versus the Fiscal 2009 Quarter decreased by approximately $5 million due to the cancelation of Old Spectrum s Senior Subordinated Notes partially offset by interest expense on the 12% Notes which were issued in accordance with the Plan. Interest expense in the Fiscal 2010 Six Months decreased to $98 million from $100 million in the Fiscal 2009 Six Months. Included in the Fiscal 2010 Six Months interest expense is $12 million representing the accretion of the net discount to our debt, a non-cash charge, due to fresh-start reporting as mentioned above. Excluding the non-cash accretion, interest expense for the Fiscal 2010 Six Months versus the Fiscal 2009 Six Months decreased by approximately $14 million due to factors mentioned above. See 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 2010 Six Months, we, in connection with our reorganization under Chapter 11 of the Bankruptcy Code, recorded Reorganization items, net of $4 million, which are primarily professional and legal fees. During both the Fiscal 2009 Quarter and the Fiscal 2009 Six Months we incurred approximately $21 million of Reorganization items, net, which primarily included legal and professional fees of $10 million and the write off of deferred financing costs of $11 million. See Note 2, Voluntary Reorganization

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Under Chapter 11, of Notes to Consolidated Financial Statements (Unaudited) on Form 10-Q for more information related to our reorganization under Chapter 11 of the Bankruptcy Code.

Income Taxes. Our effective tax rate on income from continuing operations is approximately (112)% and (74)% for the Fiscal 2010 Quarter and Fiscal 2010 Six Months, respectively. Our effective tax rate on income from continuing operations was approximately (24)% and (36)% for the Fiscal 2009 Quarter and Fiscal 2009 Six Months, respectively. We have had changes of ownership, as defined under Internal Revenue Code (IRC) Section 382, that continue to subject a significant amount of our U.S. federal and state net operating losses and other tax attributes to certain limitations. Under ASC Topic 740: *Income Taxes,* (ASC 740) we, as discussed more fully below, continue to have a valuation allowance against our net deferred tax assets in the U.S., excluding certain indefinite lived intangibles.

At April 4, 2010, we are estimating that at September 30, 2010 we will have U.S. federal and state net operating loss carryforwards of approximately $704 million and $748 million, respectively, which will expire through years ending in 2030, and we will have foreign net operating loss carryforwards of approximately $136 million, which will expire beginning in 2010. Certain of the foreign net operating losses have indefinite carryforward periods. At September 30, 2009 we had U.S. federal and state net operating loss carryforwards of approximately $598 million and $643 million, respectively, which, at that time, were scheduled to expire through years ending in 2029. At September 30, 2009 we had foreign net operating loss carryforwards of approximately $138 million, which at the time were set to expire beginning in 2010. 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 IRC Section 382. As such, we estimate that approximately $149 million of our federal and $311 million of our state net operating losses will expire unused.

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. ASC 740 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 ASC 740, 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 the tax benefit of our net deferred tax assets in the U.S. and China, excluding certain indefinite lived intangibles. In addition, certain other subsidiaries are subject to valuation allowances with respect to certain deferred tax assets. During the Fiscal 2010 Quarter we increased our valuation allowance against net deferred tax assets by approximately $46 million. Our total valuation allowance, established for the tax benefit of deferred tax assets that may not be realized, was approximately $179 million and $133 million at April 4, 2010 and September 30, 2009, respectively. Of this amount, approximately $153 million and $109 million relates to U.S. net deferred tax assets at April 4, 2010 and September 30, 2009, respectively and approximately $26 million and $24 million relates to foreign net deferred tax assets at April 4, 2010 and September 30, 2009, respectively.

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. At both April 4, 2010 and September 30, 2009, we had approximately $8 million of unrecognized tax benefits. At both April 4, 2010 and September 30, 2009, we had approximately $3 million of accrued interest and penalties related to uncertain tax positions.

Discontinued Operations. On November 11, 2008, the board of directors of Old Spectrum approved the shutdown of the growing products portion of the Home and Garden Business, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing product portion of the Home and Garden Business during 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. We completed the shutdown of the growing products portion of the Home and Garden Business during the second quarter of Fiscal 2009. 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, of Notes to 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.

The following amounts related to the growing products portion of the Home and Garden Business have been segregated from continuing operations and are reflected as discontinued operations during the Fiscal 2009 Quarter, the Fiscal 2010 Six Months and the Fiscal 2009 Six Months, respectively (in millions):

	Three Months Ended	Fiscal Six Months	
	2009	2010	2009
Net sales	$ 15.6	$	$ 31.3
Loss from discontinued operations before income taxes	$ (18.2)	$ (2.5)	$ (85.9)
Provision for income tax (benefit) expense	(2.4)	0.2	(4.0)
Loss from discontinued operations, net of tax	$ (15.8)	$ (2.7)	$ (81.9)

Liquidity and Capital Resources

Operating Activities

For the Fiscal 2010 Six Months cash used by operating activities totaled $81 million as compared to a use of $139 million in the Fiscal 2009 Six Months. Cash used by continuing operations during the Fiscal 2010 Six Months was $72 million, compared to cash used by continuing operations of $120 million in the Fiscal 2009 Six Months. This change was primarily the result of an increase in income after non-cash items of $62 million and a $32 million change in operating assets and liabilities of continuing operations. The $62 million increase in income after non-cash items is primarily due to higher sales, driven by increased market share and favorable foreign exchange translation and savings from our various cost reduction initiatives. See *Restructuring and Related Charges* above, 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 various cost reduction initiatives. The $32 million change in operating assets and liabilities is primarily due the monitoring of our assets as a result of our voluntary filing for Chapter 11 bankruptcy during the Fiscal 2009 Quarter, in which we emerged on August 28, 2009. These items were partially offset by $46 million of cash payments for administrative related reorganization items during the Fiscal 2010 Six Months. Cash used by operating activities of discontinued operations was $9 million in the Fiscal 2010 Six Months, compared to cash use of $19 million during the Fiscal 2009 Six Months. The operating activities of discontinued operations were related to the growing products portion of the Home and Garden Business. See *Discontinued Operations,* above, as well as Note 3, Significant Accounting Policies-Discontinued Operations, of Notes to 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.

We expect to fund our cash requirements, including capital expenditures, interest and principal payments due in Fiscal 2010 through a combination of cash on hand and cash flows from operations and available borrowings under our ABL Revolving Credit Facility. Going forward our ability to satisfy financial and other covenants in our senior credit agreements and senior subordinated indenture and to make scheduled payments or prepayments on our debt and other financial obligations will depend on our future financial and operating performance. There can be no assurances that our business will generate sufficient cash flows from operations or that future borrowings under the ABL Revolving Credit Facility will be available in an amount sufficient to satisfy our debt maturities or to fund our other liquidity needs. In addition, the current economic crisis could have

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a further negative impact on our financial position, results of operations or cash flows. See Item 1A. Risk Factors, for further discussion of the risks associated with our ability to service all of our existing indebtedness, our ability to maintain compliance with financial and other covenants related to our indebtedness and the impact of the current economic crisis.

Investing Activities

Net cash used by investing activities was $11 million for the Fiscal 2010 Six Months. For the Fiscal 2009 Six Months net cash used by investing activities was $4 million. The $7 million increase in cash used by investing activities is due to increased capital expenditures for continuing operations of $8 million, partially offset by the non-recurrence of $1 million cash used by investing activities for discontinued operations in the Fiscal 2009 Six Months.

Debt Financing Activities

Senior Term Credit Facility

During the second quarter of Fiscal 2007, we refinanced our then outstanding senior credit facility with a new senior secured credit facility pursuant to a new senior credit agreement (the Senior Credit Agreement) consisting of a $1,000 million 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 and together with the U.S. Dollar Term B Loan, the U.S. Dollar Term B II Loan and the Euro Facility, collectively, the Senior Term Credit 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 at 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 at maturity. Letters of credit issued pursuant to the L/C Facility are required to expire, at the latest, upon the day that is five business days prior to maturity of the Senior Credit Agreement. In connection with our emergence from voluntary reorganization under Chapter 11 of the Bankruptcy Code and pursuant to the Plan, we entered into certain amendments to the Senior Credit Agreement (the Term Credit Amendments). Among other things, the Term Credit Amendments provide for a minimum Eurodollar interest rate floor of 1.5%, interest spreads over market rates of 6.5% for the U.S. Dollar Term B Loan and 7.0% for the Euro Facility, increases to the maximum Senior Secured Leverage Ratio and a shortened maturity date of June 30, 2012.

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 the 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 and our domestic subsidiaries 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.

During the Fiscal 2010 Quarter and Fiscal 2010 Six Months, we made scheduled, and in connection with asset sales, mandatory, prepayments of term loan indebtedness totaling $3 million and $8 million, respectively, under the Senior Credit Agreement.

At April 4, 2010, the aggregate amount outstanding under our senior secured term credit facility totaled a U.S. Dollar equivalent of $1,355 million, consisting of principal amounts of $967 million under the U.S. Dollar

Term B Loan, 253 million under the Euro Facility (USD $342 million at April 4, 2010) as well as letters of credit outstanding under the L/C Facility totaling $46 million.

At September 30, 2009, the aggregate amount outstanding under our senior secured term credit facility totaled a U.S. Dollar equivalent of $1,391 million, consisting of principal amounts of $973 million under the U.S. Dollar Term B Loan, 255 million under the Euro Facility (USD $372 million at September 30, 2009) as well as letters of credit outstanding under the L/C Facility totaling $46 million.

At April 4, 2010, we were in compliance with all covenants under the Senior Credit Agreement.

Should we complete the combination of Russell Hobbs, borrowings under the Senior Term Credit Facility could become payable as of the closing date of the combination. See Note 1, Description of Business, of Notes to Condensed Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for further details on the combination.

12% Notes

On August 28, 2009, in connection with our emergence from voluntary reorganization under Chapter 11 of the Bankruptcy Code and pursuant to the Plan, we issued $218 million in aggregate principal amount of 12% Notes maturing August 28, 2019. Semiannually, at our option, we may elect to pay interest on the 12% Notes in cash or as payment in kind, or PIK . PIK interest would be added to principal upon the relevant semi-annual interest payment date. Under the Term Credit Amendments, we agreed to make interest payments on the 12% Notes through PIK for the first three semi-annual interest payment periods.

We may redeem all or a part of the 12% Notes, upon not less than 30 or more than 60 days notice, beginning August 28, 2012 at specified redemption prices. Further, the indenture governing the 12% Notes require we make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control, as defined in such indenture.

At April 4, 2010 and September 30, 2009, we had outstanding principal of approximately $231 million and $218 million, respectively, under the 12% Notes.

The indenture governing the 12% Notes (the 2019 Indenture), contains 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 2019 Indenture provides 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 indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 12% Notes. If any other event of default under the 2019 Indenture occurs and is continuing, the trustee for the indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 12% Notes may declare the acceleration of the amounts due under those notes.

At April 4, 2010, we were in compliance with all covenants under the 12% Notes and the 2019 Indenture. However, we are subject to certain limitations as a result of our Fixed Charge Coverage Ratio under the 2019 indentures being below 2:1. Until the test is satisfied, we and certain of our subsidiaries are limited in their ability to make significant acquisitions or incur significant additional senior debt beyond the Senior Credit Facilities. We do not expect the inability to satisfy the Fixed Charge Coverage Ratio test to impair our ability to provide adequate liquidity to meet the short-term and long-term liquidity requirements of our existing business, although no assurance can be given in this regard.

We currently believe that cash on hand, funds from our operations and availability under the ABL Revolving Credit Facility and other foreign credit facilities will provide us with sufficient liquidity to fund our operations, capital expenditures and debt service obligations although no assurance can be given in this regard.

Should we complete the combination of Russell Hobbs, we could be required to make an offer to the holders of the 12% Notes to repurchase the 12% Notes at 101% of face value in accordance with the terms of the 2019 Indenture. See Note 1, Description of Business, of Notes to Condensed Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for further details on the combination.

In connection with the anticipated closing of the proposed Russell Hobbs combination, we obtained the consent of the required note holders to certain amendments to the 2019 Indenture (the Supplemental Indenture). The Supplemental Indenture becomes effective only and upon the closing of the proposed Russell Hobbs combination. Among other things, the Supplemental Indenture amended the definition of change in control to exclude the Harbinger parties and increased our ability to incur indebtedness up to $1,850 million. During both the Fiscal 2010 Quarter and the Fiscal 2010 Six Months, we recorded approximately $3 million of fees in connection with the consent. The fees are classified as Debt issuance costs and will be amortized as an adjustment to interest expense over the remaining life of the 12% Notes effective with the closing of the proposed Russell Hobbs combination.

ABL Revolving Credit Facility

On August 28, 2009, in connection with our emergence from our voluntary reorganization under Chapter 11 of the Bankruptcy Code, we entered into a $242 million U.S. Dollar asset based revolving loan facility (the ABL Revolving Credit Facility and together with the Senior Term Credit Facility, the Senior Credit Facilities) pursuant to a credit agreement (the ABL Credit Agreement) with General Electric Capital Corporation as administrative and co-collateral agent (the Agent) with a participating interest from each of Harbinger Capital Partners Master Fund I, Ltd. and Harbinger Capital Partners Special Situations Fund, L.P., D. E. Shaw Laminar Portfolios, L.L.C. and 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. The ABL Revolving Credit Facility replaced our debtor-in-possession credit facility, which was simultaneously prepaid using cash on hand generated from our operations and available cash from prior borrowings under the ABL Revolving Credit Facility. The ABL Revolving Credit 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 ABL Revolving Credit Facility. The proceeds of borrowings under the ABL Revolving Credit Facility and Supplemental Loan are to be used for costs, expenses and fees in connection with the ABL Revolving Credit Facility, for our working capital requirements, restructuring costs and other general corporate purposes.

The ABL Revolving Credit Facility carries an interest rate, at our option, of either (a) the base rate plus 3.0% per annum or (b) the reserve-adjusted LIBOR rate (the Eurodollar Rate) plus 4.0% per annum, except that the Supplemental Loan carries an interest rate equal to the Eurodollar Rate plus 14.5% per annum. No amortization will be required with respect to the ABL Revolving Credit Facility. For purposes of the Revolving Loans, the Eurodollar Rate shall at no time be less than 2.5%. For purposes of the Supplemental Loan, the Eurodollar Rate shall at no time be less than 3.0%. The ABL Revolving Credit Facility will mature on March 31, 2012.

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The ABL Credit Agreement contains various representations and warranties and covenants, including, without limitation, enhanced collateral reporting and a maximum fixed charge coverage ratio. The ABL Credit Agreement also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness.

As a result of borrowings and payments under the ABL Revolving Credit Facility at April 4, 2010, we had aggregate borrowing availability of approximately $92 million, net of lender reserves of $19 million.

At April 4, 2010, the aggregate amount outstanding under the ABL Revolving Credit Facility totaled $117 million under the Revolving ABL Credit Facility, which includes the Supplemental Loan of $45 million.

At September 30, 2009, the aggregate amount outstanding under the ABL Revolving Credit Facility totaled $84 million under the Revolving ABL Credit Facility, which includes the Supplemental Loan of $45 million and $6 million in outstanding letters of credit.

At April 4, 2010, we were in compliance with all covenants under the ABL Credit Agreement.

Interest Payments and Fees

In addition to principal payments on our Senior Credit Facilities, we have annual interest payment obligations of approximately $28 million in the aggregate under our 12% Notes. We also incur interest on our borrowings under the Senior Credit Facilities, and such interest would increase borrowings under the ABL Revolving Credit Facility if cash were not otherwise available for such payments. Interest on the 12% Notes is payable semi-annually in arrears and interest under the Senior Credit Facilities is payable on various interest payment dates as provided in the Senior Credit Agreement and the ABL Credit Agreement. Interest is payable in cash, except that, under the terms of the Senior Credit Facilities, interest under the 12% Notes is required to be paid for the first three semi-annual interest payments dates by increasing the aggregate principal amount due under the subject notes. Thereafter, we may make the semi-annual interest payments for the 12% Notes either in cash or by further increasing the aggregate principal amount due under the notes subject to certain conditions. Based on amounts currently outstanding under the Senior Credit Facilities, and using market interest rates and foreign exchange rates in effect at April 4, 2010, we estimate annual interest payments of approximately $121 million in the aggregate under our Senior Credit Facilities would be required assuming no further principal payments were to occur and excluding any payments associated with outstanding interest rate swaps. We are required to pay certain fees in connection with the Senior Credit Facilities and the L/C Facility. Such fees include a quarterly commitment fee of up to 1.0% on the unused portion of the ABL Revolving Credit Facility, certain additional fees with respect to the letter of credit subfacility under the ABL Revolving Credit Facility and a quarterly commitment fee of 6.5% on the L/C Facility.

Equity Financing Activities

During the Fiscal 2010 Six Months, we granted approximately 0.6 million shares of restricted stock. All vesting dates are subject to the recipient s continued employment with us, except as otherwise permitted by our Board of Directors or in certain cases if the employee is terminated without cause. The total market value of the restricted shares on the date of grant was approximately $15 million which was 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.

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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 and any amendments thereto for our fiscal year ended September 30, 2009.

Critical Accounting Policies and Critical Accounting Estimates

Our Condensed Consolidated Financial Statements (Unaudited) have been prepared in accordance with generally accepted accounting principles in the United States of America and fairly present our financial position and results of operations. There have been no material changes to our critical accounting policies or critical accounting estimates as discussed in our Annual Report on Form 10-K and any amendments thereto for our fiscal year ended September 30, 2009.

Recently Issued Accounting Standards

Employers Disclosures About Postretirement Benefit Plan Assets

In December 2008, the FASB issued new accounting guidance on employers disclosures about assets of a defined benefit pension or other postretirement plan. It requires employers to disclose information about fair value measurements of plan assets. The objectives of the disclosures are to provide an understanding of: (a) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies, (b) the major categories of plan assets, (c) the inputs and valuation techniques used to measure the fair value of plan assets, (d) the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period and (e) significant concentrations of risk within plan assets. The disclosures required are effective for our annual financial statements for the period that began after December 15, 2009. The adoption of this guidance is not expected to have a material effect on our financial position, results of operations or cash flows.

Accounting for Transfers of Financial Assets

In June 2009, the FASB issued new accounting guidance to improve the information provided in financial statements concerning transfers of financial assets, including the effects of transfers on financial position, financial performance and cash flows, and any continuing involvement of the transferor with the transferred financial assets. The provisions are effective for our financial statements for the fiscal year beginning October 1, 2010. We are in the process of evaluating the impact that the guidance may have on our financial statements and related disclosures.

Variable Interest Entities

In June 2009, the FASB issued new accounting guidance requiring an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. It also requires enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise s involvement in a variable interest entity. The provisions are effective for our financial statements for the fiscal year beginning October 1, 2010. We are in the process of evaluating the impact that the guidance may have on our financial statements and related disclosures.

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.

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A discussion of our accounting policies for derivative financial instruments is included in Note 3 to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q, Significant Accounting Policies Derivative Financial Instruments.

Interest Rate Risk

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

Foreign Exchange Risk

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

Commodity Price Risk

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

Sensitivity Analysis

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

At April 4, 2010, the potential change in fair value of outstanding interest rate derivative instruments, assuming a 1 percentage point unfavorable shift in the underlying interest rates, would be a loss of $4.4 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 $4.4 million.

At April 4, 2010, 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 $8.4 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 $13.5 million.

At April 4, 2010, 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 $1.6 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 $1.6 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 our management, including our 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. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that the Company s disclosure controls and procedures or the Company s internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On February 3, 2009, Spectrum Brands, Inc. and its U.S. subsidiaries filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court for the Western District of Texas. The Chapter 11 Cases were jointly administered by the court as Case Number 09-50455. On July 15, 2009, the court entered a written order confirming the debtors plan of reorganization. On August 28, 2009, the debtors consummated such plan and emerged from Chapter 11 protection. On September 30, 2009, the court issued a final decree closing the Chapter 11 Cases of all of the debtors other than Spectrum Jungle Labs Corporation. On March 31, 2010, the court issued a final decree closing the Chapter 11 Case of Spectrum Jungle Labs Corporation.

In December 2009, San Francisco Technology, Inc. filed an action in the Federal District Court for the Northern District of California against the Company, as well as a number of unaffiliated defendants, claiming that each of the defendants had falsely marked patents on certain of its products in violation of Article 35, Section 292 of the U.S. Code and seeking to have civil fines imposed on each of the defendants for such claimed violations. The Company is reviewing the claims and intends to vigorously defend this matter but, as of the date of this Quarterly Report on Form 10-Q, cannot estimate any possible losses.

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

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 Annual Report, including the statements under Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations regarding our business strategy, future operations, financial condition, 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 Annual Report, the words anticipate, intend, plan, estimate, believe, expect, project, c 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 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 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(s);

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

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 April 4, 2010 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.

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RISK FACTORS

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

Risks Related to the Merger

Significant costs are expected to be incurred in connection with the consummation of the mergers and integration of Spectrum and Russell Hobbs into a single business, including legal, accounting, financial advisory and other costs.

If the mergers are consummated, Spectrum and Russell Hobbs expect to incur significant costs in connection with integrating their operations, products and personnel. These costs may include costs for:

- employee redeployment, relocation or severance;
- integration of information systems;
- combination of research and development teams and processes; and
- reorganization or closures of facilities.

In addition, Spectrum and Russell Hobbs expect to incur a number of non-recurring costs associated with combining the operations of the two companies, which cannot be estimated accurately at this time. Spectrum and Russell Hobbs will also incur transaction fees and other costs related to the mergers, anticipated to be approximately $94 million. This amount is a preliminary estimate and subject to change. Additional unanticipated costs may be incurred in the integration of the businesses of Spectrum and Russell Hobbs. Although Spectrum and Russell Hobbs expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may offset incremental transaction and transaction-related costs over time, this net benefit may not be achieved in the near term, or at all. There can be no assurance that Spectrum and Russell Hobbs will be successful in these integration efforts.

The debt of Spectrum and Russell Hobbs incurred in connection with the mergers may limit their financial and operating flexibility.

In order to refinance Spectrum s existing senior debt and a portion of Russell Hobbs existing senior debt, as well as to pay transaction expenses in connection with the mergers, Spectrum and Russell Hobbs expect to finance substantially all of such amounts through the incurrence of approximately $1.80 billion of new indebtedness (from which $1.532 billion in proceeds is anticipated to be received at closing), including:

- senior secured notes in principal amount of up to $500 million;
- a senior secured asset-based revolving facility of up to $300 million (the New Revolving Facility);
- a senior secured term facility of up to $1,000 million (the New Term Facility); and
- if the companies are unable to issue the senior secured notes prior to the consummation of the mergers, a senior secured bridge facility of up to $500 million (the Bridge Loan Facility).

The New Revolving Facility, the New Term Facility and the Bridge Loan Facility are collectively referred to as the New Facilities. The New Facilities are expected to contain financial covenants relating to maximum leverage and minimum fixed charge coverage. Other covenants contained in the New Facilities are expected to restrict, among other things, asset dispositions, mergers and acquisitions, dividends, stock repurchases and redemptions, other restricted payments, indebtedness and preferred stock, loans and investments, liens and affiliate transactions. Spectrum anticipates that the New Facilities will contain customary events of default. These covenants will, among other things, limit the ability of the respective restricted entities to fund future working capital and capital expenditures, engage in future acquisitions or development activities, or otherwise realize the value of their assets and opportunities fully because of the need to dedicate a portion of cash flow from operations to payments on debt. In addition, such covenants could limit the flexibility of the respective restricted entities in planning for, or reacting to, changes in the industries in which they operate.

SB Holdings may not realize the anticipated benefits of the mergers.

The mergers involve the integration of two companies that have previously operated independently. The integration of Spectrum and Russell Hobbs is expected to result in financial and operational benefits, including increased revenues, cost savings and other financial and operational benefits. There can be no assurance, however, regarding when or the extent to which SB Holdings will be able to realize these increased revenues, cost savings or other benefits. This integration may also be difficult, unpredictable, and subject to delay because of possible company culture conflicts and different opinions on technical decisions and product roadmaps. The companies must integrate or, in some cases, replace, numerous systems, including those involving management information, purchasing, accounting and finance, sales, billing, employee benefits, payroll and regulatory compliance, many of which are dissimilar. In some instances, Spectrum and Russell Hobbs serve the same customers, and some of these customers may decide that it is desirable to have additional or different suppliers. Difficulties associated with integrating Spectrum and Russell Hobbs could have a material adverse effect on Russell Hobbs, Spectrum and/or SB Holdings and the market price of SB Holdings common stock.

Integrating Spectrum and Russell Hobbs may divert management s attention away from their operations.

Successful integration of Spectrum s and Russell Hobbs operations, products and personnel may place a significant burden on the management and internal resources of Spectrum and Russell Hobbs. The diversion of management attention and any difficulties encountered in the transition and integration process could harm the businesses, financial conditions and operating results of Spectrum, Russell Hobbs and the combined company, as the case may be.

While the mergers are pending, Spectrum and Russell Hobbs will be subject to business uncertainties and contractual restrictions that could adversely affect their businesses.

Uncertainty about the effect of the mergers on customers and suppliers may have an adverse effect on Spectrum and Russell Hobbs and, consequently, on SB Holdings. These uncertainties could cause customers, suppliers and others who deal with Spectrum and Russell Hobbs to seek to change existing business relationships with Spectrum and Russell Hobbs. In addition, the merger agreement restricts Spectrum and Russell Hobbs, without the other party s consent and subject to certain exceptions, from making certain acquisitions and taking other specified actions until the mergers occur or the merger agreement terminates. These restrictions may prevent Spectrum and Russell Hobbs from pursuing otherwise attractive business opportunities and making other changes to their respective businesses that may arise prior to consummation of the mergers or termination of the merger agreement.

Risks Related To Our Emergence From Bankruptcy

Our actual financial results may vary significantly from the projections filed with the Bankruptcy Court.

In connection with the Chapter 11 reorganization, the Debtors were required to prepare projected financial information to demonstrate to the Bankruptcy Court administering the Chapter 11 reorganization the feasibility of the Plan and the ability of the Debtors to continue operations upon emergence from bankruptcy. As part of the disclosure statement approved by the Bankruptcy Court and as otherwise furnished to the SEC, the projections reflected numerous assumptions concerning anticipated future performance and prevailing and anticipated market and economic conditions that were and continue to be beyond our and the other Debtors control and that may not materialize. Projections are inherently subject to uncertainties and to a wide variety of significant business, economic and competitive risks. Our actual results may vary from those contemplated by the projections and the variations may be material. Neither these projections nor any form of the disclosure statement should be considered or relied upon in connection with the purchase of Spectrum Brands, Inc. s securities.

Because our consolidated financial statements are required to reflect fresh-start reporting adjustments to be made upon emergence from bankruptcy, financial information in our financial statements prepared after August 30, 2009 will not be comparable to our financial information from prior periods.

All conditions required for the adoption of fresh-start reporting were met upon emergence from Chapter 11 of the Bankruptcy Code on the Effective Date. However, in light of the proximity of that date to our accounting period close immediately following the Effective Date, which was August 30, 2009, we elected to adopt a convenience date of August 30, 2009 for recording fresh-start reporting. We adopted fresh-start reporting in accordance with the Accounting Standards Codification (ASC) Topic 852: *Reorganizations,* pursuant to which our reorganization value, which is intended to reflect the fair value of the entity before considering liabilities and approximate the amount a willing buyer would pay for the assets of the entity immediately after the Reorganization, will be allocated to the fair value of assets in conformity with Statement of Financial Accounting Standards No. 141, *Business Combinations,* using the purchase method of accounting for business combinations. We will state liabilities, other than deferred taxes, at a present value of amounts expected to be paid. The amount remaining after allocation of the reorganization value to the fair value of identified tangible and intangible assets will be reflected as goodwill, which is subject to periodic evaluation for impairment. In addition, under fresh-start reporting the accumulated deficit will be eliminated. Thus, our future Statements of Financial Position and results of operations will not be comparable in many respects to statements of financial position and consolidated statements of operations data for periods prior to the adoption of fresh-start reporting. The lack of comparable historical information may discourage investors from purchasing Spectrum Brands, Inc. s securities. Additionally, the financial information included in this Quarterly Report on Form 10-Q may not be indicative of future financial information.

Risks Related To Our Business

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 expect to continue to have, a significant amount of indebtedness. As of April 4, 2010, we had total indebtedness under our senior subordinated notes, senior credit facilities and other senior debt of approximately $1.7 billion.

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

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

- increasing our vulnerability to general adverse economic and industry conditions;

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

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

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

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

In addition, a substantial 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

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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.

We are contemplating refinancing our existing senior debt in connection with the pending Russell Hobbs combination. The new debt may contain covenants that are more or less restrictive than the covenants contained in our existing debt agreements, and there is no assurance that the Company will have access to the same level of liquidity provided by our existing indebtedness. See the risk factor entitled, *There are risks associated with our pending combination with Russell Hobbs* for more information.

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

Our senior secured term credit agreement and senior asset-based revolving credit agreement and the indenture governing our outstanding 12% Notes contain covenants that, among other things, limit our ability to:

- incur additional indebtedness;
- borrow money or sell preferred stock;
- create liens;
- pay dividends on or redeem or repurchase stock;
- make certain types of investments;
- issue or sell stock in our subsidiaries;
- restrict dividends or other payments from our subsidiaries;
- issue guarantees of debt;
- transfer or sell assets and utilize proceeds of any such sales;
- enter into agreements that restrict our restricted subsidiaries from paying dividends, making loans or otherwise transferring assets to us or to any of our other restricted subsidiaries;
- enter into or engage in transactions with affiliates;
- merge, consolidate or sell all or substantially all of our assets; or

under the senior credit facility agreements, pay cash interest on our 12% Notes until the date that is 18 months from the effective date of the Plan, or February 28, 2011.

In addition, our senior secured term credit agreement and the senior asset-based revolving credit agreement each require 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.

There are risks associated with our pending combination with Russell Hobbs.

On February 9, 2010, Spectrum Brands, Inc. entered into an agreement, subject to the satisfaction or waiver of certain conditions, to combine with Russell Hobbs, Inc. There is no assurance as to the timing of the combination or that the combination of Russell Hobbs will occur at all. Factors that could cause the combination to be delayed or to fail to close at all include:

- the failure of Spectrum Brands stockholders and Russell Hobbs stockholders to approve this transaction;
- the risk that required consents will not be obtained;

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- failure to consummate the expected refinancing; and

- litigation in respect of either company or this transaction.

The Company will be subject to contractual restrictions and could be subject to disruptive effects to its business while the combination is pending. Under the terms of the combination agreement, we have agreed to operate our business in the ordinary course consistent with past practice, as well as to refrain from taking certain actions in the conduct of our business without Russell Hobbs prior written consent until the consummation of the combination. Actions that may require Russell Hobbs consent include, but are not limited to, new indebtedness, capital expenditures, loans and investments, manufacturing and customer agreements, acquisitions, issuance of securities, and the repurchase of shares of the Company s common stock. These restrictions could adversely affect our business and have an adverse effect on our financial condition or results of operations. Management focus on completion of the combination may disrupt our current operations. Disruption from this transaction may make it difficult to maintain certain strategic relationships. Also, uncertainties at to the effect of the combination on employees, customers or suppliers may have an adverse effect on the Company. These effects may impair the Company s ability to attract, retain and motivate key personnel until the combination is consummated, and could cause customers and others that deal with the Company to seek to change existing business relationships with the Company. Any disruptions to our business resulting from the announcement and pendency of the combination may continue regardless of whether the combination is consummated.

In connection with this transaction, we have received commitments for approximately $1.8 billion in financing to refinance our existing senior debt and a portion of Russell Hobbs existing senior debt through a combination of new term loans, new senior notes and a new $300 million ABL revolving facility. The new debt may contain covenants that are more or less restrictive than the covenants contained in our existing debt agreements, and there is no assurance that the Company will have access to the same level of liquidity provided by our existing indebtedness.

If the combination agreement is terminated or the combination otherwise is not completed, there may be various adverse consequences to our stock price, future business and financial results. For example, the Company s business may be adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the combination, without realizing any of the anticipated benefits of completing the combination, or the market price of the Company common stock could decline to the extent that the current market price reflects a market assumption that the combination will be completed.

The Company and Russell Hobbs have operated and, until the completion of the combination, will continue to operate, independently. It is possible that the businesses will not be integrated successfully or that the integration process could result in the loss of key employees or disruption of each company s ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers and employees or to achieve the anticipated benefits of the combination. The success of the combined company following the combination may depend in large part on the ability to integrate the two businesses, business models and cultures. If we are not able to integrate our operations successfully and in a timely manner, the expected synergies and other benefits of the combination may not be realized.

In addition, following the closing of the transaction, Harbinger Capital Partners is expected to own approximately 63.7% of the combined company and would control the outcome of stockholder votes requiring the vote of at least a majority of the outstanding shares. As a result, Company stockholders may be in a position to exercise less influence over management of the combined company.

We face risks related to the current economic environment.

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 within certain sectors, with the financial sector and retail businesses being particularly impacted. Our ability to generate revenue, in particular from sales of home and garden products, pet supplies, electric shaving and grooming and electric personal care products, depends significantly on discretionary consumer spending. It is difficult to predict new general economic conditions that could impact consumer and customer demand for our products or our ability to manage normal commercial relationships with our customers, suppliers and creditors. The recent continuation 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 shallow recovery or renewed recession could have a negative impact on discretionary consumer spending. If the current situation deteriorates significantly, our business could be negatively impacted, including as a result of reduced demand for our products or supplier or customer disruptions. Any significant decrease in discretionary consumer spending could have a material adverse effect on our revenues, results of operations and financial condition. In addition, our ability to access the capital markets may be severely restricted at a time when we would like, or need, to do so, which could have an impact on our flexibility to react to changing economic and business conditions.

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 and S.C. Johnson. In each of our markets, we also face competition from numerous other companies.

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

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

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

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

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

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

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

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. Our businesses, financial condition and results of operations could be materially adversely affected if we lose any of these persons and are unable to attract and retain qualified replacements.

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Conflicts of interest might result in our not acting on opportunities we otherwise may have.

In accordance with the Plan, certain of the significant holders of our senior subordinated notes became significant stockholders as of the Effective Date. Pursuant to the Plan, these holders designated certain persons who were nominated by Spectrum Brands, Inc. s then existing directors and effective as of the Effective Date, were appointed, together with Kent J. Hussey, our former Chief Executive Officer, to the board of directors of Spectrum Brands, Inc. In the future, directors may be elected by such holders or their affiliates through exercise of their voting power. Such election of directors to our board of directors could create, or appear to create, conflicts of interest with respect to matters involving both us and such stockholders that could have different implications for such stockholders than they do for us. We cannot assure you that the provisions in our governing documents will adequately address any potential conflicts of interest or that potential conflicts of interest will be resolved in our favor or that we will be able to take advantage of corporate opportunities presented to directors that were designated by such stockholders. As a result, we may be precluded from pursuing certain growth initiatives. Further, the interests of such stockholders and our other stockholders may diverge. In addition, in connection with the Chapter 11 reorganization, Spectrum Brands, Inc. adopted a new certificate of incorporation that waives certain causes of action that may arise with respect to potential conflicts of interest with eligible stockholders, which may include the significant stockholders or their affiliates. Under these circumstances, persons who might otherwise accept our invitation to join our board of directors may decline.

Adverse weather conditions during our peak selling season for our home and garden control products could have a material adverse effect on our home and garden business.

Weather conditions in U.S. 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 U.S. could adversely affect insecticide sales and therefore have a material adverse effect on our 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 powder, electrolytic manganese dioxide powder and steel are sourced either on a global or regional basis, and the prices of those raw materials are susceptible to price fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations, duties and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. In particular, during 2007 and 2008 we experienced extraordinary price increases for raw materials, particularly as a result of strong demand from China.

We regularly engage in forward purchase and hedging derivative transactions in an attempt to effectively manage and stabilize some of the raw material costs we expect to incur over the next 12 to 24 months; however, our hedging positions may not be effective or may not anticipate beneficial trends in a particular raw material market or as a result of changes in any of 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 cannot assure you that supplies of these raw materials will continue to be adequate to meet our demand or otherwise available to us on a timely basis, if at all. Any discontinuation or interruption in the availability of these raw materials from one or more of our suppliers may result in increased production costs, delays in the delivery of our products and lost customer sales, which could have an adverse effect on our business, financial condition and results of operations. In addition, we rely on international transport for delivery of a substantial portion of these raw materials, and, therefore, our continued receipt of these raw materials is susceptible to special risks. See the risk factor entitled *Our international operations may expose us to a number of risks related to conducting business in foreign countries* for more information.

We may not be able to fully utilize our United States net operating loss carryforwards.

As of April 4, 2010, we have U.S. federal and state net operating loss carryforwards of approximately $704 and $748 million, respectively. These net operating loss carryforwards expire through years ending in 2030. As of April 4, 2010, 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 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. We estimate that approximately $149 million of our federal and $311 million of our state net operating losses will expire unused due to Internal Revenue Code Section 382 limitation. If we are unable to fully utilize our net operating losses other than those restricted under Internal Revenue Code Section 382, as discussed above, to offset taxable income generated in the future, our results of operations could be materially and negatively impacted.

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 results of operations.

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 financial risks related to exchange rates and volatile economic and fiscal conditions in foreign markets.

Sales and certain expenses of our international operations are transacted in foreign currencies. During the Fiscal 2010 Six Months, approximately 47% of our net sales and 46% of our operating expenses were denominated in foreign currencies prior to translation into 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 and the effects of changes in economic and fiscal conditions in the foreign markets we operate in 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. Spectrum sources many products from, and sells many products in, China and other Asian countries. To the extent the Chinese Renminbi (RMB) or other currencies appreciate with respect to the U.S. dollar, Spectrum may experience fluctuations in its results of operations. Since 2005, the RMB has no longer been pegged to the U.S. dollar at a constant exchange rate and instead fluctuates versus a basket of currencies. Although the People s Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate within a flexible peg range against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future Chinese authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market.

The RMB appreciated approximately 7% versus the U.S. dollar in 2008 and remained substantially unchanged in 2009. The RMB currency fluctuation in 2009 and 2008 has not generated material cost increases for products sourced from China, however, further significant appreciation of the RMB or other currencies in countries where Spectrum sources or sells products could adversely impact Spectrum s profitability. Very limited hedging transactions are available in China to reduce exposure to exchange rate fluctuations. While Spectrum may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and Spectrum may not be able to successfully hedge its exposure to currency fluctuations. Further, Spectrum may not be successful in implementing customer pricing or other actions in an effort to mitigate the impact of currency fluctuations and, thus, Spectrum s results of operations may be adversely impacted.

In addition, the Venezuelan government has imposed foreign exchange and price controls on the local currency. These foreign exchange controls increase Spectrum s costs to, and also limit its ability to, convert local currency into U.S. dollars and transfer funds out of Venezuela, and may have an adverse effect on Spectrum s Venezuelan customers. Further, given Venezuela s designation as a highly inflationary economy and the devaluation of the official rate, Spectrum s revenue, operating profit, and net income may be negatively impacted in the future.

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

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

- changes in the economic conditions or consumer preferences or demand for our products in these markets;
- economic and political destabilization, governmental corruption and civil and labor unrest;
- restrictive actions by multi-national governing bodies, foreign governments or subdivisions thereof (e.g., duties, quotas and restrictions on transfer of funds);
- changes in foreign labor laws and regulations affecting our ability to hire and retain employees;
- changes in U.S. and foreign laws regarding trade and investment;
- noncompliance by our business partners with, or a failure by our business partners to enforce, rules and regulations targeting fraudulent conduct; and
- difficulty in obtaining distribution and support for our products.

There are three EU Directives that may have a material impact on our business: Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment, Waste of Electrical and Electronic Equipment and the Directive on Batteries and Accumulators and Waste Batteries, discussed below. Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment requires us to eliminate specified hazardous materials from products we sell in EU member states. Waste of Electrical and Electronic Equipment requires us to collect and treat, dispose of or recycle certain products we manufacture or import into the EU at our own expense. The Directive on Batteries and Accumulators and Waste Batteries 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 us. 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 Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment 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 2010 for which there is reduced demand and we may need to write down the carrying value of such inventories.
- We may be unable to sell certain existing inventories of our batteries in Europe.

Many of the developing countries in which we operate do not have significant governmental regulation relating to environmental safety, occupational safety, employment practices or other business matters routinely regulated in the 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.

We rely on international transportation systems, including shipping lines, to obtain raw materials as well as products from third-party manufacturers. A substantial portion of our products are sourced from China and delivered by container freight in the United States and elsewhere. Shipping costs, including costs of container shipping, have increased recently, and may continue to increase. Moreover, delays and restrictions on international transport pose a substantial risk to our business. For example, to the extent that there are disruptions or delays in loading container cargo in Asian ports or off-loading cargo at ports of destination as a result of scarcity of shipping capacity due to labor disputes, work-rules related slowdowns, tariff or World Trade Organization-related disputes, piracy, physical damage to port terminal facilities or equipment caused by severe weather or terrorist incidents, congestion in port terminal facilities, or for other reasons, product shipments to our customers could be delayed. In any such case, our customers may cancel or change the terms of their respective purchase orders, resulting in a cancellation or delay of payments to us. We may also incur increased expenses, as we attempt to avoid such disruptions, delays, delayed shipments or cancelled orders, or all of the above. In the event we attempt to engage alternative carriers or explore alternative methods of distribution, we may be unable to make such changes on a timely basis, upon terms favorable to us, or at all. Any such consequences could substantially impact our business, financial condition and results of operations.

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 United States Patent and Trademark Office or a similar foreign agency. In addition, our intellectual property rights may be challenged by third parties. Even if our intellectual property rights are not directly challenged, disputes among third parties could lead to the weakening or invalidation of our intellectual property rights. Furthermore, competitors may independently develop technologies that are substantially equivalent or superior to our technology. Obtaining, protecting and defending intellectual property rights can be time consuming and expensive, and may require us to incur substantial costs, including the diversion of management and technical personnel. Moreover, the laws of certain foreign countries in which we operate or may operate in the future do not protect, and the governments of certain foreign countries do not enforce, intellectual property rights to the same extent as do the laws and government of the U.S., which may negate our competitive or technological advantages in such markets. Also, some of the technology underlying our products is the subject of nonexclusive licenses from third parties. As a result, this technology could be made available to our competitors at any time. If we are unable to establish and then adequately protect our intellectual property rights, then our business, financial condition and results of operations could be materially and adversely affected.

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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 could be harmed if we are unable to successfully develop non-infringing alternative intellectual property on a timely basis or license non-infringing alternatives or substitutes, if any exist, on commercially reasonable terms. In addition, an unfavorable ruling in 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 Brands 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 Brands 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.

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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.

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 E.U. directives, Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment, Waste of Electrical and Electronic Equipment and the Directive on Batteries and Accumulators and Waste Batteries, discussed above. Moreover, there are proposed international accords and treaties, as well as federal, state and local laws and regulations, that would attempt to control or limit the causes of climate change, including the effect of greenhouse gas emissions on the environment. In the event the U.S. or foreign governments enact new climate change laws or regulations or make changes to existing laws or regulations, compliance with applicable laws or regulations may result in increased manufacturing costs for our products, such as by requiring investment in new pollution control equipment or changing the ways in which certain of our products are made. We may incur some of these costs directly and others may be passed on to us from our third-party suppliers. 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 or any new 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 the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (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 U.S. Environmental Protection Agency, the U.S. Food and Drug Administration 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 U.S. Environmental Protection Agency and, in many cases, similar state and foreign agencies before they can be manufactured or sold. Our inability to obtain or the cancellation of any registration could have an adverse effect on our business, financial condition and results of operations. The severity of the effect would depend on which products were involved, whether another product could be substituted and whether our competitors were similarly affected. We attempt to anticipate regulatory developments and maintain registrations of, and access to, substitute chemicals and other ingredients, but we may not always be able to avoid or minimize these risks.

The Food Quality Protection Act (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 U.S. Environmental Protection Agency is evaluating the cumulative effects from dietary and non-dietary exposures to pesticides. The pesticides in certain of our products that are sold through the Home and Garden Business continue to be evaluated by the U.S. Environmental Protection Agency as part of this program. It is possible that the U.S. Environmental Protection Agency 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 U.S. Environmental Protection Agency s continuing evaluations of active ingredients used in our products.

In addition, the use of certain pesticide and fertilizer products that are sold through our global pet supplies business and through the Home and Garden Business may, among other things, 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 users post notices on properties where products have been or will be applied or that certain ingredients may not be used. Compliance with such public health regulations could increase our cost of doing business and expose us to additional requirements with which we may be unable to comply.

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

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

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

We manufacture and market a number of complex chemical products bearing our brands relating to 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 22% of our total labor force is employed under collective bargaining agreements. One of these agreements, which cover approximately 35% of the labor force under collective bargaining agreements, or approximately 8% 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 business, financial condition and results of operations.

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. 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

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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. 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.

Risks Related to Spectrum Brands, Inc. s Common Stock

The market price of Spectrum Brands, Inc. s common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control.

Factors that may influence the price of the common stock include, without limitation, the following:

- loss of any of our key customers or suppliers;
- additions or departures of key personnel;
- sales of the common stock;
- our ability to execute our business plan;
- operating results that fall below expectations;
- additional issuances of the common stock;
- low volume of sales due to concentrated ownership of the common stock;
- intellectual property disputes;
- industry developments;
- economic and other external factors; and
- period-to-period fluctuations in our financial results.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of the common stock. You should also be aware that price volatility might be worse if the trading volume of shares of the common stock is low.

Additional issuances of Spectrum Brands, Inc. s common stock may result in dilution to its existing stockholders.

As of May 17, 2010, Spectrum Brands, Inc. has issued under its 2009 equity incentive plan 629,213 shares and is authorized to issue up to a total of 3,333,333 shares of its common stock, or options exercisable for shares of common stock. In addition, Spectrum Brands, Inc. s board of directors has the authority to issue additional shares of capital stock to provide additional financing or for other purposes in the future. The issuance of any such shares or exercise of any such options may result in a reduction of the book value or market price of the outstanding shares of common stock. If Spectrum Brands, Inc. does issue any such additional shares or any such options are exercised, such issuance or exercise also will cause a reduction in the proportionate ownership and voting power of all other stockholders. As a result of such dilution, the proportionate ownership interest and voting power of a holder of shares of common stock could be decreased. Further, any such issuance or exercise could result in a change of control. Under Spectrum Brands, Inc. s certificate of incorporation, holders of 5% or more of the outstanding common stock or capital stock into which any shares of common stock may be converted have certain rights to purchase their pro rata share of certain future issuances of securities.

Spectrum Brands, Inc. has historically not paid dividends on its public common stock, and, therefore, any return on investment may be limited to the value of the common stock.

Spectrum Brands, Inc. has not declared or paid dividends on its common stock since the stock commenced public trading in 1997, and we do not anticipate paying dividends in the foreseeable future. The payment of dividends on outstanding common stock will depend on earnings, financial condition and other business and economic factors affecting us at such time as Spectrum Brands, Inc. s board of directors may consider relevant, including the ability to do so under Spectrum Brands credit and other debt agreements. If Spectrum Brands, Inc. does not pay dividends, returns on an investment in its common stock will only occur if the stock price appreciates.

Limited influence of minority holders of Spectrum Brands, Inc. s common stock.

We would note that if holders of the common stock constituting a majority were to determine to act in concert with respect to any proposal or other item requiring a stockholder vote, other stockholders would then be unable to affect the outcome of such stockholder vote. As of May 17, 2010, we had no knowledge of any such determination to act in concert.

Item 2. Issuer Purchases of Equity Securities

None.

Item 6. Exhibits

Please refer to the Exhibit Index.

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SIGNATURES

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

Date: May 18, 2010	SPECTRUM BRANDS, INC.
	By: /s/ Anthony L. Genito
	Anthony L. Genito
	Executive Vice President and Chief Financial Officer
	(Principal Financial Officer)

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EXHIBIT INDEX

Exhibit 2.1	Purchase Agreement, dated February 21, 2004, by and among Rayovac Corporation, ROV Holding, Inc., VARTA AG, Interelectrica Adminstração 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 Spectrum Brands, Inc. 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 Spectrum Brands, Inc. 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 Spectrum Brands, Inc. s Current Report on Form 8-K, filed with the SEC on July 16, 2009).
Exhibit 2.5	Agreement and Plan of Merger by and among SB/RH Holdings, Inc., Battery Merger Corp., Grill Merger Corp., Spectrum Brands, Inc. and Russell Hobbs, Inc. dated as of February 9, 2010 (filed by incorporation by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on February 12, 2010).
Exhibit 3.1	Certificate of Incorporation of Spectrum Brands, Inc., dated August 28, 2009 (filed by incorporation by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on August 31, 2009).
Exhibit 3.2	By-laws of Spectrum Brands, Inc. (as amended as of April 13, 2010) (filed by incorporation by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on April 15, 2010).
Exhibit 4.1	Indenture dated as of August 28, 2009, 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 4.1 to the Current Report on Form 8-K filed with the SEC on August 31, 2009).
Exhibit 4.2	Registration Rights Agreement, dated as of August 28, 2009, by and among Spectrum Brands, Inc. and the investors listed on the signature pages thereto, with respect to Spectrum Brands Inc. s 12% Senior Subordinated Toggle Notes due 2019 (filed by incorporation by reference to Exhibit 4.2 to the Current Report on Form 8-K filed with the SEC on August 31, 2009).
Exhibit 4.3	Registration Rights Agreement, dated as of August 28, 2009, by and among Spectrum Brands, Inc. and the investors listed on the signature pages thereto, with respect to Spectrum Brands, Inc. s equity (filed by incorporation by reference to Exhibit 4.3 to the Current Report on Form 8-K filed with the SEC on August 31, 2009).
Exhibit 4.4	Specimen certificate for shares of common stock (filed by incorporation by reference to Exhibit 4.4 to the Current Report on Form 8-K filed with the SEC on August 31, 2009).
Exhibit 4.5	Supplemental Indenture, dated March 15, 2010, to the indenture governing Spectrum Brands 12% Senior Subordinated Toggle Notes Due 2019, dated August 28, 2009, by and between Spectrum Brands, the guarantors named therein and U.S. Bank National Association, as trustee (filed by incorporation by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on March 16, 2010).
Exhibit 10.1	Amended and Restated Employment Agreement, entered into as of October 22, 2009, 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 October 28, 2009).

Exhibit 10.2	2009 Incentive Plan (filed by incorporation by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on August 31, 2009).
Exhibit 10.3	Form of Spectrum Brands, Inc. Restricted Stock Award Agreement under the 2009 Incentive Plan (filed by incorporation by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on October 28, 2009).
Exhibit 10.4	Third Amendment to Amended and Restated Employment Agreement, entered into as of February 8, 2010, by and between Spectrum Brands, Inc. and David R. Lumley. (filed by incorporation by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q filed with the SEC on February 10, 2010).
Exhibit 10.5	Support Agreement, dated as of February 9, 2010 by and among Avenue International Master, L.P., Avenue Investments, L.P., Avenue Special Situations Fund IV, L.P., Avenue Special Situations Fund V, L.P., Avenue-CDP Global Opportunities Fund, L.P. and Spectrum Brands, Inc. (filed by incorporation by reference to Exhibit 10.1 to the Current Report on form 8-K filed with the SEC on February 12, 2010).
Exhibit 10.6	Support Agreement, dated as of February 9, 2010 by and among Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P., Global Opportunities Breakaway Ltd. and Spectrum Brands, Inc. (filed by incorporation by reference to Exhibit 10.2 to the Current Report on form 8-K filed with the SEC on February 12, 2010).
Exhibit 10.7	Form of Restated Certificate of Incorporation of SB/RH Holdings, Inc. (filed by incorporation by reference to Exhibit 10.3 to the Current Report on form 8-K filed with the SEC on February 12, 2010).
Exhibit 10.8	Form of Amended and Restated Bylaws of SB/RH Holdings, Inc. (filed by incorporation by reference to Exhibit 10.4 to the Current Report on form 8-K filed with the SEC on February 12, 2010).
Exhibit 10.9	Stockholder Agreement, dated as of February 9, 2010, by and among Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Funds, L.P., Global Opportunities Breakaway Ltd., and SB/RH Holdings, Inc. (filed by incorporation by reference to Exhibit 10.5 to the Current Report on form 8-K filed with the SEC on February 12, 2010).
Exhibit 10.10	Letter Agreement dated as of March 1, 2010 by and among Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P., Global Opportunities Breakaway Ltd., and Spectrum Brands (filed by incorporation by reference to Exhibit 10.1 to the Current Report on form 8-K filed with the SEC on March 2, 2010).
Exhibit 10.11	Amendment to Agreement and Plan of Merger dated as of March 1, 2010 by and among SB/RH Holdings, Inc., Battery Merger Corp., Grill Merger Corp., Spectrum Brands, and Russell Hobbs, Inc. (filed by incorporation by reference to Exhibit 10.2 to the Current Report on form 8-K filed with the SEC on March 2, 2010).
Exhibit 10.12	Second Amendment to Agreement and Plan of Merger dated as of March 26, 2010 by and among Spectrum Brands Holdings, Inc., Battery Merger Corp., Grill Merger Corp., Spectrum Brands, Inc., and Russell Hobbs, Inc. (filed by incorporation by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 29, 2010).
Exhibit 10.13	Form of Restated Certificate of Incorporation of Spectrum Brands Holdings, Inc. (incorporated by reference to Annex A to the Second Amendment to Agreement and Plan of Merger attached as Exhibit 10.12 to this Quarterly Report on Form 10-Q and as Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 29, 2010).

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Exhibit 10.14	Form of Amended and Restated Bylaws of Spectrum Brands Holdings, Inc. (incorporated by reference to Annex B to the Second Amendment to Agreement and Plan of Merger attached as Exhibit 10.12 to this Quarterly Report on Form 10-Q and as Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 29, 2010).
Exhibit 10.15	Separation and Consulting Agreement between Spectrum Brands, Inc. and Kent J. Hussey, dated April 14, 2010 (filed by incorporation by reference to Exhibit 10.1 to the Current Report on form 8-K filed with the SEC on April 15, 2010).
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