

Spectrum Brands Holdings, Inc.
Form 10-Q
August 11, 2011
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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 July 3, 2011

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 001-34757

Spectrum Brands Holdings, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

27-2166630
(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

The number of shares outstanding of the Registrant's common stock, \$.01 par value, as of August 9, 2011, was 52,333,160.

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SPECTRUM BRANDS HOLDINGS, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR QUARTER ENDED July 3, 2011

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SPECTRUM BRANDS HOLDINGS, INC.****Condensed Consolidated Statements of Financial Position****July 3, 2011 and September 30, 2010****(Unaudited)****(Amounts in thousands, except per share figures)**

	July 3, 2011	September 30, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 88,378	\$ 170,614
Receivables:		
Trade accounts receivable, net of allowances of \$4,086 and \$4,351, respectively	359,667	365,002
Other	51,581	41,445
Inventories	548,376	530,342
Deferred income taxes	32,688	35,735
Prepaid expenses and other	56,789	56,574
Total current assets	1,137,479	1,199,712
Property, plant and equipment, net	216,523	201,164
Deferred charges and other	49,647	46,352
Goodwill	621,907	600,055
Intangible assets, net	1,751,812	1,769,360
Debt issuance costs	45,411	56,961
Total assets	\$ 3,822,779	\$ 3,873,604
Liabilities and Shareholders Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 26,677	\$ 20,710
Accounts payable	305,383	332,231
Accrued liabilities:		
Wages and benefits	58,421	93,971
Income taxes payable	44,466	37,118
Restructuring and related charges	15,855	23,793
Accrued interest	18,208	31,652
Other	114,243	123,297
Total current liabilities	583,253	662,772
Long-term debt, net of current maturities	1,721,919	1,723,057
Employee benefit obligations, net of current portion	91,558	92,725
Deferred income taxes	312,789	277,843
Other	61,095	70,828
Total liabilities	2,770,614	2,827,225
Commitments and contingencies		

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Shareholders' equity:

Common stock, \$.01 par value, authorized 200,000 shares; issued 51,281 and 51,101 shares, respectively; outstanding 51,076 and 51,020 shares	513	514
Additional paid-in capital	1,336,842	1,316,461
Accumulated deficit	(302,228)	(260,892)
Accumulated other comprehensive income (loss)	22,654	(7,497)
	1,057,781	1,048,586
Less treasury stock, at cost, 205 and 81 shares, respectively	(5,616)	(2,207)
Total shareholders' equity	1,052,165	1,046,379
Total liabilities and shareholders' equity	\$ 3,822,779	\$ 3,873,604

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

(Unaudited).

Table of Contents**SPECTRUM BRANDS HOLDINGS, INC.****Condensed Consolidated Statements of Operations****For the three and nine month periods ended July 3, 2011 and July 4, 2010****(Unaudited)****(Amounts in thousands, except per share figures)**

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	2011	2010	2011	2010
Net sales	\$ 804,635	\$ 653,486	\$ 2,359,586	\$ 1,778,012
Cost of goods sold	508,656	398,727	1,506,283	1,125,571
Restructuring and related charges	2,285	1,890	4,932	5,530
Gross profit	293,694	252,869	848,371	646,911
Selling	133,187	112,380	403,768	327,832
General and administrative	60,323	53,821	179,588	139,965
Research and development	9,192	7,078	25,557	21,346
Acquisition and integration related charges	7,444	17,002	31,487	22,472
Restructuring and related charges	4,781	2,954	12,846	11,132
Total operating expenses	214,927	193,235	653,246	522,747
Operating income	78,767	59,634	195,125	124,164
Interest expense	40,398	132,238	165,923	230,130
Other expense, net	770	1,443	1,372	8,427
Income (loss) from continuing operations before reorganization items and income taxes	37,599	(74,047)	27,830	(114,393)
Reorganization items expense, net				3,646
Income (loss) from continuing operations before income taxes	37,599	(74,047)	27,830	(118,039)
Income tax expense	8,995	12,460	69,169	45,016
Income (loss) from continuing operations	28,604	(86,507)	(41,339)	(163,055)
Loss from discontinued operations, net of tax				(2,735)
Net income (loss)	\$ 28,604	\$ (86,507)	\$ (41,339)	\$ (165,790)
Basic earnings per share:				
Weighted average shares of common stock outstanding	50,863	34,133	50,832	31,348
Income (loss) from continuing operations	\$ 0.56	\$ (2.53)	\$ (0.81)	\$ (5.20)
Loss from discontinued operations				(0.09)
Net income (loss)	\$ 0.56	\$ (2.53)	\$ (0.81)	\$ (5.29)
Diluted earnings per share:				
Weighted average shares and equivalents outstanding	51,005	34,133	50,832	31,348
Income (loss) from continuing operations	\$ 0.56	\$ (2.53)	\$ (0.81)	\$ (5.20)
Loss from discontinued operations				(0.09)

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Net income (loss)	\$	0.56	\$	(2.53)	\$	(0.81)	\$	(5.29)
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See accompanying notes which are an integral part of these condensed consolidated financial statements

(Unaudited).

Table of Contents**SPECTRUM BRANDS HOLDINGS, INC.****Condensed Consolidated Statements of Cash Flows****For the nine month periods ended July 3, 2011 and July 4, 2010****(Unaudited)****(Amounts in thousands)**

	NINE MONTHS ENDED	
	2011	2010
Cash flows from operating activities:		
Net loss	\$ (41,339)	\$ (165,790)
Loss from discontinued operations		(2,735)
Loss from continuing operations	(41,339)	(163,055)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	34,719	39,488
Amortization of intangibles	43,073	31,744
Amortization of unearned restricted stock compensation	22,815	12,273
Amortization of debt issuance costs	8,745	6,657
Administrative related reorganization items		3,646
Payments for administrative related reorganization items		(47,173)
Payments of acquisition related expenses for Russell Hobbs	(3,637)	(22,452)
Non-cash increase to cost of goods sold due to fresh-start reporting inventory valuation		34,865
Non-cash interest expense on 12% Notes		20,317
Non-cash debt accretion	3,622	17,358
Write off of unamortized discount on retired debt	8,950	59,162
Write off of debt issuance costs	15,420	6,551
Other non-cash adjustments	8,312	10,355
Net changes in assets and liabilities, net of discontinued operations	(101,746)	(53,463)
Net cash used by operating activities of continuing operations	(1,066)	(43,727)
Net cash used by operating activities of discontinued operations	(291)	(9,812)
Net cash used by operating activities	(1,357)	(53,539)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(27,433)	(17,392)
Acquisitions, net of cash acquired	(11,053)	(2,577)
Proceeds from sale of property, plant and equipment	188	260
Proceeds from sale of Assets Held for Sale	6,997	
Other investing activity	(1,530)	
Net cash used by investing activities	(32,831)	(19,709)
Cash flows from financing activities:		
Proceeds from new Senior Credit Facilities, excluding new ABL Revolving Credit Facility, net of discount		1,474,755
Payment of senior credit facilities, excluding old ABL revolving credit facility	(93,400)	(1,278,760)
Prepayment penalty of term loan facility	(7,500)	
Debt issuance costs	(10,769)	(55,135)
Proceeds from other debt financing	15,349	29,849
Reduction of debt	(905)	(8,366)
New ABL Revolving Credit Facility, net	55,000	22,000

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Extinguished old ABL revolving credit facility, net	(33,225)	
Payments of extinguished supplemental loan	(45,000)	
Refund of debt issuance costs	204	
Treasury stock purchases	(3,409)	(2,207)
Net cash (used) provided by financing activities	(45,634)	104,115
Effect of exchange rate changes on cash and cash equivalents	(2,414)	(7,086)
Effect of exchange rate changes on cash and cash equivalents due to Venezuela hyperinflation		(5,640)
Net (decrease) increase in cash and cash equivalents	(82,236)	18,141
Cash and cash equivalents, beginning of period	170,614	97,800
Cash and cash equivalents, end of period	\$ 88,378	\$ 115,941

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

(Unaudited).

Table of Contents**SPECTRUM BRANDS HOLDINGS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited)****(Amounts in thousands, except per share figures)****1 DESCRIPTION OF BUSINESS**

Spectrum Brands Holdings, Inc., a Delaware corporation (*SB Holdings* or the *Company*), is a global branded consumer products company and was created in connection with the combination of Spectrum Brands, Inc. (*Spectrum Brands*), a global branded consumer products company, and Russell Hobbs, Inc. (*Russell Hobbs*), a global branded small appliance company, to form a new combined company (the *Merger*). The Merger was consummated on June 16, 2010. As a result of the Merger, both Spectrum Brands and Russell Hobbs are wholly-owned subsidiaries of SB Holdings and Russell Hobbs is a wholly-owned subsidiary of Spectrum Brands. SB Holdings trades on the New York Stock Exchange under the symbol *SPB*.

In connection with the Merger, Spectrum Brands refinanced its existing senior debt, except for Spectrum Brands 12% Senior Subordinated Toggle Notes due 2019 (the *12% Notes*), which remain outstanding, and a portion of Russell Hobbs existing senior debt through a combination of a \$750,000 United States (*U.S.*) dollar term loan due June 16, 2016, \$750,000 9.5% Senior Secured Notes maturing June 15, 2018 (the *9.5% Notes*) and a \$300,000 ABL revolving facility due June 16, 2014 (the *ABL Revolving Credit Facility*). The term loan facility established in connection with the Merger was subsequently refinanced in February 2011 (the *Term Loan*), and the ABL Revolving Credit Facility was amended in April 2011. (See also Note 7, Debt, for a more complete discussion of the Company's outstanding debt.)

On February 3, 2009, Spectrum Brands, at the time a Wisconsin corporation, and each of its wholly owned 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. As of the Effective Date and pursuant to the Debtors' confirmed plan of reorganization, Spectrum Brands converted from a Wisconsin corporation to a Delaware corporation. Prior to and including August 30, 2009, all operations of the business resulted from the operations of the Predecessor Company (as defined below). In accordance with Accounting Standard Codification (*ASC*) Topic 852: *Reorganizations*, the Company determined that 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 for recording fresh-start reporting.

On June 28, 2011 the Company filed a Form S-3 registration statement with the U.S. Securities and Exchange Commission (*SEC*) under which 1,150 shares of its common stock and 6,320 shares of the Company's common stock held by Harbinger Capital Partners Master Fund I, Ltd. (the *Selling Stockholder*) were offered to the public. Net proceeds to the Company from the sale of the 1,150 shares, after underwriting discounts and estimated expenses, were approximately \$30,356. The Company did not receive any proceeds from the sale of the common stock by the Selling Stockholder. SB Holdings expects to use the net proceeds of the sale of common shares for general corporate purposes, which may include, among other things, working capital needs, the refinancing of existing indebtedness, the expansion of its business and acquisitions.

Unless the context indicates otherwise, the term *Company* is used to refer to both Spectrum Brands and its subsidiaries prior to the Merger and SB Holdings and its subsidiaries subsequent to the Merger. The term *Predecessor Company* refers only to the Company prior to the Effective Date and the term *Successor Company* refers to Spectrum Brands or the Company subsequent to the Effective Date.

The Company is a diversified global branded consumer products company with positions in seven major product categories: consumer batteries; small appliances; pet supplies; electric shaving and grooming; electric personal care; portable lighting; and home and garden controls.

Effective October 1, 2010, the Company's chief operating decision-maker decided to manage the businesses of the Company in three vertically integrated, product-focused reporting segments: (i) Global Batteries & Appliances, which consists of the Company's worldwide battery, electric shaving and grooming, electric personal care, portable lighting business and small appliances primarily in the kitchen and home product categories (*Global Batteries & Appliances*); (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 home and garden and insect control business (the *Home and Garden Business*). The current reporting segment structure reflects the combination of the former Global Batteries & Personal Care segment (*Global Batteries & Personal Care*), which consisted of the worldwide battery, electric shaving and grooming, electric personal care and portable lighting business, with substantially all of the former Small Appliances segment (*Small Appliances*), which consisted of the Russell Hobbs

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business acquired on June 16, 2010, to form the Global Batteries & Appliances segment. In addition, certain pest control and pet products included in the former Small Appliances segment have been reclassified into the Home and Garden Business and Global Pet Supplies segments, respectively. The presentation of all historical segment reporting herein has been changed to conform to this segment reporting.

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

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 insect repellents in North America. The Company also designs, markets and distributes a broad range of branded small appliances and personal care products. The Company's operations utilize manufacturing and product development facilities located in the U.S., Europe and Latin America.

The Company sells its products in approximately 130 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, 8-in-1, Spectracide, Cutter, Black & Decker, George Foreman, Russell Hobbs, Farberware and various other brands.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: These condensed consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the 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 July 3, 2011 and September 30, 2010, and the results of operations for the three and nine month periods ended July 3, 2011 and July 4, 2010 and the cash flows for the nine month periods ended July 3, 2011 and July 4, 2010. 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 for the fiscal year ended September 30, 2010. 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 SB Holdings and its subsidiaries and are prepared in accordance with GAAP. All intercompany transactions have been eliminated.

The preparation of the 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's board of directors 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 shutdown of the growing products portion of the Home and Garden Business was completed during the second quarter of the Company's fiscal year ended September 30, 2009.

The presentation herein of the results of continuing operations excludes 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 nine month period ended July 4, 2010:

Net sales	\$
Loss from discontinued operations before income taxes	\$ (2,512)

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Provision for income tax expense	223
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Loss from discontinued operations, net of tax	\$ (2,735)
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Intangible Assets: Intangible assets are recorded at cost or at fair value if acquired in a purchase business combination. Customer relationships 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 the August financial period end. ASC Topic 350: *Intangibles-Goodwill and Other*, 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 Company's goodwill and indefinite lived trade name intangibles were tested in conjunction with the Company's realignment of reportable segments on October 1, 2010. The Company concluded that the fair values of its reporting units, which are the same as the Company's reporting segments, and indefinite lived trade name intangible assets were in excess of the carrying amounts of those assets, under both the Company's prior reportable segment structure and the current reportable segment structure, and, accordingly, no impairment of goodwill or indefinite lived trade name intangibles was recorded.

Shipping and Handling Costs: The Company incurred shipping and handling costs of \$51,172 and \$150,140 for the three and nine month periods ended July 3, 2011, respectively, and \$40,204 and \$111,615 for the three and nine month periods ended July 4, 2010, respectively. 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 25% and 23% of the Company's Net sales during the three and nine month periods ended July 3, 2011, respectively. This customer represented approximately 24% and 22% of the Company's Net sales during the three and nine month periods ended July 4, 2010, respectively. This customer also represented approximately 14% and 15% of the Company's Trade accounts receivable, net at July 3, 2011 and September 30, 2010, respectively.

Approximately 40% and 44% of the Company's Net sales during the three and nine month periods ended July 3, 2011, respectively, and 37% and 43% of the Company's Net sales during the three and nine month periods ended July 4, 2010, respectively, occurred outside the U.S. These sales and related receivables are subject to varying degrees of credit, currency, political and economic risk. The Company monitors these risks and makes appropriate provisions for collectability based on an assessment of the risks present.

Stock-Based Compensation: On the Effective Date all of the existing common stock of the Predecessor Company was extinguished and deemed cancelled, including restricted stock and other stock-based awards.

In September 2009, the Successor Company's board of directors (the Board) adopted the 2009 Spectrum Brands Inc. Incentive Plan (the 2009 Plan). In conjunction with the Merger, the 2009 Plan was assumed by SB Holdings. Up to 3,333 shares of common stock, net of forfeitures and

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cancellations, could have been issued under the 2009 Plan. After October 21, 2010, no further awards may be made under the 2009 Plan (as described in further detail below) as the Spectrum Brands Holdings, Inc. 2011 Omnibus Equity Award Plan (the 2011 Plan) was approved by the shareholders of the Company on March 1, 2011.

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

In conjunction with the Merger, the Company assumed the Spectrum Brands Holdings, Inc. 2007 Omnibus Equity Award Plan (formerly known as the Russell Hobbs, Inc. 2007 Omnibus Equity Award Plan, as amended on June 24, 2008) (the 2007 RH Plan). Up to 600 shares of common stock, net of forfeitures and cancellations, could have been issued under the 2007 RH Plan. After October 21, 2010, no further awards may be made under the 2007 RH Plan (as described in further detail below) as the 2011 Plan was approved by the shareholders of the Company on March 1, 2011.

On October 21, 2010, the Board adopted the 2011 Plan, which received shareholder approval at the Annual Meeting of the shareholders of the Company held on March 1, 2011. Upon such shareholder approval, no further awards will be granted under the 2009 Plan and the 2007 RH Plan. Up to 4,626 shares of common stock of the Company, net of cancellations, may be issued under the 2011 Plan.

Under ASC Topic 718: Compensation-Stock Compensation, the Company is required to recognize expense related to its stock-based plans based on the fair value of its employee stock awards.

Total stock compensation expense associated with restricted stock awards and restricted stock units recognized by the Company during the three and nine month periods ended July 3, 2011 was \$8,528, or \$5,543, net of taxes, and \$22,815, or \$14,830, net of taxes, respectively. Total stock compensation expense associated with restricted stock awards recognized by the Company during the three and nine month periods ended July 4, 2010 was \$5,881 or \$3,822, net of taxes and \$12,273, or \$7,978, net of taxes, respectively.

The Company granted approximately 310 shares of restricted stock during the three month period ended July 4, 2010. Of these grants, approximately 271 restricted stock units were granted in conjunction with the consummation of the merger with Russell Hobbs and are time-based and vest over a one year period. The remaining 39 shares are restricted stock grants that are time-based and vest over a three year period. The Company also granted 629 shares of restricted stock during the three month period ended January 3, 2010. Of these grants, 18 shares 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 was approximately \$23,299.

The Company granted approximately 1,580 restricted stock units during the nine month period ended July 3, 2011. Of these grants, 15 restricted stock units are time-based and vest over a one year period and 18 restricted stock units are time-based and vest over a three year period. The remaining 1,547 restricted stock units are performance and time-based with 665 units vesting over a two year period and 882 units vesting over a three year period. The total market value of the restricted stock units on the dates of the grants was approximately \$46,034.

The fair value of restricted stock awards and restricted stock units is determined based on the market price of the Company's shares of common stock on the grant date. A summary of the status of the Company's non-vested restricted stock awards and restricted stock units as of July 3, 2011 is as follows:

		Weighted Average Grant Date Fair Value	Fair Value
Restricted Stock Awards	Shares		
Restricted stock awards at September 30, 2010	446	\$ 23.56	\$ 10,508
Vested	(323)	23.32	(7,531)
Restricted stock awards at July 3, 2011	123	\$ 24.20	\$ 2,977

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Restricted Stock Units	Shares	Weighted	
		Average	
		Grant Date	Fair Value
		Fair Value	Fair Value
Restricted stock units at September 30, 2010	249	\$ 28.22	\$ 7,028
Granted	1,580	29.14	46,034
Forfeited	(17)	29.29	(498)
Vested	(235)	28.39	(6,671)
Restricted stock units at July 3, 2011	1,577	\$ 29.10	\$ 45,893

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

(Amounts in thousands, except per share figures)

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 its voluntary petitions under Chapter 11 of the Bankruptcy Code. See Note 2, Voluntary Reorganization Under Chapter 11 in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2010 for additional information regarding the Chapter 11 filing and subsequent emergence. Reorganization items expense, net for the nine month period ended July 4, 2010 is summarized as follows:

	2010
Legal and professional fees	\$ 3,536
Provision for rejected leases	110
Reorganization items expense, net	\$ 3,646

Acquisition and Integration Related Charges: Acquisition and integration related charges reflected in Operating expenses in the accompanying Condensed Consolidated Statements of Operations (Unaudited) include, but are not limited to, transaction costs such as banking, legal and accounting professional fees directly related to the acquisition, termination and related costs for transitional and certain other employees, integration related professional fees and other post business combination related expenses associated with the Company's acquisitions.

Acquisition and integration related charges associated with the Merger incurred by the Company during the three and nine month periods ended July 3, 2011 and July 4, 2010 are summarized as follows:

	Three Months		Nine Months	
	2011	2010	2011	2010
Legal and professional fees	\$ 360	\$ 15,512	\$ 3,949	\$ 20,982
Employee termination charges	310	1,387	5,206	1,387
Integration costs	6,718	103	22,088	103
Total Acquisition and integration related charges	\$ 7,388	\$ 17,002	\$ 31,243	\$ 22,472

Additionally, the Company incurred \$22 and \$210 of legal and professional fees and integration costs, respectively, associated with the acquisition of Seed Resources, LLC (Seed Resources) during the three and nine month periods ended July 3, 2011 and \$34 in legal and professional fees associated with the acquisition of Value Garden Supply, LLC (Ultra Stop) during the three months ended July 3, 2011. (See Note 15, Acquisitions for additional information on the Seed Resources and Ultra Stop acquisitions.)

3 OTHER COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) and the components of other comprehensive income (loss), net of tax, for the three and nine month periods ended July 3, 2011 and July 4, 2010 are as follows:

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	Three Months		Nine Months	
	2011	2010	2011	2010
Net income (loss)	\$ 28,604	\$ (86,507)	\$ (41,339)	\$ (165,790)
Other comprehensive income (loss):				
Foreign currency translation	13,139	(2,870)	33,009	(9,306)
Valuation allowance adjustments	(216)	668	860	(2,453)
Pension liability adjustments				(52)
Net unrealized loss on derivative instruments	(653)	1,548	(3,718)	(1,850)
Net change to derive comprehensive income (loss) for the period	12,270	(654)	30,151	(13,661)
Comprehensive income (loss)	\$ 40,874	\$ (87,161)	\$ (11,188)	\$ (179,451)

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

(Amounts in thousands, except per share figures)

Net exchange gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries are accumulated in the Accumulated other comprehensive income (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 nine month periods ended July 3, 2011 and July 4, 2010 were primarily attributable to the impact of translation of the net assets of the Company's European and Latin American operations, primarily denominated in Euros, Pounds Sterling and Brazilian Real.

4 NET INCOME (LOSS) PER COMMON SHARE

Net income (loss) per common share of the Company for the three and nine month periods ended July 3, 2011 and July 4, 2010 is calculated based upon the following number of shares:

	Three Months		Nine Months	
	2011	2010	2011	2010
Basic	50,863	34,133	50,832	31,348
Effect of common stock equivalents	142			
Diluted	51,005	34,133	50,832	31,348

For the nine month period ended July 3, 2011 and the three and nine month periods ended July 4, 2010 the Company has not assumed the exercise of common stock equivalents as the impact would be antidilutive.

5 INVENTORIES

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

	July 3, 2011	September 30, 2010
Raw materials	\$ 70,183	\$ 62,857
Work-in-process	35,077	28,239
Finished goods	443,116	439,246
	\$ 548,376	\$ 530,342

6 GOODWILL AND INTANGIBLE ASSETS

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

	Global Batteries & Appliances	Global Pet Supplies	Home and Garden Business	Total
Goodwill:				
Balance at September 30, 2010	\$ 268,420	\$ 159,985	\$ 171,650	\$ 600,055
Additions		10,029	255	10,284
Effect of translation	8,429	3,139		11,568
Balance at July 3, 2011	\$ 276,849	\$ 173,153	\$ 171,905	\$ 621,907
Intangible Assets:				
<i>Trade names Not Subject to Amortization</i>				
Balance at September 30, 2010	\$ 569,945	\$ 211,533	\$ 76,000	\$ 857,478
Additions		2,630	150	2,780
Effect of translation	5,145	6,314		11,459
Balance at July 3, 2011	\$ 575,090	\$ 220,477	\$ 76,150	\$ 871,717
<i>Intangible Assets Subject to Amortization</i>				
Balance at September 30, 2010, net	\$ 516,324	\$ 230,248	\$ 165,310	\$ 911,882

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(Amounts in thousands, except per share figures)

	Global Batteries & Appliances	Global Pet Supplies	Home and Garden Business	Total
Amortization during period	(24,868)	(11,519)	(6,686)	(43,073)
Effect of translation	7,517	3,769		11,286
Balance at July 3, 2011, net	\$ 498,973	\$ 222,498	\$ 158,624	\$ 880,095
Total Intangible Assets, net at July 3, 2011	\$ 1,074,063	\$ 442,975	\$ 234,774	\$ 1,751,812

Intangible assets subject to amortization include proprietary technology, customer relationships and certain trade names. The carrying value of technology assets was \$55,848, net of accumulated amortization of \$11,765 at July 3, 2011 and \$60,792, net of accumulated amortization of \$6,305 at September 30, 2010. Trade names subject to amortization relate to the valuation under fresh-start reporting and the Merger. The carrying value of these trade names was \$136,520, net of accumulated amortization of \$13,180 at July 3, 2011 and \$145,939, net of accumulated amortization of \$3,750 at September 30, 2010. Remaining intangible assets subject to amortization include customer relationship intangibles. The carrying value of customer relationships was \$687,727, net of accumulated amortization of \$69,077 at July 3, 2011 and \$705,151, net of accumulated amortization of \$35,865 at September 30, 2010. The useful life of the Company's intangible assets subject to amortization are 8 years for technology assets related to the Global Pet Supplies segment, 9 to 17 years for technology assets associated with the Global Batteries & Appliances segment, 15 to 20 years for customer relationships of the Global Batteries & Appliances segment, 20 years for customer relationships of the Home and Garden Business and Global Pet Supplies segments, 12 years for a trade name within the Global Batteries & Appliances segment and 4 years for a trade name within the Home and Garden Business segment.

Amortization expense for the three and nine month periods ended July 3, 2011 and July 4, 2010 is as follows:

	Three Months		Nine Months	
	2011	2010	2011	2010
Proprietary technology amortization	\$ 1,649	\$ 1,563	\$ 4,946	\$ 4,655
Customer relationships amortization	9,650	8,767	28,708	26,476
Trade names amortization	3,140	549	9,419	613
	\$ 14,439	\$ 10,879	\$ 43,073	\$ 31,744

The Company estimates annual amortization expense for the next five fiscal years will approximate \$57,800 per year.

7 DEBT

Debt consists of the following:

	July 3, 2011		September 30, 2010	
	Amount	Rate	Amount	Rate
Term Loan, U.S. Dollar, due June 17, 2016	\$ 656,600	5.1%	\$ 750,000	8.1%

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9.5% Notes, due June 15, 2018	750,000	9.5%	750,000	9.5%
12% Notes, due August 28, 2019	245,031	12.0%	245,031	12.0%
ABL Revolving Credit Facility, expiring April 21, 2016	55,000	2.5%		4.1%
Other notes and obligations	29,061	12.7%	13,605	10.8%
Capitalized lease obligations	26,956	5.0%	11,755	5.2%
	1,762,648		1,770,391	
Original issuance discounts on debt	(14,052)		(26,624)	
Less current maturities	26,677		20,710	
Long-term debt	\$ 1,721,919		\$ 1,723,057	

In connection with the Merger, Spectrum Brands (i) entered into a new senior secured term loan pursuant to a new senior credit agreement (the Senior Credit Agreement) consisting of a \$750,000 U.S. dollar term loan, (ii) issued \$750,000 of 9.5% Notes and (iii) entered into a \$300,000 ABL Revolving Credit Facility. The proceeds from such financings were used to repay Spectrum Brands

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SPECTRUM BRANDS HOLDINGS, INC.

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

(Amounts in thousands, except per share figures)

then-existing senior term credit facility, that existed at the time of emergence under Chapter 11 of the Bankruptcy Code (the Prior Term Facility) and Spectrum Brands then-existing asset based revolving loan facility, to pay fees and expenses in connection with the refinancing and for general corporate purposes.

The 9.5% Notes and 12% Notes were issued by Spectrum Brands. SB/RH Holdings, LLC, a wholly-owned subsidiary of SB Holdings, and the wholly owned domestic subsidiaries of Spectrum Brands are the guarantors under the 9.5% Notes. The wholly owned domestic subsidiaries of Spectrum Brands are the guarantors under the 12% Notes. SB Holdings is not an issuer or guarantor of the 9.5% Notes or the 12% Notes. SB Holdings is also not a borrower or guarantor under the Company's Term Loan or the ABL Revolving Credit Facility. Spectrum Brands is the borrower under the Term Loan and its wholly owned domestic subsidiaries along with SB/RH Holdings, LLC are the guarantors under that facility. Spectrum Brands and its wholly owned domestic subsidiaries are the borrowers under the ABL Revolving Credit Facility and SB/RH Holdings, LLC is a guarantor of that facility.

Senior Term Credit Facility

On February 1, 2011, the Company completed the refinancing of its term loan facility established in connection with the Merger, which had an aggregate amount outstanding of \$680,000, with an amended and restated credit agreement, together with the amended ABL Revolving Credit Facility, the Senior Credit Facilities) at a lower interest rate.

The Term Loan was issued at par with a maturity date of June 17, 2016. Subject to certain mandatory prepayment events, the Term Loan is subject to repayment according to a scheduled amortization, with the final payment of all amounts outstanding, plus accrued and unpaid interest, due at maturity. Among other things, the Term Loan provides for interest at a rate per annum equal to, at the Company's option, the LIBO rate (adjusted for statutory reserves) subject to a 1.00% floor plus a margin equal to 4.00%, or an alternate base rate plus a margin equal to 3.00%.

The Term Loan contains financial covenants with respect to debt, including, but not limited to, a maximum leverage ratio and a minimum interest coverage ratio, which covenants, pursuant to their terms, become more restrictive over time. In addition, the Term Loan 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 Term Loan and related loan documents and have pledged substantially all of their respective assets to secure such obligations. The Term Loan also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness.

The Company recorded \$8,698 of fees in connection with the Term Loan during the nine month period ended July 3, 2011. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and are amortized as an adjustment to interest expense over the remaining life of the Term Loan. The Company recorded cash charges of \$6,800 and accelerated amortization of portions of the unamortized discount and unamortized Debt issuance costs totaling \$24,370 as an adjustment to increase interest expense, in connection with the refinancing of the term loan facility established in connection with the Merger, during the nine month period ended July 3, 2011. In connection with voluntary prepayments of \$90,000 of term debt during the nine month period ended July 3, 2011, the Company recorded cash charges of \$700 and accelerated amortization of portions of the unamortized discount and unamortized Debt issuance costs totaling \$4,121 as an adjustment to increase interest expense.

At July 3, 2011 and September 30, 2010, the aggregate amount outstanding under the Term Loan totaled \$656,600 and \$750,000, respectively.

On July 27, 2011, the Company made a voluntary prepayment of \$40,000 on its Term Loan.

9.5% Notes

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At both July 3, 2011 and September 30, 2010, the Company had outstanding principal of \$750,000 under the 9.5% Notes maturing June 15, 2018.

The Company may redeem all or a part of the 9.5% Notes, upon not less than 30 or more than 60 days notice, at specified redemption prices. Further, the indenture governing the 9.5% Notes (the 2018 Indenture) requires 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.

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SPECTRUM BRANDS HOLDINGS, INC.

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(Amounts in thousands, except per share figures)

The 2018 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 2018 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 2018 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 9.5% Notes. If any other event of default under the 2018 Indenture occurs and is continuing, the trustee for the 2018 Indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 9.5% Notes may declare the acceleration of the amounts due under those notes.

The 9.5% Notes were issued at a 1.37% discount and were recorded net of the \$10,245 amount incurred. The discount is reflected as an adjustment to the carrying value of principal, and is being amortized with a corresponding charge to interest expense over the remaining life of the 9.5% Notes. During Fiscal 2010, the Company recorded \$20,823 of fees in connection with the issuance of the 9.5% Notes. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and are amortized as an adjustment to interest expense over the remaining life of the 9.5% Notes.

12% Notes

On August 28, 2009, in connection with emergence from the voluntary reorganization under Chapter 11 of the Bankruptcy Code and pursuant to the Debtors' confirmed plan of reorganization, the Company issued \$218,076 in aggregate principal amount of 12% Notes maturing August 28, 2019. Semiannually, at its option, the Company may elect to pay interest on the 12% Notes in cash or as payment in kind (PIK). PIK interest is added to principal on the relevant semi-annual interest payment date. Under the Prior Term Facility, the Company agreed to make interest payments on the 12% Notes through PIK for the first three semi-annual interest payment periods. As a result of the refinancing of the Prior Term Facility, the Company is no longer required to make interest payments as payment in kind after the semi-annual interest payment date of August 28, 2010. Effective with the semi-annual interest payment date of February 28, 2011, the Company gave notice to the trustee that the interest payment due August 28, 2011 would be made in cash.

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 (the 2019 Indenture) 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 July 3, 2011 and September 30, 2010, the Company had outstanding principal of \$245,031 under the 12% Notes, including PIK interest of \$26,955 added to principal during Fiscal 2010.

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 2019 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.

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The Company 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, Spectrum Brands 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 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.

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SPECTRUM BRANDS HOLDINGS, INC.

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

(Amounts in thousands, except per share figures)

In connection with the Merger, the Company obtained the consent of the note holders to certain amendments to the 2019 Indenture (the Supplemental Indenture). The Supplemental Indenture became effective upon the closing of the Merger. Among other things, the Supplemental Indenture amended the definition of change in control to exclude the Harbinger Capital Partners Master Fund I, Ltd. (Harbinger Master Fund), Harbinger Capital Partners Special Situations Fund, L.P. (Harbinger Special Fund) and, together with Harbinger Master Fund, the HCP Funds), Global Opportunities Breakaway Ltd. (together with the HCP Funds, the Harbinger Parties), and their respective affiliates and increased the Company's ability to incur indebtedness up to \$1,850,000.

During Fiscal 2010, the Company recorded \$2,966 of fees in connection with the consent. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and are amortized as an adjustment to interest expense over the remaining life of the 12% Notes effective with the closing of the Merger.

ABL Revolving Credit Facility

On April 21, 2011 the Company amended the ABL Revolving Credit Facility. The amended facility carries an interest rate, at the Company's option, which is subject to change based on availability under the facility, of either: (a) the base rate plus currently 1.25% per annum or (b) the reserve-adjusted LIBO rate (the Eurodollar Rate) plus currently 2.25% per annum. No amortization is required with respect to the ABL Revolving Credit Facility. The ABL Revolving Credit Facility is scheduled to expire on April 21, 2016.

The ABL Revolving Credit Facility is governed by a credit agreement (the ABL Credit Agreement) with Bank of America as administrative agent (the Agent). The ABL Revolving Credit Facility consists of 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.

The Revolving Loans may be drawn, repaid and re-borrowed without premium or penalty. The proceeds of borrowings under the ABL Revolving Credit Facility are to be used for costs, expenses and fees in connection with the ABL Revolving Credit Facility, working capital requirements of the Company and its subsidiaries, restructuring costs, and for other general corporate purposes.

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.

During Fiscal 2010, the Company recorded \$9,839 of fees in connection with the ABL Revolving Credit Facility. During the three month and nine month period ended July 3, 2011, the Company recorded \$2,071 of fees in connection with the amendment. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and are amortized as an adjustment to interest expense over the remaining life of the ABL Revolving Credit Facility. Pursuant to the credit and security agreement, the obligations under the ABL credit agreement are secured by certain current assets of the guarantors, including, but not limited to, deposit accounts, trade receivables and inventory.

As a result of borrowings and payments under the ABL Revolving Credit Facility at July 3, 2011, the Company had aggregate borrowing availability of approximately \$146,893, net of lender reserves of \$48,769 and outstanding letters of credit of \$24,105.

8 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used by the Company principally in the management of its interest rate, foreign currency and raw material price exposures. The Company does not hold or issue derivative financial instruments for trading purposes. When 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

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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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(Amounts in thousands, except per share figures)

Under ASC Topic 815: *Derivatives and Hedging*, (ASC 815), entities are required to provide enhanced disclosures for derivative and hedging activities.

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

		July 3, 2011	September 30, 2010
Asset Derivatives			
Derivatives designated as hedging instruments under ASC 815:			
Commodity contracts	Receivables Other	\$ 1,997	\$ 2,371
Commodity contracts	Deferred charges and other	1,424	1,543
Foreign exchange contracts	Receivables Other	588	20
Foreign exchange contracts	Deferred charges and other	2	55
Total asset derivatives designated as hedging instruments under ASC 815		\$ 4,011	\$ 3,989
Derivatives not designated as hedging instruments under ASC 815:			
Foreign exchange contracts	Receivables Other	38	
Total asset derivatives		\$ 4,049	\$ 3,989

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

		July 3, 2011	September 30, 2010
Liability Derivatives			
Derivatives designated as hedging instruments under ASC 815:			
Interest rate contracts	Accounts payable	\$ 2,620	\$ 3,734
Interest rate contracts	Accrued interest	854	861
Interest rate contracts	Other long term liabilities		2,032
Commodity contracts	Accounts payable	105	
Foreign exchange contracts	Accounts payable	13,644	6,544
Foreign exchange contracts	Other long term liabilities	1,517	1,057
Total liability derivatives designated as hedging instruments under ASC 815		\$ 18,740	\$ 14,228
Derivatives not designated as hedging instruments under ASC 815:			

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Foreign exchange contracts	Accounts payable	15,520	9,698
Foreign exchange contracts	Other long term liabilities	22,669	20,887
Total liability derivatives		\$ 56,929	\$ 44,813

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 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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(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 July 3, 2011:

	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)
Derivatives in ASC 815 Cash Flow					
Hedging Relationships					
Commodity contracts	\$ (109)	Cost of goods sold	\$ 587	Cost of goods sold	\$ 16
Interest rate contracts	(42)	Interest expense	(839)	Interest expense	(44)
Foreign exchange contracts	(11)	Net sales	105	Net sales	
Foreign exchange contracts	(5,011)	Cost of goods sold	(4,346)	Cost of goods sold	
Total	\$ (5,173)		\$ (4,493)		\$ (28)

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 nine month period ended July 3, 2011:

	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)
Derivatives in ASC 815 Cash Flow					
Hedging Relationships					
Commodity contracts	\$ 1,764	Cost of goods sold	\$ 1,921	Cost of goods sold	\$ 17

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Interest rate contracts	(102)	Interest expense	(2,527)	Interest expense	(294)
Foreign exchange contracts	216	Net sales	(102)	Net sales	
Foreign exchange contracts	(15,801)	Cost of goods sold	(8,438)	Cost of goods sold	
Total	\$ (13,923)		\$ (9,146)		\$ (277)

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(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 July 4, 2010:

Derivatives in ASC 815 Cash Flow	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 Derivatives (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)
Hedging Relationships					
Commodity contracts	\$ (4,647)	Cost of goods sold	\$ 155	Cost of goods sold	\$ (73)
Interest rate contracts		Interest expense		Interest expense	
	(998)		(587)		(5,845) ⁽¹⁾
Foreign exchange contracts	(864)	Net sales	(216)	Net sales	
Foreign exchange contracts		Cost of goods sold		Cost of goods sold	
	5,820		1,601		
Total	\$ (689)		\$ 953		\$ (5,918)

(1) Includes \$(4,305) reclassified from AOCI associated with the refinancing of the senior credit facility. (See also Note 7, Debt, for a more complete discussion of the Company's refinancing of its senior credit facility.)

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 nine month period ended July 4, 2010:

Derivatives in ASC 815 Cash Flow	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 Derivatives (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)
Hedging Relationships					

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				Portion and Amount Excluded from Effectiveness Testing)	(Ineffective Portion and Amount Excluded from Effectiveness Testing)
Commodity contracts		Cost of		Cost of	
	\$ (2,201)	goods sold	\$ 1,106	goods sold	\$ 68
Interest rate contracts	(12,644)	Interest expense	(3,565)	Interest expense	(5,845) ⁽¹⁾
Foreign exchange contracts	(1,214)	Net sales	(402)	Net sales	
Foreign exchange contracts		Cost of		Cost of	
	7,865	goods sold	1,382	goods sold	
Total	\$ (8,194)		\$ (1,479)		\$ (5,777)

⁽¹⁾ Includes \$(4,305) reclassified from AOCI associated with the refinancing of the senior credit facility. (See also Note 7, Debt, for a more complete discussion of the Company's refinancing of its senior credit facility.)

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(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, commodity purchases and interest rate payments, the gain (loss) is recognized in earnings in the period of change associated with the derivative contract. During the three month period ended July 3, 2011 and the three month period ended July 4, 2010, the Company recognized the following gains (losses) on these derivative contracts:

Derivatives Not Designated as	Amount of Gain (Loss)		Location of Gain or (Loss)
	Recognized in		
Hedging Instruments Under ASC 815	2011	2010	Recognized in
Commodity contracts	\$	\$ (53)	Cost of goods sold
Foreign exchange contracts	(7,578)	(9,538)	Other expense, net
Total	\$ (7,578)	\$ (9,591)	

During the nine month period ended July 3, 2011 and the nine month period ended July 4, 2010, the Company recognized the following gains (losses) on these derivative contracts:

Derivatives Not Designated as	Amount of Gain (Loss)		Location of Gain or (Loss)
	Recognized in		
Hedging Instruments Under ASC 815	2011	2010	Recognized in
Commodity contracts	\$	\$ 99	Cost of goods sold
Foreign exchange contracts	(17,468)	(11,827)	Other expense, net
Total	\$ (17,468)	\$ (11,728)	

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 that are primarily concentrated with a foreign financial institution counterparty. The Company considers these exposures when measuring its credit reserve on its derivative assets, which was \$62 and \$75 at July 3, 2011 and September 30, 2010, respectively. 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, the Company is typically required to post collateral in the normal course of business to offset its liability positions. At July 3, 2011 and September 30, 2010, the Company had posted cash collateral of \$294 and \$2,363, respectively, related to such liability positions. In addition, at July 3, 2011 and September 30, 2010, the Company had posted standby letters of credit of \$2,000 and \$4,000, 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).

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 July 3, 2011, the Company had a portfolio of U.S. dollar-denominated interest rate swaps outstanding which effectively fix 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. At September 30, 2010, the Company had a portfolio of U.S. dollar-denominated interest rate swaps outstanding which effectively fixed the interest on floating rate debt, exclusive of lender spreads as follows: 2.25% for a notional principal amount of \$300,000

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

through December 2011 and 2.29% for a notional principal amount of \$300,000 through January 2012 (the U.S. dollar swaps). The derivative net loss on these contracts recorded in AOCI by the Company at July 3, 2011 was \$(1,172), net of tax benefit of \$718. The derivative net (loss) on the U.S. dollar swaps contracts recorded in AOCI by the Company at September 30, 2010 was \$(2,675), net of tax benefit of \$1,640. At July 3, 2011, the portion of derivative net losses estimated to be reclassified from AOCI into earnings by the Company over the next 12 months is \$(1,172), net of tax.

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 of 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 July 3, 2011 the Company had a series of foreign exchange derivative contracts outstanding through September 2012 with a contract value of \$270,955. At September 30, 2010, the Company had a series of foreign exchange derivative contracts outstanding through June 2012 with a contract value of \$299,993. The derivative net loss on these contracts recorded in AOCI by the Company at July 3, 2011 was \$(10,301), net of tax benefit of \$4,270. The derivative net (loss) on these contracts recorded in AOCI by the Company at September 30, 2010 was \$(5,322), net of tax benefit of \$2,204. At July 3, 2011, the portion of derivative net losses estimated to be reclassified from AOCI into earnings by the Company over the next 12 months is \$(9,251), 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 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 July 3, 2011 the Company had a series of such swap contracts outstanding through September 2012 for 10 tons with a contract value of \$20,872. At September 30, 2010, the Company had a series of such swap contracts outstanding through September 2012 for 15 tons with a contract value of \$28,897. The derivative net gain on these contracts recorded in AOCI by the Company at July 3, 2011 was \$2,153, net of tax expense of \$1,147. The derivative net gain on these contracts recorded in AOCI by the Company at September 30, 2010 was \$2,256, net of tax expense of \$1,201. At July 3, 2011, the portion of derivative net gains estimated to be reclassified from AOCI into earnings by the Company over the next 12 months is \$1,246, net of tax.

Derivative Contracts

The 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 Statements 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 July 3, 2011 and September 30, 2010, the Company had \$277,510 and \$333,562, respectively, of notional value for such foreign exchange derivative contracts outstanding.

9 FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC Topic 820: *Fair Value Measurements and Disclosures*, (ASC 820) establishes a framework for measuring fair value and expands related disclosures. Broadly, the ASC 820 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. ASC 820 establishes market or observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. The Company utilizes valuation techniques that attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of the fair values considers various factors, including closing

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exchange or over-the-counter market pricing quotations, time value and credit quality factors underlying options and contracts. The fair value of certain derivative financial instruments is estimated using pricing models based on contracts with similar terms and risks. Modeling techniques assume market correlation and volatility, such as using prices of one delivery point to calculate the price of the contract's different delivery point. The nominal value of interest rate transactions is discounted using applicable forward interest rate curves. In addition, by applying a credit reserve which is calculated based on credit default swaps or published default probabilities for the actual and potential asset value, the fair value of

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

the Company's derivative financial instruments assets reflects the risk that the counterparties to these contracts may default on the obligations. Likewise, by assessing the requirements of a reserve for non-performance, which is calculated based on the probability of default by the Company, the Company adjusts its derivative contract liabilities to reflect the price at which a potential market participant would be willing to assume the Company's liabilities. The Company has not changed its valuation techniques in measuring the fair value of any financial assets and liabilities during the periods presented.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by the Company. These two types of inputs create the following fair value hierarchy:

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

The Company maintains policies and procedures to value instruments using the best and most relevant data available. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls must be determined based on the lowest level input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. In addition, the Company has risk management teams that review valuation, including independent price validation for certain instruments. Further, in other instances, the Company retains independent pricing vendors to assist in valuing certain instruments.

The Company's derivatives are valued using internal models, which are based on market observable inputs including interest rate curves and both forward and spot prices for currencies and commodities.

The Company's net derivative portfolio as of July 3, 2011, contains Level 2 instruments and represents commodity, interest rate and foreign exchange contracts.

	Level 1	Level 2	Level 3	Total
Assets:				
Commodity contracts, net	\$	\$ 3,316	\$	\$ 3,316
Total Assets	\$	\$ 3,316	\$	\$ 3,316
Liabilities:				
Interest rate contracts	\$	\$ (3,474)	\$	\$ (3,474)
Foreign exchange contracts, net		(52,722)		(52,722)
Total Liabilities	\$	\$ (56,196)	\$	\$ (56,196)

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The Company's net derivative portfolio as of September 30, 2010, contains Level 2 instruments and represents commodity, interest rate and foreign exchange contracts.

	Level 1	Level 2	Level 3	Total
Assets:				
Commodity contracts, net	\$	\$ 3,914	\$	\$ 3,914
Total Assets	\$	\$ 3,914	\$	\$ 3,914
Liabilities:				
Interest rate contracts	\$	\$ (6,627)	\$	\$ (6,627)
Foreign exchange contracts, net		(38,111)	\$	(38,111)
Total Liabilities	\$	\$ (44,738)	\$	\$ (44,738)

Table of Contents**SPECTRUM BRANDS HOLDINGS, 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 other receivables, 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.

Goodwill, intangible assets and other long-lived assets are also tested annually, or more frequently if a triggering event occurs that indicates an impairment loss may have been incurred, using fair value measurements with unobservable inputs (Level 3). (See also Note 2, Significant Accounting Policies Intangible Assets, for further details on impairment testing.)

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

	July 3, 2011		September 30, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt	\$ (1,748,596)	\$ (1,873,943)	\$ (1,743,767)	\$ (1,868,754)
Interest rate swap agreements	(3,474)	(3,474)	(6,627)	(6,627)
Commodity swap and option agreements	3,316	3,316	3,914	3,914
Foreign exchange forward agreements	(52,722)	(52,722)	(38,111)	(38,111)

10 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. These pension plans generally provide benefits of stated amounts for each year of service. The Company funds its U.S. pension plans in accordance with the Internal Revenue Service (IRS) defined guidelines and, where applicable, in amounts sufficient to satisfy the minimum funding requirements of applicable laws. 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 over the succeeding years of service after reaching age 45 and remain eligible until reaching age 65. The plan is contributory and, accordingly, retiree contributions have been established as a flat dollar amount with contribution rates expected to increase at the active medical trend rate. This plan is unfunded.

Under the Tetra U.S. postretirement plan, the Company provides postretirement medical benefits to full-time employees who meet minimum age and service requirements. The plan is contributory with retiree contributions adjusted annually and contains other cost-sharing features such as deductibles, coinsurance and copayments.

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

(Amounts in thousands, except per share figures)

The Company's results of operations for the three and nine month periods ended July 3, 2011 and July 4, 2010 reflect the following pension and deferred compensation benefit costs:

Components of net periodic pension benefit and deferred compensation benefit cost	Three Months		Nine Months	
	2011	2010	2011	2010
Service cost	\$ 781	\$ 725	\$ 2,344	\$ 2,174
Interest cost	2,557	1,932	7,670	5,558
Expected return on assets	(1,965)	(1,382)	(5,896)	(3,926)
Amortization of prior service cost		1		4
Recognized net actuarial loss	97	22	291	25
Employee contributions	(129)	(88)	(386)	(265)
Net periodic benefit cost	\$ 1,341	\$ 1,210	\$ 4,023	\$ 3,570

Pension and deferred compensation contributions	Three Months		Nine Months	
	2011	2010	2011	2010
Contributions made during period	\$ 3,189	\$ 1,711	\$ 6,145	\$ 3,714

The following table sets forth the fair value of the Company's pension plan assets as of July 3, 2011 segregated by level within the fair value hierarchy (See Note 9 Fair Value of Financial Instruments, for discussion of the fair value hierarchy and fair value principles):

	Level 1	Level 2	Level 3	Total
U.S. Defined Benefit Plan Assets:				
Common collective trust - equity	\$	\$ 34,321	\$	\$ 34,321
Common collective trust - fixed income		13,528		13,528
Total U.S. Defined Benefit Plan Assets	\$	\$ 47,849	\$	\$ 47,849
International Defined Benefit Plan Assets:				
Common collective trust - equity	\$	\$ 33,298	\$	\$ 33,298
Common collective trust - fixed income		10,859		10,859
Insurance contracts - general fund		43,689		43,689
Other		5,844		5,844
Total International Defined Benefit Plan Assets	\$	\$ 93,690	\$	\$ 93,690

The following table sets forth the fair value of the Company's pension plan assets as of September 30, 2010 segregated by level within the fair value hierarchy:

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	Level 1	Level 2	Level 3	Total
U.S. Defined Benefit Plan Assets:				
Common collective trust equity	\$	\$ 28,168	\$	\$ 28,168
Common collective trust fixed income		16,116		16,116
Total U.S. Defined Benefit Plan Assets	\$	\$ 44,284	\$	\$ 44,284
International Defined Benefit Plan Assets:				
Common collective trust equity	\$	\$ 28,090	\$	\$ 28,090
Common collective trust fixed income		9,725		9,725
Insurance contracts general fund		40,347		40,347
Other		3,120		3,120
Total International Defined Benefit Plan Assets	\$	\$ 81,282	\$	\$ 81,282

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SPECTRUM BRANDS HOLDINGS, INC.

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

(Amounts in thousands, except per share figures)

The Company sponsors a defined contribution pension plan for its domestic salaried employees, which allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Company currently contributes annually from 3% to 6% of participants' compensation based on age or service, and has the ability to make additional discretionary contributions. The Company also sponsors defined contribution pension plans for employees of certain foreign subsidiaries. Company contributions charged to operations, including discretionary amounts, for the three and nine month periods ended July 3, 2011 were \$1,439 and \$4,192, respectively. Company contributions charged to operations, including discretionary amounts, for the three and nine month periods ended July 4, 2010 were \$933 and \$2,408, respectively.

11 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., United Kingdom and Germany. In the U.S. federal tax filings for years prior to and including the Company's fiscal year ended September 30, 2007 are closed. However, the federal net operating loss carryforward from the Company's fiscal year ended September 30, 2007 is subject to 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, 2008, 2009, and 2010 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.

In the U.S., federal tax filings for years prior to and including Russell Hobbs' fiscal year ended June 30, 2008 are closed. However, the federal net operating loss carryforward from Russell Hobbs' fiscal year ended June 30, 2008 is subject to IRS examination until the year that such net operating loss carryforward is utilized and that year is closed for audit. Russell Hobbs' fiscal years ended June 30, 2009 and June 16, 2010 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.

12 SEGMENT RESULTS

Effective October 1, 2010 the Company began managing its business in three vertically integrated, product-focused reporting segments: (i) Global Batteries & Appliances; (ii) Global Pet Supplies; and (iii) the Home and Garden Business (See Note 1, Description of Business, for additional information regarding the Company's realignment of its reporting segments).

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, acquisition and integration related charges, reorganization items expense, interest expense, interest income and income tax expense. In connection with the realignment of reportable segments discussed above, as of October 1, 2010, certain general and administrative expenses which were previously reflected in operating segment profits, have been excluded in the determination of reportable segment profits. Accordingly, corporate expenses primarily include general and administrative expenses and global long-term incentive compensation plans costs which are evaluated on a consolidated basis and not allocated to the Company's operating segments. 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.

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

The financial information presented herein reflects the impact of all of the segment structure changes discussed above for all periods presented.

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

(Amounts in thousands, except per share figures)

Segment information for the three and nine month periods ended July 3, 2011 and July 4, 2010 is as follows:

	Three Months		Nine Months	
	2011	2010	2011	2010
<i>Net sales from external customers</i>				
Global Batteries & Appliances	\$ 505,213	\$ 353,585	\$ 1,661,177	\$ 1,090,521
Global Pet Supplies	143,839	136,089	425,106	421,261
Home and Garden Business	155,583	163,812	273,303	266,230
Total segments	\$ 804,635	\$ 653,486	\$ 2,359,586	\$ 1,778,012

	Three Months		Nine Months	
	2011	2010	2011	2010
<i>Segment profit</i>				
Global Batteries & Appliances	\$ 45,480	\$ 35,399	\$ 180,460	\$ 118,496
Global Pet Supplies	19,240	17,743	53,951	38,339
Home and Garden Business	42,921	40,106	51,008	41,493
Total segments	107,641	93,248	285,419	198,328
Corporate expense	14,364	11,768	41,029	35,030
Acquisition and integration related charges	7,444	17,002	31,487	22,472
Restructuring and related charges	7,066	4,844	17,778	16,662
Interest expense	40,398	132,238	165,923	230,130
Other expense, net	770	1,443	1,372	8,427
Income (loss) from continuing operations before reorganization items and income taxes	\$ 37,599	\$ (74,047)	\$ 27,830	\$ (114,393)

	July 3, 2011	September 30, 2010
<i>Segment total assets</i>		
Global Batteries & Appliances	\$ 2,378,130	\$ 2,477,091
Global Pet Supplies	866,916	839,191
Home and Garden Business	527,256	496,143
Total segments	3,772,302	3,812,425
Corporate	50,477	61,179
Total assets at period end	\$ 3,822,779	\$ 3,873,604

The Global Batteries & Appliances 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

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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 the Venezuelan subsidiary were reflected in Shareholders' equity as a component of AOCI.

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 fall into the essential classification and qualify for the 2.6 rate; however, the Company's overall results in Venezuela were reflected at the 4.3 rate expected to be applicable to dividend repatriations beginning in the second quarter of Fiscal 2010. 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. Based on actual exchange activity, the Company determined on September 30, 2010 that the most likely method of exchanging its Bolivar fuertes for U.S. dollars will be to formally apply with the Venezuelan government to exchange through commercial banks at the SITME rate specified by the Central Bank of Venezuela. The SITME rate as of September 30, 2010 was quoted at 5.3 Bolivar fuerte per U.S. dollar. Therefore, the Company changed the rate used to remeasure Bolivar fuerte denominated transactions as of September 30, 2010 from the official non-essentials exchange rate to the 5.3 SITME rate in accordance with ASC 830, Foreign Currency Matters as it is the expected rate that exchanges of Bolivar fuerte to U.S. dollars will be settled. There is also an ongoing immaterial impact related to measuring the Company's Venezuelan statement of operations at the new exchange rate of 5.3 to the U.S. dollar.

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(Amounts in thousands, except per share figures)

The designation of the Company's Venezuela entity as a highly inflationary economy and the devaluation of the Bolivar fuerte resulted in a \$150 and \$1,306 reduction to the Company's operating income during the three and nine month periods ended July 4, 2010, respectively. The Company also reported a foreign exchange loss in Other expense (income), net, of \$5,823 for the nine month period ended July 4, 2010.

13 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 filing under the Bankruptcy Code.

The following table summarizes restructuring and related charges incurred by segment for the three and nine month periods ended July 3, 2011 and July 4, 2010:

	Three Months		Nine Months	
	2011	2010	2011	2010
Cost of goods sold:				
Global Batteries & Appliances	\$ 408	\$ 1,185	\$ 508	\$ 2,638
Global Pet Supplies	1,877	705	4,424	2,854
Home and Garden Business				38
Total restructuring and related charges in cost of goods sold	2,285	1,890	4,932	5,530
Operating expenses:				
Global Batteries & Appliances	1,678	51	2,295	(155)
Global Pet Supplies	1,855	222	5,435	724
Home and Garden Business	747	(220)	2,082	7,805
Corporate	501	2,901	3,034	2,758
Total restructuring and related charges in operating expenses	4,781	2,954	12,846	11,132
Total restructuring and related charges	\$ 7,066	\$ 4,844	\$ 17,778	\$ 16,662

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(Amounts in thousands, except per share figures)

2009 Restructuring Initiatives

The Company implemented a series of initiatives within the Global Batteries & Appliances 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 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 Company's capital structure. The Company recorded \$6,462 and \$14,569 of pretax restructuring and related charges during the three and nine month periods ended July 3, 2011, respectively, and the Company recorded \$2,553 and \$13,942 of pretax restructuring and related charges during the three and nine month periods ended July 4, 2010, respectively, related to the Global Cost Reduction Initiatives. Costs associated with these initiatives, which are expected to be incurred through March 31, 2014, are projected to total approximately \$65,000.

Global Cost Reduction Initiatives Summary

The following table summarizes the remaining accrual balance associated with the 2009 initiatives and the activity during the nine month period ended July 3, 2011:

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2010	\$ 6,447	\$ 4,005	\$ 10,452
Provisions	5,795	492	6,287
Cash expenditures	(5,021)	(2,486)	(7,507)
Non-cash items	183	570	753
Accrual balance at July 3, 2011	\$ 7,404	\$ 2,581	\$ 9,985
Expensed as incurred ^(A)	\$ 686	\$ 7,596	\$ 8,282

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

The following table summarizes the expenses incurred during the nine month period ended July 3, 2011, the cumulative amount incurred to date and the total future expected costs to be incurred associated with the Global Cost Reduction Initiatives by operating segment:

	Global Batteries & Appliances	Global Pet Supplies	Home and Garden Business	Corporate	Total
Restructuring and related charges during the nine month period ended July 3, 2011	\$ 2,628	\$ 9,859	\$ 2,082	\$	\$ 14,569
Restructuring and related charges since initiative inception	\$ 9,667	\$ 20,069	\$ 16,086	\$ 7,591	\$ 53,413
Total future restructuring and related charges expected	\$	\$ 8,700	\$ 2,781	\$	\$ 11,481

2008 Restructuring Initiatives

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The Company implemented an initiative within the Global Batteries & Appliances segment in China to reduce operating costs and rationalize the Company's manufacturing structure. These initiatives include the plan to exit the Company's Ningbo, China battery manufacturing facility (the Ningbo Exit Plan). The Company recorded \$119 and \$219 of pretax restructuring and related charges during the three and nine month period ended July 3, 2011, respectively, and \$193 and \$1,526 of pretax restructuring and related charges during the three and nine month periods ended July 4, 2010, respectively, in connection with the Ningbo Exit Plan. The Company has recorded pretax restructuring and related charges of \$29,597 since the inception of the Ningbo Exit Plan, which is now substantially complete.

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

(Amounts in thousands, except per share figures)

Ningbo Exit Plan Summary

The following table summarizes the remaining accrual balance associated with the 2008 initiatives and the activity during the nine month period ended July 3, 2011:

	Other Costs
Accrual balance at September 30, 2010	\$ 491
Provisions	24
Cash expenditures	(143)
Non-cash items	(372)
Accrual balance at July 3, 2011	\$
Expensed as incurred ^(A)	\$ 195

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

2007 Restructuring Initiatives

In Fiscal 2007, the Company began managing its business in three vertically integrated, product-focused reporting segments: Global Batteries & Personal Care (which, effective October 1, 2010, includes the appliance portion of Russell Hobbs, collectively, Global Batteries & Appliances), 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). In connection with the Global Realignment Initiatives, the Company recorded \$485 and \$2,990 of pretax restructuring and related charges during the three and nine month periods ended July 3, 2011, respectively, and \$2,098 and \$1,115 of pretax restructuring and related charges during the three and nine month periods ended July 4, 2010, respectively. Costs associated with these initiatives, which are expected to be incurred through June 30, 2013, relate primarily to severance and are projected at approximately \$92,300, the majority of which are cash costs.

Global Realignment Initiatives Summary

The following table summarizes the remaining accrual balance associated with the Global Realignment Initiatives and the activity during the nine month period ended July 3, 2011:

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2010	\$ 8,721	\$ 2,281	\$ 11,002
Provisions	1,207	93	1,300
Cash expenditures	(7,096)	(619)	(7,715)
Non-cash items	(676)	498	(178)

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Accrual balance at July 3, 2011	\$ 2,156	\$ 2,253	\$ 4,409
Expensed as incurred ^(A)	\$	\$ 1,690	\$ 1,690

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

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

(Amounts in thousands, except per share figures)

The following table summarizes the expenses incurred during the nine month period ended July 3, 2011, the cumulative amount incurred to date and the total future expected costs to be incurred associated with the Global Realignment Initiatives by operating segment:

	Global Batteries & Appliances	Home and Garden Business	Corporate	Total
Restructuring and related charges during the nine month period ended July 3, 2011	\$ (44)	\$	\$ 3,034	\$ 2,990
Restructuring and related charges since initiative inception	\$ 46,625	\$ 6,762	\$ 38,190	\$ 91,577
Total future restructuring and related charges expected	\$	\$	\$ 750	\$ 750

2006 Restructuring Initiatives

The Company implemented a series of initiatives within the Global Batteries & Appliances segment in Europe to reduce operating costs and rationalize the Company's manufacturing structure (the European Initiatives). These initiatives, which are substantially complete, include the relocation of certain operations at the Ellwangen, Germany packaging center to the Dischingen, Germany battery plant and restructuring its sales, marketing and support functions. The Company recorded no pretax restructuring and related charges during the three and nine month periods ended July 3, 2011 or during the three and nine month periods ended July 4, 2010 in connection with the European Initiatives. The Company has recorded pretax restructuring and related charges of \$26,965 since the inception of the European Initiatives.

European Initiatives Summary

The following table summarizes the remaining accrual balance associated with the 2006 initiatives and the activity during the nine month period ended July 3, 2011:

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2010	\$ 1,801	\$ 47	\$ 1,848
Cash expenditures	(455)	(39)	(494)
Non-cash items	115	(8)	107
Accrual balance at July 3, 2011	\$ 1,461	\$	\$ 1,461

14 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 \$8,560, 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.

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

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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. In July 2011, the parties reached a full and final settlement of this matter and the case has been dismissed.

Applica Consumer Products, Inc. (Applica), a wholly-owned subsidiary of the Company, is a defendant in three asbestos lawsuits in which the plaintiffs have alleged injury as the result of exposure to asbestos in hair dryers distributed by that subsidiary over 20 years ago. Although Applica never manufactured such products, asbestos was used in certain hair dryers distributed by it prior to 1979. The Company believes that these actions are without merit, but may be unable to resolve the disputes successfully without incurring significant expenses which the Company is unable to estimate at this time. At this time, the Company does not believe it has coverage under its insurance policies for the asbestos lawsuits.

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

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

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.

15 ACQUISITIONS**Russell Hobbs**

On June 16, 2010, the Company consummated the Merger, pursuant to which Spectrum Brands became a wholly-owned subsidiary of the Company and Russell Hobbs became a wholly owned subsidiary of Spectrum Brands. Headquartered in Miramar, Florida, Russell Hobbs is a designer, marketer and distributor of a broad range of branded small household appliances. Russell Hobbs markets and distributes small kitchen and home appliances, pet and pest products and personal care products. Russell Hobbs has a broad portfolio of recognized brand names, including Black & Decker, George Foreman, Russell Hobbs, Toastmaster, LitterMaid, Farberware, Breadman and Juiceman. Russell Hobbs customers include mass merchandisers, specialty retailers and appliance distributors primarily in North America, South America, Europe and Australia.

The results of Russell Hobbs operations since June 16, 2010 are included in the Company's Condensed Consolidated Statements of Operations (Unaudited). Effective October 1, 2010, substantially all of the financial results of Russell Hobbs are reported within the Global Batteries & Appliances segment. In addition, certain pest control and pet products included in the former Small Appliances segment have been reclassified into the Home and Garden Business and Global Pet Supplies segments, respectively.

In accordance with ASC Topic 805, *Business Combinations* (ASC 805), the Company accounted for the Merger by applying the acquisition method of accounting. The acquisition method of accounting requires that the consideration transferred in a business combination be measured at fair value as of the closing date of the acquisition. After consummation of the Merger, the stockholders of Spectrum Brands, inclusive of the Harbinger Parties, owned approximately 60% of SB Holdings and the stockholders of Russell Hobbs owned approximately 40% of SB Holdings. Inasmuch as Russell Hobbs was a private company and its common stock was not publicly traded, the closing market price of the Spectrum Brands common stock at June 15, 2010 was used to calculate the purchase price. The total purchase price of Russell Hobbs was approximately \$597,579 determined as follows:

Spectrum Brands closing price per share on June 16, 2010	\$ 28.15
Purchase price Russell Hobbs allocation 20,704 shares ⁽¹⁾⁽²⁾	\$ 575,203
Cash payment to pay off Russell Hobbs North American credit facility	22,376
 Total purchase price of Russell Hobbs	 \$ 597,579

(1) Number of shares calculated based upon conversion formula, as defined in the Merger Agreement, using balances as of June 16, 2010.

(2) The fair value of 271 shares of unvested restricted stock units as they relate to post combination services will be recorded as operating expense over the remaining service period and were assumed to have no fair value for the purchase price.

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

(Amounts in thousands, except per share figures)

Purchase Price Allocation

The total purchase price for Russell Hobbs was allocated to the net tangible and intangible assets based upon their fair values at June 16, 2010 as set forth below. The excess of the purchase price over the net tangible assets and intangible assets was recorded as goodwill. The measurement period for the Merger has closed, during which no adjustments were made to the preliminary purchase price allocation. The final purchase price allocation for Russell Hobbs is as follows:

Current assets	\$ 307,809
Property, plant and equipment	15,150
Intangible assets	363,327
Goodwill ^(A)	120,079
Other assets	15,752
Total assets acquired	\$ 822,117
Current liabilities	142,046
Total debt	18,970
Long-term liabilities	63,522
Total liabilities assumed	\$ 224,538
Net assets acquired	\$ 597,579

^(A) Consists of \$25,426 of tax deductible Goodwill.

Pre-Acquisition Contingencies Assumed

The Company has evaluated pre-acquisition contingencies relating to Russell Hobbs that existed as of the acquisition date. Based on the evaluation, the Company has determined that certain pre-acquisition contingencies are probable in nature and estimable as of the acquisition date. Accordingly, the Company has recorded its best estimates for these contingencies as part of the purchase price allocation for Russell Hobbs. The Company continues to gather information relating to all pre-acquisition contingencies that it has assumed from Russell Hobbs. As the measurement period has closed, adjustments to pre-acquisition contingency amounts are reflected in the Company's results of operations.

ASC 805 requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. Accordingly, the Company performed a preliminary valuation of the assets and liabilities of Russell Hobbs at June 16, 2010. Significant adjustments as a result of the purchase price allocation are summarized as follows:

Inventories An adjustment of \$1,721 was recorded to adjust inventory to fair value. Finished goods were valued at estimated selling prices less the sum of costs of disposal and a reasonable profit allowance for the selling effort.

Deferred tax liabilities, net An adjustment of \$43,086 was recorded to adjust deferred taxes for the preliminary fair value allocations.

Property, plant and equipment, net An adjustment of \$(455) was recorded to adjust the net book value of property, plant and equipment to fair value giving consideration to their highest and best use. Key assumptions used in the valuation of the Company's property, plant and equipment were based on the cost approach.

Certain indefinite-lived intangible assets were valued using a relief from royalty methodology. Customer relationships and certain definite-lived intangible assets were valued using a multi-period excess earnings method. Certain intangible assets are subject to sensitive business factors of which only a portion are within control of the Company's management. The total fair value of indefinite and definite lived intangibles was \$363,327 as of June 16, 2010. A summary of the significant key inputs were as follows:

The Company valued customer relationships using the income approach, specifically the multi-period excess earnings method. In determining the fair value of the customer relationship, the multi-period excess earnings approach values the intangible asset at the present value of the incremental after-tax cash flows attributable only to the customer relationship after deducting contributory asset charges. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value. Only expected sales from

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SPECTRUM BRANDS HOLDINGS, INC.

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

(Amounts in thousands, except per share figures)

current customers were used, which included an expected growth rate of 3%. The Company assumed a customer retention rate of approximately 93%, which was supported by historical retention rates. Income taxes were estimated at 36% and amounts were discounted using a rate of 15.5%. The customer relationships were valued at \$38,000 under this approach.

The Company valued trade names and trademarks using the income approach, specifically the relief from royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the trade name was not owned. Royalty rates were selected based on consideration of several factors, including prior transactions of Russell Hobbs related trademarks and trade names, other similar trademark licensing and transaction agreements and the relative profitability and perceived contribution of the trademarks and trade names. Royalty rates used in the determination of the fair values of trade names and trademarks ranged from 2.0% to 5.5% of expected net sales related to the respective trade names and trademarks. The Company anticipates using the majority of the trade names and trademarks for an indefinite period as demonstrated by the sustained use of each subject trademark. In estimating the fair value of the trademarks and trade names, Net sales for significant trade names and trademarks were estimated to grow at a rate of 1%-14% annually with a terminal year growth rate of 3%. Income taxes were estimated at a range of 30%-38% and amounts were discounted using rates between 15.5%-16.5%. Trade name and trademarks were valued at \$170,930 under this approach.

The Company valued a trade name license agreement using the income approach, specifically the multi-period excess earnings method. In determining the fair value of the trade name license agreement, the multi-period excess earnings approach values the intangible asset at the present value of the incremental after-tax cash flows attributable only to the trade name license agreement after deducting contributory asset charges. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value. In estimating the fair value of the trade name license agreement, net sales were estimated to grow at a rate of (3)%-1% annually. The Company assumed a twelve year useful life of the trade name license agreement. Income taxes were estimated at 37% and amounts were discounted using a rate of 15.5%. The trade name license agreement was valued at \$149,200 under this approach.

The Company valued technology using the income approach, specifically the relief from royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the technology was not owned. Royalty rates were selected based on consideration of several factors, including prior transactions of Russell Hobbs related licensing agreements and the importance of the technology and profit levels, among other considerations. Royalty rates used in the determination of the fair values of technologies were 2% of expected net sales related to the respective technology. The Company anticipates using these technologies through the legal life of the underlying patent and therefore the expected life of these technologies was equal to the remaining legal life of the underlying patents ranging from 9 to 11 years. In estimating the fair value of the technologies, net sales were estimated to grow at a rate of 3%-12% annually. Income taxes were estimated at 37% and amounts were discounted using the rate of 15.5%. The technology assets were valued at \$4,100 under this approach.

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(Amounts in thousands, except per share figures)

Supplemental Pro Forma Information

The following reflects the Company's pro forma results had the results of Russell Hobbs been included for all periods beginning after September 30, 2009.

	Three Months		Nine Months	
	2011	2010	2011	2010
Net sales:				
Reported Net sales	\$ 804,635	\$ 653,486	\$ 2,359,586	\$ 1,778,012
Russell Hobbs adjustment		137,540		543,952
Pro forma Net sales	\$ 804,635	\$ 791,026	\$ 2,359,586	\$ 2,321,964
Income (loss) from continuing operations:				
Reported income (loss) from continuing operations	\$ 28,604	\$ (86,507)	\$ (41,339)	\$ (163,055)
Russell Hobbs adjustment		(20,547)		(5,504)
Pro forma income (loss) from continuing operations	\$ 28,604	\$ (107,054)	\$ (41,339)	\$ (168,559)
Basic and Diluted earnings (loss) per share from continuing operations^(A):				
Reported Basic and Diluted income (loss) per share from continuing operations	\$ 0.56	\$ (2.53)	\$ (0.81)	\$ (5.20)
Russell Hobbs adjustment		(0.61)		(0.18)
Pro forma basic and diluted income (loss) per share from continuing operations	\$ 0.56	\$ (3.14)	\$ (0.81)	\$ (5.38)

^(A) The Company has not assumed the exercise of common stock equivalents for the three months ended July 4, 2010 and both the nine months ended July 3, 2011 and July 4, 2010, as the impact would be antidilutive.

Seed Resources

On December 3, 2010, the Company completed the \$10,524 cash acquisition of Seed Resources. Seed Resources is a wild bird seed cake producer through its Birdola premium brand seed cakes. This acquisition was not significant individually. In accordance with ASC 805, the Company accounted for the acquisition by applying the acquisition method of accounting. The acquisition method of accounting requires that the consideration transferred in a business combination be measured at fair value as of the closing date of the acquisition.

The results of Seed Resources operations since December 3, 2010 are included in the Company's Condensed Consolidated Statements of Operations (Unaudited) and are reported as part of the Global Pet Supplies business segment. The preliminary purchase price of \$12,500, which includes a \$1,476 sales earn out and a \$500 manufacturing earn out, has been allocated to the acquired net assets, including a \$1,100 trade name intangible asset and \$10,029 of goodwill, was based upon a preliminary valuation. The Company's estimates and assumptions for this acquisition are subject to change as the Company obtains additional information for its estimates during the respective measurement period. The primary

areas of the purchase price allocation that are not yet finalized relate to certain legal matters, income and non-income based taxes and residual goodwill.

Ultra Stop

On April 14, 2011, the Company completed the \$775 cash acquisition of Ultra Stop. Ultra Stop is a trade name used to market a variety of home and garden control products at a major customer. This acquisition was not material to the Company individually. In accordance with ASC 805, the Company accounted for the acquisition by applying the acquisition method of accounting. The acquisition method of accounting requires that the consideration transferred in a business combination be measured at fair value as of the closing date of the acquisition.

The results of Ultra Stop's operations since April 14, 2011 are included in the Company's Condensed Consolidated Statements of Operations (Unaudited) and are reported as part of the Home and Garden Business segment. The preliminary purchase price of \$775 has been allocated to the acquired net assets, including a \$150 trade name intangible asset and \$255 of goodwill, was based upon a preliminary valuation. The Company's estimates and assumptions for this acquisition are subject to change as the Company obtains additional information for its estimates during the respective measurement period.

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SPECTRUM BRANDS HOLDINGS, INC.

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

(Amounts in thousands, except per share figures)

16 RELATED PARTY TRANSACTIONS

Merger Agreement and Exchange Agreement

On June 16, 2010 (the Closing Date), SB Holdings completed the Merger pursuant to the Agreement and Plan of Merger, dated as of February 9, 2010, as amended on March 1, 2010, March 26, 2010 and April 30, 2010, by and among SB Holdings, Russell Hobbs, Spectrum Brands, Battery Merger Corp., and Grill Merger Corp. (the Merger Agreement). As a result of the Merger, each of Spectrum Brands and Russell Hobbs became a wholly-owned subsidiary of SB Holdings. At the effective time of the Merger, (i) the outstanding shares of Spectrum Brands common stock were canceled and converted into the right to receive shares of SB Holdings common stock, and (ii) the outstanding shares of Russell Hobbs common stock and preferred stock were canceled and converted into the right to receive shares of SB Holdings common stock.

Pursuant to the terms of the Merger Agreement, on February 9, 2010, Spectrum Brands entered into support agreements with the Harbinger Parties and Avenue International Master, L.P. and certain of its affiliates (the Avenue Parties), in which the Harbinger Parties and the Avenue Parties agreed to vote their shares of Spectrum Brands common stock acquired before the date of the Merger Agreement in favor of the Merger and against any alternative proposal that would impede the Merger.

Immediately following the consummation of the Merger, the Harbinger Parties owned approximately 64% of the outstanding SB Holdings common stock and the stockholders of Spectrum Brands (other than the Harbinger Parties) owned approximately 36% of the outstanding SB Holdings common stock.

On January 7, 2011, the Harbinger Parties contributed 27,757 shares of SB Holdings common stock to Harbinger Group Inc. (HRG) and received in exchange for such shares an aggregate of 119,910 shares of HRG common stock (such transaction, the Share Exchange), pursuant to a Contribution and Exchange Agreement (the Exchange Agreement). Immediately following the Share Exchange, (i) HRG owned approximately 54.4% of the outstanding shares of SB Holdings common stock and the Harbinger Parties owned approximately 12.7% of the outstanding shares of SB Holdings common stock, and (ii) the Harbinger Parties owned 129,860 shares of HRG common stock, or approximately 93.3% of the outstanding HRG common stock.

On June 28, 2011 the Company filed a Form S-3 registration statement with the SEC under which 1,150 shares of its common stock and 6,320 shares of the Company's common stock held by Harbinger Capital Partners Master Fund I, Ltd. were offered to the public.

In connection with the Merger, the Harbinger Parties and SB Holdings entered into a stockholder agreement, dated February 9, 2010 (the Stockholder Agreement), which provides for certain protective provisions in favor of minority stockholders and provides certain rights and imposes certain obligations on the Harbinger Parties, including:

for so long as the Harbinger Parties and their affiliates beneficially own 40% or more of the outstanding voting securities of SB Holdings, the Harbinger Parties and the Company will cooperate to ensure, to the greatest extent possible, the continuation of the structure of the SB Holdings board of directors as described in the Stockholder Agreement;

the Harbinger Parties will not effect any transfer of equity securities of SB Holdings to any person that would result in such person and its affiliates owning 40% or more of the outstanding voting securities of SB Holdings, unless specified conditions are met; and

the Harbinger Parties will be granted certain access and informational rights with respect to SB Holdings and its subsidiaries. Pursuant to a joinder to the Stockholder Agreement entered into by the Harbinger Parties and HRG, upon consummation of the Share Exchange, HRG became a party to the Stockholder Agreement, and is subject to all of the covenants, terms and conditions of the Stockholder Agreement to

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the same extent as the Harbinger Parties were bound thereunder prior to giving effect to the Share Exchange.

Certain provisions of the Stockholder Agreement terminate on the date on which the Harbinger Parties or HRG no longer constitutes a Significant Stockholder (as defined in the Stockholder Agreement). The Stockholder Agreement terminates when any person (including the Harbinger Parties or HRG) acquires 90% or more of the outstanding voting securities of SB Holdings.

Also in connection with the Merger, the Harbinger Parties and SB Holdings entered into a registration rights agreement, dated as of February 9, 2010 (the SB Holdings Registration Rights Agreement), pursuant to which the Harbinger Parties have, among other things and subject to the terms and conditions set forth therein, certain demand and so-called piggy back registration rights with

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SPECTRUM BRANDS HOLDINGS, INC.

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

(Amounts in thousands, except per share figures)

respect to their shares of SB Holdings common stock. On September 10, 2010, the Harbinger Parties and HRG entered into a joinder to the SB Holdings Registration Rights Agreement, pursuant to which, effective upon the consummation of the Share Exchange, HRG will become a party to the SB Holdings Registration Rights Agreement, entitled to the rights and subject to the obligations of a holder thereunder.

Other Agreements

On August 28, 2009, in connection with Spectrum Brands' emergence from Chapter 11 reorganization proceedings, Spectrum Brands entered into a registration rights agreement with the Harbinger Parties, the Avenue Parties and D.E. Shaw Laminar Portfolios, L.L.C. (D.E. Shaw), pursuant to which the Harbinger Parties, the Avenue Parties and D.E. Shaw have, among other things and subject to the terms and conditions set forth therein, certain demand and so-called "piggy back" registration rights with respect to their Spectrum Brands 12% Notes.

In connection with the Merger, Russell Hobbs and Harbinger Master Fund entered into an indemnification agreement, dated as of February 9, 2010 (the "Indemnification Agreement"), by which Harbinger Master Fund agreed, among other things and subject to the terms and conditions set forth therein, to guarantee the obligations of Russell Hobbs to pay (i) a reverse termination fee to Spectrum Brands under the merger agreement and (ii) monetary damages awarded to Spectrum Brands in connection with any willful and material breach by Russell Hobbs of the Merger Agreement. The maximum amount payable by Harbinger Master Fund under the Indemnification Agreement was \$50,000 less any amounts paid by Russell Hobbs or the Harbinger Parties, or any of their respective affiliates as damages under any documents related to the Merger. No such amounts became due under the Indemnification Agreement. Harbinger Master Fund also agreed to indemnify Russell Hobbs, SB Holdings and their subsidiaries for out-of-pocket costs and expenses above \$3,000 in the aggregate that become payable after the consummation of the Merger and that relate to the litigation arising out of Russell Hobbs' business combination transaction with Applica. In February 2011, the parties to the litigation reached a full and final settlement of their disputes. Neither the Company, Applica or any other subsidiary of the Company was required to make any payments in connection with the settlement.

17 NEW ACCOUNTING PRONOUNCEMENTS

Revenue Recognition - Multiple-Element Arrangements

In October 2009, the Financial Accounting Standards Board issued new accounting guidance addressing the accounting for multiple-deliverable arrangements to enable entities to account for products or services (deliverables) separately rather than as a combined unit. The provisions establish the accounting and reporting guidance for arrangements under which the entity will perform multiple revenue-generating activities. Specifically, this guidance addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. The Company adopted the new guidance on October 1, 2010 and the adoption did not impact the Company's financial statements and related disclosures.

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

Introduction

Spectrum Brands Holdings, Inc., a Delaware corporation ("SB Holdings"), is a diversified global branded consumer products company and was created in connection with the combination of Spectrum Brands, Inc. ("Spectrum Brands"), a global branded consumer products company and Russell Hobbs, Inc. ("Russell Hobbs"), a global branded small appliance company, to form a new combined company (the "Merger"). The Merger was consummated on June 16, 2010. As a result of the Merger, both Spectrum Brands and Russell Hobbs are wholly-owned subsidiaries of SB Holdings and Russell Hobbs is a wholly-owned subsidiary of Spectrum Brands. SB Holdings' common stock trades on the New York Stock Exchange (the "NYSE") under the symbol "SPB."

In connection with the Merger, we refinanced Spectrum Brands' existing senior debt, except for Spectrum Brands' 12% Senior Subordinated Toggle Notes due 2019 (the "12% Notes"), which remain outstanding, and a portion of Russell Hobbs' existing senior debt through a combination of a \$750 million Term Loan due June 16, 2016, \$750 million 9.5% Senior Secured Notes maturing June 15, 2018 (the "9.5% Notes") and a \$300 million ABL revolving facility due June 16, 2014 (the "ABL Revolving Credit Facility"). The term loan facility established in connection with the Merger was subsequently refinanced in February 2011 (the "Term Loan"), and the ABL Revolving Credit Facility was amended in April 2011. See *Liquidity and Capital Resources, Financing Activities* below, as well as Note 7, Debt, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our outstanding debt.

On June 28, 2011 we filed a Form S-3 registration statement with the U.S. Securities and Exchange Commission ("SEC") under which 1.2 million shares of our common stock and 6.3 million shares of our common stock held by Harbinger Capital Partners Master Fund I, Ltd. (the "Selling Stockholder") were offered to the public. Net proceeds to us from the sale of the 1.2 million shares, after underwriting discounts and estimated expenses, were approximately \$30 million. We did not receive any proceeds from the sale of our common stock by the Selling Stockholder. We expect to use the net proceeds of the sale of common shares for general corporate purposes, which may include, among other things, working capital needs, the refinancing of existing indebtedness, the expansion of our business and acquisitions.

As further described below, on February 3, 2009, we and our wholly owned 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.

Unless the context indicates otherwise, the terms the "Company," "Spectrum," "we," "our" or "us" are used to refer to SB Holdings and its subsidiaries subsequent to the Merger and Spectrum Brands prior to the Merger, as well as before, on and after the Effective Date. The term "Old Spectrum" refers only to Spectrum Brands, our Wisconsin predecessor, and its subsidiaries prior to the Effective Date.

Business Overview

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

Effective October 1, 2010, our chief operating decision-maker decided to manage the businesses in three vertically integrated, product-focused reporting segments: (i) Global Batteries & Appliances, which consists of our worldwide battery, electric shaving and grooming, electric personal care, portable lighting business and small appliances primarily in the kitchen and home product categories ("Global Batteries & Appliances"); (ii) Global Pet Supplies, which consists of our worldwide pet supplies business ("Global Pet Supplies"); and (iii) Home and Garden Business, which consists of our home and garden and insect control business (the "Home and Garden Business"). The current reporting segment structure reflects the combination of the former Global Batteries & Personal Care segment ("Global Batteries & Personal Care"), which consisted of the worldwide battery, electric shaving and grooming, electric personal care and portable lighting business, with substantially all of the former Small Appliances segment ("Small Appliances"), which consisted of the Russell Hobbs businesses acquired on June 16, 2010, to form the Global Batteries & Appliances segment. In addition, certain pest control and pet products included in the former Small Appliances segment have been reclassified into the Home and Garden Business and Global Pet Supplies segments, respectively. The presentation of all historical segment reporting herein has been changed to conform to this segment reporting.

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. With the addition of Russell Hobbs we design, market and distribute a broad range of

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branded small household appliances and personal care products. Our manufacturing and product development facilities are located in the United States, Europe, Latin America and Asia. Substantially all of our rechargeable batteries and chargers, shaving and grooming products, small household appliances, personal care products and portable lighting products are manufactured by third-party suppliers, primarily located in Asia.

We sell our products in approximately 130 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, Black & Decker, George Foreman, Russell Hobbs, Farberware 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.

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.

Results of Operations**Fiscal Quarter and Fiscal Nine Month Period Ended July 3, 2011 Compared to Fiscal Quarter and Fiscal Nine Month Period Ended July 4, 2010**

In this Quarterly Report on Form 10-Q we refer to the three months ended July 3, 2011 as the Fiscal 2011 Quarter, the nine month period ended July 3, 2011 as the Fiscal 2011 Nine Months, the three month period ended July 4, 2010 as the Fiscal 2010 Quarter and the nine month period ended July 4, 2010 as the Fiscal 2010 Nine Months.

Net Sales. Net sales for the Fiscal 2011 Quarter increased to \$805 million from \$653 million in the Fiscal 2010 Quarter, a 23% increase. The following table details the principal components of the change in net sales from the Fiscal 2010 Quarter to the Fiscal 2011 Quarter (in millions):

	Net Sales
Fiscal 2010 Quarter Net Sales	\$ 653
Addition of Russell Hobbs as a result of the Merger	140
Increase in electric personal care products	6
Increase in portable lighting products	1
Decrease in electric shaving and grooming products	(2)
Decrease in consumer batteries	(7)
Decrease in home and garden control products	(9)
Foreign currency impact, net	23
Fiscal 2011 Quarter Net Sales	\$ 805

Net sales for the Fiscal 2011 Nine Months increased to \$2,360 million from \$1,778 million in the Fiscal 2010 Nine Months, a 33% increase. The following table details the principal components of the change in net sales from the Fiscal 2010 Nine Months to the Fiscal 2011 Nine Months (in millions):

	Net Sales
Fiscal 2010 Nine Months Net Sales	\$ 1,778
Addition of Russell Hobbs as a result of the Merger	546
Increase in electric personal care products	23
Increase in electric shaving and grooming products	13

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Increase in home and garden control products	4
Decrease in consumer batteries	(5)
Decrease in pet supplies	(11)
Foreign currency impact, net	12
Fiscal 2011 Nine Months Net Sales	\$ 2,360

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Consolidated net sales by product line for the Fiscal 2011 Quarter, the Fiscal 2010 Quarter, the Fiscal 2011 Nine Months and the Fiscal 2010 Nine Months are as follows (in millions):

	Fiscal Quarter		Fiscal Nine Months	
	2011	2010	2011	2010
Product line net sales				
Addition of Russell Hobbs small appliances	\$ 170	\$ 34	\$ 567	\$ 34
Addition of Russell Hobbs pet supplies	3	1	11	1
Addition of Russell Hobbs home and garden control products	1		3	
Consumer batteries	198	194	627	629
Pet supplies	141	135	414	420
Home and garden control products	154	164	270	266
Electric shaving and grooming products	62	61	211	196
Electric personal care products	53	43	191	167
Portable lighting products	23	21	66	65
Total net sales to external customers	\$ 805	\$ 653	\$ 2,360	\$ 1,778

Global consumer battery sales increased \$4 million, or 2%, during the Fiscal 2011 Quarter primarily driven by increases in North America and Europe of \$3 million and \$12 million, respectively, which were partially offset by decreases in Latin American sales of \$11 million. The increases within North America were driven by distribution gains at a major customer, whereas increases in Europe were driven by customer gains and increased placement with retailers coupled with a \$9 million favorable foreign exchange impact. The decrease within Latin America was driven by lower zinc carbon battery sales of \$9 million and lower alkaline sales of \$2 million. The decrease in both zinc carbon and alkaline battery sales was predominantly driven by decreased volume and price in Brazil resulting from competitive pressures. Pet supply sales increased \$6 million, or 4%, during the Fiscal 2011 Quarter, which was primarily attributable to improved consumption trends at key retailers as well as favorable foreign exchange. During the Fiscal 2011 Quarter, electric shaving and grooming product sales increased \$1 million, or 2%, primarily due to increased sales within North America as a result of distribution gains and increased online sales. Electric personal care sales increased \$10 million, or 23%, during the Fiscal 2011 Quarter, primarily due to increased sales in North America and Europe of \$4 million and \$5 million, respectively, as a result of new product introductions, distribution gains, increased online sales and regional growth into Eastern Europe coupled with favorable foreign exchange impacts of \$3 million. Home and garden control product sales decreased \$10 million, or 6%, during the Fiscal 2011 Quarter compared to the Fiscal 2010 Quarter. The decrease is primarily attributable to unseasonable weather in the United States which negatively impacted the lawn and garden season. The \$2 million, or 10%, increase in portable lighting sales during the Fiscal 2011 Quarter was primarily driven by new distribution channels added during the quarter.

Global consumer battery sales decreased \$2 million, or less than 1%, during the Fiscal 2011 Nine Months, primarily driven by lower Latin American sales of \$21 million which were tempered by increased North American sales of \$16 million and favorable foreign exchange translation of \$3 million. North American sales increased as a result of strong holiday sales during our first fiscal quarter and new distribution channels added during the year. Latin American sales decreased due to the factors discussed in the Fiscal 2011 Quarter. The \$6 million, or 1%, decrease in pet supplies sales during the Fiscal 2011 Nine Months resulted from decreases in aquatics sales of \$13 million resulting from macroeconomic factors which were offset by an increase in companion animal sales of \$3 million primarily attributable to the same factors mentioned above during the Fiscal 2011 Quarter, coupled with favorable foreign exchange of \$4 million. During the Fiscal 2011 Nine Months, electric shaving and grooming product sales increased \$15 million, or 8%, primarily due to increases within North America, Europe and Latin America of \$6 million, \$5 million and \$2 million, respectively, due to distribution gains. Electric personal care sales increased \$24 million, or 14%, during the Fiscal 2011 Nine Months, primarily due to increased sales in North America and Europe of \$7 million and \$14 million, respectively, resulting from the factors listed above for the Fiscal 2011 Quarter as well as successful in-store promotions. Home and garden control product sales increased \$4 million, or 2%, during the Fiscal 2011 Nine Months compared to the Fiscal 2010 Nine Months. The increase was attributable to increased distribution and product placements with major customers which were tempered by the factors listed above for the Fiscal 2011 Quarter. Portable lighting products sales increased slightly to \$66 million during the Fiscal 2011 Nine Months compared to \$65 million during the Fiscal 2010 Nine Months due to the factors listed above for the Fiscal 2011 Quarter.

Gross Profit. Gross profit for the Fiscal 2011 Quarter was \$294 million versus \$253 million for the Fiscal 2010 Quarter. Our gross profit margin for the Fiscal 2011 Quarter decreased to 36.5% from 38.7% in the Fiscal 2010 Quarter. The increase in gross profit is primarily attributable to the Merger, which contributed \$26 million of increased gross profit in the Fiscal 2011 Quarter compared to the Fiscal 2010 Quarter. The decrease in gross profit margin is attributable to the change in overall product mix as a result of the Merger. Gross profit for the Fiscal 2011 Nine Months was \$848 million versus \$647 million for the Fiscal 2010 Nine Months. Our gross profit margin decreased to 36.0% from 36.4% in the Fiscal 2010 Nine Months. The increase in gross profit for the Fiscal 2011 Nine Months is also attributable to the Merger, which increased gross profit by \$134 million during the Fiscal 2011 Nine Months compared to the Fiscal 2010 Nine Months, coupled with the non-recurrence of a \$34 million inventory revaluation charge we recognized in the Fiscal 2010 Nine

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Months associated with our adoption of fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code. 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, we recognized \$34 million in additional cost of goods sold during the Fiscal 2010 Nine Months.

Operating Expense. Operating expenses for the Fiscal 2011 Quarter totaled \$215 million versus \$193 million for the Fiscal 2010 Quarter representing an increase of \$22 million. The increase in operating expenses during the Fiscal 2011 Quarter is primarily attributable to the Merger, which contributed an increase of \$19 million of operating expenses in the Fiscal 2011 Quarter compared to the Fiscal 2010 Quarter. The remaining increase is predominantly driven by increased stock compensation expense of \$3 million, a negative foreign exchange impact of \$9 million and a \$2 million increase in restructuring and related charges, offset by decreased acquisition and integration charges of \$10 million. Operating expenses for the Fiscal 2011 Nine Months totaled \$653 million versus \$523 million for the Fiscal 2010 Nine Months, representing an increase of \$130 million. The increase in operating expenses during the Fiscal 2011 Nine Months is also primarily attributable to the Merger, which increased operating expenses by \$95 million in the Fiscal 2011 Nine Months compared to the Fiscal 2010 Nine Months. Also contributing to the increase in operating expenses was a \$9 million increase in Acquisition and integration related charges, which are primarily related to the Merger, negative foreign exchange impact of \$9 million and increased stock compensation expense of \$11 million. See *Acquisition and Integration Related Charges* below, as well as Note 2, Significant Accounting Policies Acquisition and Integration Related Charges, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our acquisition and integration related charges.

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

The operating segment profits do not include restructuring and related charges, acquisition and integration related charges, reorganization items expense, net, other expenses, net, interest expense, interest income and income tax expense. In connection with the realignment of reportable segments discussed above, as of October 1, 2010, certain general and administrative expenses that were previously reflected in operating segment profits, have been excluded in the determination of reportable segment profits. Accordingly, corporate expenses primarily include general and administrative expenses and global long-term incentive compensation plan costs which are evaluated on a consolidated basis and not allocated to our operating segments. Costs are identified to operating segments or corporate expense according to the function of each cost center.

All depreciation and amortization included in income from operations is related to operating segments or corporate expense. These 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 12, Segment Results, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q.

Adjusted EBITDA, a non-GAAP measurement, is a metric used by management and frequently used by the financial community, which provides insight into an organization's operating trends and facilitates comparisons between peer companies, since interest, taxes, depreciation and amortization can differ greatly between organizations as a result of differing capital structures and tax strategies. Adjusted EBITDA can also be a useful measure of a company's ability to service debt and is one of the measures used for determining our debt covenant compliance. Adjusted EBITDA excludes certain items that are unusual in nature or not comparable from period to period. While we believe that Adjusted EBITDA is useful supplemental information, such adjusted results are not intended to replace our GAAP financial results and should be read in conjunction with those GAAP results.

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Below are reconciliations of GAAP Net income (Loss) to Adjusted EBIT and to Adjusted EBITDA for each segment and for Consolidated SB Holdings for the Fiscal 2011 Quarter, Fiscal 2011 Nine Months, the Fiscal 2010 Quarter and Fiscal 2010 Nine Months:

Fiscal 2011 Quarter	Global Batteries & Appliances	Global Pet Supplies	Home and Garden Business (in millions)	Corporate / Unallocated Items ^(a)	Consolidated SB Holdings
Net income (loss)	\$ 40	\$ 15	\$ 42	\$ (68)	\$ 29
Income tax expense				9	9
Interest expense				40	40
Restructuring and related charges	1	4	1	1	7
Acquisition and integration related charges	5			3	8
Adjusted EBIT	\$ 46	\$ 19	\$ 43	\$ (15)	\$ 93
Depreciation and amortization ^(b)	17	6	3	8	34
Adjusted EBITDA	\$ 63	\$ 25	\$ 46	\$ (7)	\$ 127

Fiscal 2011 Nine Months	Global Batteries & Appliances	Global Pet Supplies	Home and Garden Business (in millions)	Corporate / Unallocated Items ^(a)	Consolidated SB Holdings
Net income (loss)	\$ 155	\$ 43	\$ 49	\$ (288)	\$ (41)
Income tax expense				69	69
Interest expense				166	166
Restructuring and related charges	2	10	2	4	18
Acquisition and integration related charges	24			7	31
Other	(1)				(1)
Adjusted EBIT	\$ 180	\$ 53	\$ 51	\$ (42)	\$ 242
Depreciation and amortization ^(b)	51	18	9	23	101
Adjusted EBITDA	\$ 231	\$ 71	\$ 60	\$ (19)	\$ 343

Fiscal 2010 Quarter	Global Batteries & Appliances	Global Pet Supplies	Home and Garden Business (in millions)	Corporate / Unallocated Items ^(a)	Consolidated SB Holdings
Net income (loss)	\$ 32	\$ 17	\$ 40	\$ (176)	\$ (87)
Income tax expense				12	12
Interest expense				132	132
Pre-acquisition earnings of Russell Hobbs	14	1			15
Restructuring and related charges	1	1		3	5
Acquisition and integration related charges	1			16	17
Russell Hobbs inventory fair value adjustment	1				1
Accelerated depreciation and amortization				(2)	(2)
Adjusted EBIT	\$ 49	\$ 19	\$ 40	\$ (15)	\$ 93
Depreciation and amortization ^(b)	14	7	4	6	31

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Adjusted EBITDA	\$ 63	\$ 26	\$ 44	\$ (9)	\$ 124
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Fiscal 2010 Nine Months	Global Batteries & Appliances	Global Pet Supplies	Home and Garden Business (in millions)	Corporate / Unallocated Items ^(a)	Consolidated SB Holdings
Net income (loss)	\$ 107	\$ 36	\$ 31	\$ (340)	\$ (166)
Loss from discontinued operations, net of tax			3		3
Income tax expense				45	45
Interest expense				230	230
Pre-acquisition earnings of Russell Hobbs	61	4	1		66
Restructuring and related charges	2	4	8	3	17
Reorganization expense items, net				4	4
Fresh-start inventory and other fair value adjustment	19	13	2		34
Acquisition and integration related charges	1			21	22
Accelerated depreciation and amortization				(2)	(2)
Russell Hobbs inventory fair value adjustment	1				1
Brazilian IPI credit/other	(5)				(5)
Adjusted EBIT	\$ 186	\$ 57	\$ 45	\$ (39)	\$ 249
Depreciation and amortization ^(b)	39	21	10	13	83
Adjusted EBITDA	\$ 225	\$ 78	\$ 55	\$ (26)	\$ 332

^(a) It is our policy to record Income tax expense and interest expense on a consolidated basis. Accordingly, such amounts are not reflected in the operating results of the operating segments.

^(b) Included within depreciation and amortization is amortization of unearned restricted stock compensation.

Global Batteries & Appliances

	Fiscal Quarter		Fiscal Nine Months	
	2011	2010	2011	2010
	(in millions)			
Net sales to external customers	\$ 505	\$ 354	\$ 1,661	\$ 1,091
Segment profit	\$ 45	\$ 35	\$ 180	\$ 118
Segment profit as a % of net sales	9.0%	10.0%	10.9%	10.9%
Segment Adjusted EBITDA	63	63	231	225
Assets as of July 3, 2011 and September 30, 2010	\$ 2,378	\$ 2,477	\$ 2,378	\$ 2,477

Segment sales to external customers in the Fiscal 2011 Quarter increased \$151 million to \$505 million from \$354 million during the Fiscal 2010 Quarter, a 43% increase. The Merger accounted for a sales increase of \$136 million in the small appliances product category during the Fiscal 2011 Quarter. Favorable foreign currency exchange translation increased sales of Global Batteries & Appliances during the Fiscal 2011 Quarter by approximately \$19 million. Consumer battery sales for the Fiscal 2011 Quarter increased to \$198 million compared to sales of \$194 million in the Fiscal 2010 Quarter. The increase in sales is primarily attributable to increases of \$12 million and \$3 million in Europe and North America, which were tempered by decreased sales of \$11 million in Latin America. The increase in Europe was driven by customer gains, increased placement with retailers and regional expansion into Eastern Europe coupled with favorable foreign currency impacts. The reduction in Latin America was driven by lower zinc carbon battery sales of \$9 million and alkaline battery sales of \$2 million, predominantly driven by decreased volume and price in Brazil as a result of competitive pressures. Sales of electric shaving and grooming products in the Fiscal 2011 Quarter increased by \$1 million from their levels in the Fiscal 2010 Quarter, primarily due to increases within North America resulting from successful new product launches. Sales of electric personal care products in the Fiscal 2011 Quarter increased by \$10 million compared to the Fiscal 2010 Quarter driven by increased sales in North America and Europe of \$4 million and \$5 million, respectively. The personal care products net sales growth was attributable to a combination of successful new product introductions, distribution gains, increased online sales and regional expansion into Eastern Europe. Sales of portable lighting products for the Fiscal 2011 Quarter increased to \$23 million as compared to sales of \$21 million for the Fiscal 2010 Quarter, driven by new distribution channels added during the quarter.

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Segment sales to external customers in the Fiscal 2011 Nine Months increased \$570 million to \$1,661 million from \$1,091 million during the Fiscal 2010 Nine Months, a 52% increase. The Merger accounted for a sales increase of \$532 million in the small appliances product category during the Fiscal 2011 Nine Months. Favorable foreign currency exchange translation increased sales of

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Global Batteries & Appliances during the Fiscal 2011 Nine Months by approximately \$8 million. Consumer battery sales for the Fiscal 2011 Nine Months decreased slightly to \$627 million when compared to sales of \$629 million in the Fiscal 2010 Nine Months driven by decreased Latin American sales of \$21 million due to the factors listed above for the Fiscal 2011 Quarter which were tempered by increased sales of alkaline batteries in North America of \$16 million and favorable foreign exchange of \$3 million. The increased North American sales were driven by strong holiday sales in the first quarter of the fiscal year ending September 30, 2011 and distribution gains during the year. Sales of electric shaving and grooming products in the Fiscal 2011 Nine Months increased by \$15 million from their levels in the Fiscal 2010 Nine Months primarily due to increases within North America, Europe and Latin America of \$6 million, \$5 million and \$2 million, respectively. Sales of electric personal care products in the Fiscal 2011 Nine Months increased by \$24 million compared to the Fiscal 2010 Nine Months due to increased sales in North America and Europe of \$7 million and \$14 million, respectively. The electronic shaving and grooming products and electronic personal care products sales growth was attributable to the factors mentioned above for the Fiscal 2011 Quarter sales increase. Sales of portable lighting products for the Fiscal 2011 Nine Months increased slightly to \$66 million as compared to sales of \$65 million for the Fiscal 2010 Nine Months due to the factors listed above for the Fiscal 2011 Quarter.

Segment profit in the Fiscal 2011 Quarter increased to \$45 million from \$35 million in the Fiscal 2010 Quarter. The increase during the Fiscal 2011 Quarter was due to an increase in the segment profit realized from the Merger of \$7 million as well as increased sales which contributed to an increase of \$3 million in profit. Segment profit as a percentage of sales in the Fiscal 2011 Quarter decreased to 9.0% from 10.0% in the same period last year due to decreased margins of approximately \$10 million resulting from the change in overall product mix as a result of the Merger, as well as increases in commodity prices of \$8 million, which were offset by efficiencies from the cost reduction initiatives announced in Fiscal 2009 of \$2 million and favorable foreign exchange impacts of \$5 million. Segment profit during the Fiscal 2011 Nine Months increased to \$180 million from \$118 million in the Fiscal 2010 Nine Months due to increased segment profits realized from the Merger of \$38 million, increased sales volumes resulting in \$11 million in profits and the non-recurrence of a \$19 million increase in cost of goods sold that resulted from the sale of inventory that was revalued in connection with our adoption of fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code, that we recognized during the first quarter of Fiscal 2010. Segment profit as a percentage of sales was 10.9% during both the Fiscal 2011 Nine Months and the Fiscal 2010 Nine Months resulting from the previously mentioned non-recurring increase in cost of goods sold from the sale of revalued inventory in the Fiscal 2010 Nine Months and favorable foreign exchange impacts in the Fiscal 2011 Nine Months of \$12 million, which were offset by increases in commodity prices of \$15 million and decreased margins due to changes in the product mix from the Merger of \$15 million during the Fiscal 2011 Nine Months.

Segment Adjusted EBITDA was \$63 million in both the Fiscal 2011 Quarter and the Fiscal 2010 Quarter. Segment Adjusted EBITDA in the Fiscal 2011 Nine Months was \$231 million compared to \$225 million in the Fiscal 2010 Nine Months. The increase in the Fiscal 2011 Nine Months Adjusted EBITDA is mainly driven by synergies from our Russell Hobbs integration of \$16 million coupled with increases in market share in certain of our product categories and favorable foreign exchange, which were offset by the increased commodity prices and decreased margins mentioned above.

Segment assets at July 3, 2011 decreased to \$2,378 million from \$2,477 million at September 30, 2010. Goodwill and intangible assets, which are directly a result of the revaluation impacts of fresh-start reporting and the Merger decreased slightly at July 3, 2011 to \$1,351 million from \$1,355 million at September 30, 2010.

Global Pet Supplies

	Fiscal Quarter		Fiscal Nine Months	
	2011	2010	2011	2010
	(in millions)			
Net sales to external customers	\$ 144	\$ 136	\$ 425	\$ 421
Segment profit	\$ 19	\$ 18	\$ 54	\$ 38
Segment profit as a % of net sales	13.4%	13.0%	12.7%	9.1%
Segment Adjusted EBITDA	25	26	71	78
Assets as of July 3, 2011 and September 30, 2010	\$ 867	\$ 839	\$ 867	\$ 839

Segment sales to external customers in the Fiscal 2011 Quarter were \$144 million compared to \$136 million during the Fiscal 2010 Quarter. The Merger accounted for \$3 million of sales during the Fiscal 2011 Quarter versus \$1 million during the Fiscal 2010 Quarter. Excluding the Merger, sales increased \$6 million during the Fiscal 2011 Quarter, driven by increased specialty pet sales of \$4 million resulting from improved consumption trends at key retailers and favorable foreign exchange. Segment sales to external customers in the Fiscal 2011 Nine Months were \$425 million compared to \$421 million during the Fiscal 2010 Nine Months. The Merger accounted for \$11 million of sales during the Fiscal 2011 Nine Months versus \$1 million during the Fiscal 2010 Nine Month. Excluding the Merger, sales decreased \$7 million as a result of softness in the aquatics category due to macroeconomic factors during the first six months of the fiscal year ending September 30, 2011.

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Segment profit in the Fiscal 2011 Quarter was \$19 million versus \$18 million in the Fiscal 2010 Quarter. Segment profit as a percentage of sales in the Fiscal 2011 Quarter increased to 13.4% from 13.0% in the same period last year. The increase in segment profit for the Fiscal 2011 Quarter was mainly attributed to increased sales coupled with savings of \$4 million, due to improved operational efficiencies as we implement cost reduction initiatives within this segment, which was offset by an increase in commodity prices of \$1 million and decreased margins of \$3 million due to promotional activities. Segment profit in the Fiscal 2011 Nine Months was \$54 million versus \$38 million in the Fiscal 2010 Nine Months. Segment profit as a percentage of sales in the Fiscal 2011 Nine Months increased to 12.7% versus 9.1% in the Fiscal 2010 Nine Months. This was primarily attributable to the more efficient cost structure mentioned above which generated savings of \$7 million for the Fiscal 2011 Nine Months as well as the non-recurrence of a \$14 million increase in cost of goods sold that resulted from the sale of inventory that was revalued in connection with our adoption of fresh-start reporting that we recognized during the first quarter of Fiscal 2010, which were offset by an increase in commodity prices of \$4 million and decreased margins of \$5 million due to promotional activities.

Segment Adjusted EBITDA in the Fiscal 2011 Quarter was \$25 million compared to \$26 million in the Fiscal 2010 Quarter. Segment Adjusted EBITDA in the Fiscal 2011 Nine Months was \$71 million compared to \$78 million in the Fiscal 2010 Nine Months. The decline in the Fiscal 2011 Quarter is driven by increased commodity prices, decreased margins and negative foreign exchange impacts which were partially offset by increased revenues and lower operating expenses as a result of the more efficient cost structure mentioned above. The decline in the Fiscal 2011 Nine Months Adjusted EBITDA is driven by lower margins resulting from promotional activities and increased commodity prices, partially offset by lower operating expenses.

Segment assets at July 3, 2011 increased to \$867 million from \$839 million at September 30, 2010. The increase is primarily due to the acquisition of Seed Resources, LLC during the Fiscal 2011 Nine Months, and the impact of favorable foreign currency translation. Goodwill and intangible assets, which are a result of the revaluation impacts of fresh-start reporting, the Merger and the acquisition of Seed Resources, LLC increased slightly to \$616 million at July 3, 2011, from \$602 million at September 30, 2010.

Home and Garden Business

	Fiscal Quarter		Fiscal Nine Months	
	2011	2010	2011	2010
	(in millions)			
Net sales to external customers	\$ 156	\$ 164	\$ 273	\$ 266
Segment profit	\$ 43	\$ 40	\$ 51	\$ 41
Segment profit as a % of net sales	27.6%	24.4%	18.7%	15.6%
Segment Adjusted EBITDA	46	44	60	55
Assets as of July 3, 2011 and September 30, 2010	\$ 527	\$ 496	\$ 527	\$ 496

Segment sales to external customers in the Fiscal 2011 Quarter decreased to \$156 million from \$164 million in the Fiscal 2010 Quarter. The Merger accounted for a sales increase of \$1 million during the Fiscal 2011 Quarter. Excluding the Merger, the \$9 million decrease in sales is primarily attributable to severe weather in the United States during the quarter which negatively impacted the lawn and garden season. Segment sales to external customers in the Fiscal 2011 Nine Months increased to \$273 million from \$266 million in the Fiscal 2010 Nine Months. The increase is due to distribution gains across all customers which were partially offset by poor weather conditions.

Segment profit in the Fiscal 2011 Quarter increased to \$43 million from \$40 million in the Fiscal 2010 Quarter. Segment profit as a percentage of sales in the Fiscal 2011 Quarter increased to 27.6% from 24.4% in the same period last year. This improvement in segment profit is attributed to the more efficient cost structure now in place from our cost reduction initiatives announced in Fiscal 2009 which contributed \$2 million in savings coupled with decreased input costs resulting in margin improvement of \$3 million which were offset by decreases due to lower sales volumes. Segment profit in the Fiscal 2011 Nine Months increased to \$51 million from \$41 million in the Fiscal 2010 Nine Months. Segment profit as a percentage of sales in the Fiscal 2011 Nine Months increased to 18.7% from 15.6% in the same period last year. This improvement in segment profit was attributable to increased sales and the non-recurrence of a \$2 million increase in cost of goods sold due to the sale of inventory that was revalued in connection with our adoption of fresh-start reporting that we recognized during the first quarter of Fiscal 2010 coupled with the factors mentioned above that contributed to the improvement during the Fiscal 2011 Quarter.

Segment Adjusted EBITDA for the Fiscal 2011 Quarter was \$46 million compared to \$44 million during the Fiscal 2010 Quarter. Segment Adjusted EBITDA for the Fiscal 2011 Nine Months was \$60 million compared to \$55 million during the Fiscal 2010 Nine Months. The increase during both the Fiscal 2011 Quarter and the Fiscal 2011 Nine Months was driven by the same factors described above for the improvement in segment profit.

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Segment assets at July 3, 2011 increased to \$527 million from \$496 million at September 30, 2010, mainly driven by seasonal increases in inventory. Goodwill and intangible assets, which are substantially a direct result of the revaluation impacts of fresh-start reporting decreased slightly at July 3, 2011 to \$407 million, from \$413 million at September 30, 2010.

Corporate Expense. Our corporate expense in the Fiscal 2011 Quarter was \$14 million compared to \$12 million during the Fiscal 2010 Quarter. This increase is attributable to a \$5 million increase in stock based compensation expense during the Fiscal 2011 Quarter compared to the Fiscal 2010 Quarter, excluding \$2 million of stock compensation which was recorded as a restructuring charge in the Fiscal 2010 Quarter, partially offset by savings resulting from the relocation of the corporate office back to Madison, Wisconsin. Corporate expense as a percentage of consolidated net sales was 1.8% for both the Fiscal 2011 Quarter and the Fiscal 2010 Quarter. Our corporate expense during the Fiscal 2011 Nine Months was \$41 million compared to \$35 million during the Fiscal 2010 Nine Months. This increase is attributable to a \$13 million increase in stock based compensation expense during the Fiscal 2011 Nine Months compared to the Fiscal 2010 Nine Months, excluding \$2 million of stock compensation which was recorded as a restructuring charge in the Fiscal 2010 Nine Months, partially offset by savings resulting from the relocation of the corporate office back to Madison, Wisconsin. Corporate expense as a percentage of consolidated net sales for the Fiscal 2011 Nine Months was 1.7% compared to 2.0% during the Fiscal 2010 Nine Months, due to savings resulting from the relocation of our corporate office back to Madison, Wisconsin, as well as synergies realized from the Merger which were tempered by the increase in stock based compensation expense.

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Acquisition and Integration Related Charges. Acquisition and integration related charges reflected in Operating expenses include, but are not limited to, transaction costs such as banking, legal and accounting professional fees directly related to the acquisition, employee termination charges, integration related professional fees and other post business combination related expenses associated with our acquisitions.

We incurred \$7 million of Acquisition and integration related charges during the Fiscal 2011 Quarter in connection with the Merger which primarily consisted of \$7 million of integration costs. We incurred \$17 million of Acquisition and integration related charges during the Fiscal 2010 Quarter in connection with the Merger, which consisted of: (i) \$16 million of legal and professional fees; and (ii) \$1 million in employee termination charges. We incurred \$31 million of Acquisition and integration related charges during the Fiscal 2011 Nine Months in connection with the Merger, which consisted of: (i) \$4 million of legal and professional fees; (ii) \$5 million of employee termination charges; and (iii) \$22 million of integration costs. We incurred \$22 million of Acquisition and integration related charges during the Fiscal 2010 Nine Months in connection with the Merger which consisted of (i) \$21 million of legal and professional fees; and (ii) \$1 million in employee termination costs.

The Company incurred de minimis acquisition and integration related charges associated with the acquisitions of Seed Resources, LLC and Value Garden Supply, LLC during the Fiscal 2011 Nine Months.

Restructuring and Related Charges. See Note 13, Restructuring and Related Charges, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our restructuring and related charges.

The following table summarizes all restructuring and related charges we incurred in the Fiscal 2011 Quarter, the Fiscal 2010 Quarter, the Fiscal 2011 Nine Months and the Fiscal 2010 Nine Months (in millions):

	Fiscal Quarter		Fiscal Nine Months	
	2011	2010	2011	2010
Costs (credits) included in cost of goods sold:				
Latin American Initiatives:				
Termination benefits				0.2
Other associated costs (credits)				(0.1)
Ningbo Exit Plan:				
Termination benefits		0.2		0.2
Other associated costs	0.1		0.2	1.2
Global Cost Reduction Initiatives:				
Termination benefits	0.3	1.1	1.4	2.4
Other associated costs	1.9	0.6	3.3	1.6
Total included in cost of goods sold	2.3	1.9	4.9	5.5
Costs included in operating expenses:				
Global Realignment Initiatives:				
Termination benefits		2.5	1.2	2.5
Other associated costs (credits)	0.5	(0.4)	1.8	(1.4)
Global Cost Reduction Initiatives:				
Termination benefits	2.2		5.0	1.8
Other associated costs	2.1	0.8	4.9	8.3
Total included in operating expenses	4.8	2.9	12.9	11.2
Total restructuring and related charges	\$ 7.1	\$ 4.8	\$ 17.8	\$ 16.7

In Fiscal 2007, we began managing our business in three vertically integrated, product-focused reporting segments; Global Batteries & Personal Care (which, effective October 1, 2010, includes the appliance portion of Russell Hobbs, collectively, Global Batteries & Appliances), 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 \$2 million of pretax restructuring and related charges during the Fiscal 2011 Quarter and the Fiscal 2010

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Quarter, respectively, in connection with the Global Realignment Initiatives. We recorded approximately \$3 million and \$1 million of pretax restructuring and related charges during the Fiscal 2011 Nine Months and Fiscal 2010 Nine Months, respectively, in connection with the Global Realignment Initiatives. Costs associated with these initiatives, which are expected to be incurred through June 30, 2013, relate primarily to severance and are projected at approximately \$92 million.

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During Fiscal 2008, we implemented an initiative within the Global Batteries & Appliances segment to reduce operating costs and rationalize our manufacturing structure. This initiative, which is substantially complete, includes the exit of our battery manufacturing facility in Ningbo, China (Ningbo) (the Ningbo Exit Plan). We recorded de minimis pretax restructuring and related charges during the Fiscal 2011 Quarter and the Fiscal 2011 Nine Months related to this initiative. We recorded no pretax restructuring and related charges during the Fiscal 2010 Quarter and approximately \$1 million of pretax restructuring and related charges during the Fiscal 2010 Nine Months, in connection with the Ningbo Exit Plan. We have recorded pretax restructuring and related charges of approximately \$30 million since the inception of the Ningbo Exit Plan.

During Fiscal 2009, we implemented a series of initiatives within the Global Batteries & Appliances 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 \$7 million and \$3 million of pretax restructuring and related charges during the Fiscal 2011 Quarter and the Fiscal 2010 Quarter, respectively, related to the Global Cost Reduction Initiatives. We recorded \$15 million and \$14 million of pretax restructuring and related charges during the Fiscal 2011 Nine Month and the Fiscal 2010 Nine Months, respectively, related to these Initiatives. Costs associated with these initiatives, which are expected to be incurred through January 31, 2015, are projected at approximately \$65 million.

Interest Expense. Interest expense in the Fiscal 2011 Quarter decreased to \$40 million from \$132 million in the Fiscal 2010 Quarter. Included in the Fiscal 2010 Quarter interest expense are the following which did not recur in the Fiscal 2011 Quarter: (i) \$55 million representing the write-off of the unamortized portion of discounts and premiums related to debt that was paid off in conjunction with our refinancing on June 16, 2010, a non-cash charge; (ii) \$9 million related to bridge commitment fees incurred while we were refinancing our debt; (iii) \$6 million representing the write-off of the unamortized debt issuance costs related to debt that was paid off, a non-cash charge; (iv) \$4 million related to a prepayment premium; and (v) \$3 million related to the termination of a Euro-denominated interest rate swap. The remainder of the decrease is attributable to lower effective interest rates on outstanding debt. Interest expense in the Fiscal 2011 Nine Months decreased to \$166 million from \$230 million in the Fiscal 2010 Nine Months. The decrease is attributed to the factors mentioned above for the decrease during the Fiscal 2011 Quarter, partially offset by the following expenses recognized in the Fiscal 2011 Nine Months: (i) \$15 million related to the write off of unamortized debt issuance costs related to our former term loan that was refinanced on February 1, 2011; (ii) \$9 million write off of unamortized original issue discount related to the refinanced term loan facility; (iii) a prepayment premium of \$7 million related to the refinanced term loan facility; and (iv) accelerated amortization of debt issuance costs of \$4 million and a prepayment premium of \$1 million related to the \$90 million of voluntary prepayments of term debt during the Fiscal 2011 Nine Months. The remainder of the decrease is attributable to lower effective interest rates on outstanding debt. See Note 7, Debt, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our outstanding debt.

Reorganization Items. During the Fiscal 2010 Nine Months, we, in connection with our reorganization under Chapter 11 of the Bankruptcy Code, recorded Reorganization items, net of \$4 million, which consisted of primarily professional and legal fees.

Income Taxes. Our effective tax rate on income from continuing operations is approximately 24% and 249% for the Fiscal 2011 Quarter and Fiscal 2011 Nine Months, respectively. Our effective tax rate on income from continuing operations was approximately (17)% and (38)% for the Fiscal 2010 Quarter and Fiscal 2010 Nine Months, respectively. There are three significant factors impacting our book income tax rate. First, we are very profitable in our foreign jurisdictions and therefore must provide foreign income taxes even while we have a book loss in the United States. Our book loss in the U.S. is the result of substantially all of our debt and restructuring costs being incurred in our US entities. Second, 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. As a result of the valuation allowance against our U.S. deferred tax assets, any movement in timing items, including additional book domestic tax losses and indefinite lived intangible assets, will not result in a financial statement tax benefit to us until we are profitable on a U.S. consolidated basis. Finally, the closer we are to break even, the higher the tax rate becomes as the taxes are divided by a lower book income. 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.

At July 3, 2011, we are estimating that at September 30, 2011 we will have U.S. federal and state net operating loss carryforwards of approximately \$1,156 million and \$1,006 million, respectively, which will expire through years ending in 2032, and we will have foreign net operating loss carryforwards of approximately \$143 million, which will expire beginning in 2011. Certain of the foreign net operating losses have indefinite carryforward periods. As mentioned above, 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 \$299 million of our federal and \$463 million of our state net operating losses will expire unused.

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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., 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 2011 Quarter we decreased our valuation allowance against net deferred tax assets by approximately \$30 million. Our total valuation allowance, established for the tax benefit of deferred tax assets that may not be realized, was approximately \$350 million and \$331 million at July 3, 2011 and September 30, 2010, respectively. Of this amount, approximately \$339 million and \$300 million relates to U.S. net deferred tax assets at July 3, 2011 and September 30, 2010, respectively and approximately \$11 million and \$31 million relates to foreign net deferred tax assets at July 3, 2011 and September 30, 2010, 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 July 3, 2011 and September 30, 2010, we had approximately \$9 million and \$13 million, respectively, of unrecognized tax benefits. We had \$6 million of accrued interest and penalties related to uncertain tax positions at both July 3, 2011 and September 30, 2010.

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 included the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profit and the projected input costs and significant working capital demands for this business during our fiscal year ended September 30, 2009 (Fiscal 2009). We completed the shutdown 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 2, 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 2010 Nine Months:

Net sales	\$
Loss from discontinued operations before income taxes	\$ (2.5)
Provision for income tax expense	0.2
Loss from discontinued operations, net of tax	\$ (2.7)

Liquidity and Capital Resources**Operating Activities**

For the Fiscal 2011 Nine Months, cash used by operating activities totaled \$1 million as compared to a use of \$54 million in the Fiscal 2010 Nine Months. Cash used by continuing operations during the Fiscal 2011 Nine Months was \$1 million compared to cash used by continuing operations of \$44 million in the Fiscal 2010 Nine Months. The \$43 million decrease in cash used from continuing operations was the result of:

Higher income from continuing operations before income taxes and interest expense of \$78 million, due primarily to the Merger and;

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The non-recurrence in the Fiscal 2011 Nine Months of \$47 million of administrative related reorganization items which were paid in the Fiscal 2010 Nine Months in connection with our voluntary petitions under Chapter 11 that were filed during Fiscal 2009 and;

Lower acquisition related expenses for Russell Hobbs of \$18 million partially offset by;

A \$38 million use of cash for other components of working capital, driven by higher Receivables and lower Accounts payable and;

Higher cash payments for integration related charges and restructuring and related charges of \$38 million related to the Merger and various restructuring initiatives that we have implemented; and,

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Higher cash interest payments of \$24 million, of which \$15 million related to interest on our 12% Notes which was paid-in-kind during the Fiscal 2010 Nine Months and paid in cash during the Fiscal 2011 Nine Months, with the remainder due primarily to the timing of interest payments as a result of the change in our capital structure in connection with the Merger. See *Financing Activities-Senior Term Credit Facility* below, as well as Note 7, Debt, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our outstanding debt;

Cash used by operating activities of discontinued operations was de minimis during the Fiscal 2011 Nine Months, compared to a cash use of \$10 million during the Fiscal 2010 Nine Months. The use of cash for discontinued operations was related to our exit of the growing products portion of the Home and Garden Business. See *Discontinued Operations*, above, as well as Note 2, 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 2011, through a combination of cash on hand, 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 environment could have 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 environment.

Investing Activities

Net cash used by investing activities was \$33 million for the Fiscal 2011 Nine Months. For the Fiscal 2010 Nine Months net cash used by investing activities was \$20 million. The \$13 million increase in cash used by investing activities is primarily due to the cash use of \$11 million, net of cash acquired, in conjunction with the Seed Resources, LLC and the Value Garden Supply, LLC acquisitions in Fiscal 2011 coupled with increased capital expenditures of \$10 million, which was partially offset by proceeds of \$7 million from the sale of Ningbo and the \$3 million cash use, net of cash acquired in conjunction with the acquisition of Russell Hobbs in the Fiscal 2010 Nine Months.

Financing Activities

Debt Financing

In connection with the Merger, we (i) entered into a new senior secured term loan pursuant to a new senior credit agreement (the *Senior Credit Agreement*) consisting of a \$750 million term loan facility, (ii) issued \$750 million in aggregate principal amount of 9.5% Notes and (iii) entered into a \$300 million ABL Revolving Credit Facility. The proceeds from the Senior Secured Facilities were used to repay our then-existing senior term credit facility, that existed at the time of emergence from Chapter 11 of the Bankruptcy Code (the *Prior Term Facility*) and our then-existing asset based revolving loan facility, to pay fees and expenses in connection with the refinancing and for general corporate purposes.

The 9.5% Notes and 12% Notes were issued by Spectrum Brands. SB/RH Holdings, LLC, a wholly-owned subsidiary of SB Holdings, and the wholly owned domestic subsidiaries of Spectrum Brands are the guarantors under the 9.5% Notes. The wholly owned domestic subsidiaries of Spectrum Brands are the guarantors under the 12% Notes. SB Holdings is not an issuer or guarantor of the 9.5% Notes or the 12% Notes. SB Holdings is also not a borrower or guarantor under the Company's Term Loan or the ABL Revolving Credit Facility. Spectrum Brands is the borrower under the Term Loan and its wholly owned domestic subsidiaries along with SB/RH Holdings, LLC are the guarantors under that facility. Spectrum Brands and its wholly owned domestic subsidiaries are the borrowers under the ABL Revolving Credit Facility and SB/RH Holdings, LLC is a guarantor of that facility.

Senior Term Credit Facility

On February 1, 2011, we completed the refinancing of our term loan facility established in connection with the Merger, which, at that time, had an aggregate amount outstanding of \$680 million, with a new amended and restated credit agreement, together with the amended ABL Revolving Credit Facility, the *Secured Credit Facilities*) at a lower interest rate. The Term Loan reduces scheduled principal amortizations to approximately \$7 million per year, contains a one-year soft call protection of 1% on refinancing but none on other voluntary prepayments, and has the same financial, negative (other than a more favorable ability to repurchase other indebtedness) and affirmative covenants and events of default as the former term loan facility.

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The Term Loan was issued at par with a maturity date of June 17, 2016. Subject to certain mandatory prepayment events, the Term Loan is subject to repayment according to a scheduled amortization, with the final payment of all amounts outstanding, plus accrued and unpaid interest, due at maturity. Among other things, the Term Loan provides for interest on the Term Loan at a rate per annum equal to, at our option, the LIBO rate (adjusted for statutory reserves) subject to a 1.00% floor plus a margin equal to 4.00%, or an alternate base rate plus a margin equal to 3.00%.

The Term Loan contains financial covenants with respect to debt, including, but not limited to, a maximum leverage ratio and a minimum interest coverage ratio, which covenants, pursuant to their terms, become more restrictive over time. In addition, the Term Loan 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 Term Loan and related loan documents and have pledged substantially all of our respective assets to secure such obligations. The Term Loan also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness.

We incurred approximately \$9 million of fees during the Fiscal 2011 Quarter in connection with the Term Loan. The fees are classified as Debt issuance costs within the Condensed Consolidated Statements of Financial Position (Unaudited) included in this Quarterly Report on Form 10-Q and are amortized as an adjustment to interest expense over the remaining life of the Term Loan. We recorded cash charges of approximately \$7 million and accelerated amortization of portions of the unamortized discount and unamortized Debt issuance costs totaling approximately \$24 million as an adjustment to increase interest expense during the Fiscal 2011 Nine Months in connection with the refinancing of the term loan facility established in connection with the Merger. In connection with voluntary prepayments of \$90 million of term debt during the Fiscal 2011 Nine Months, we recorded cash charges of approximately \$1 million and accelerated amortization of portions of the unamortized discount and unamortized Debt issuance costs totaling approximately \$4 million as an adjustment to increase interest expense.

At July 3, 2011, we were in compliance with all covenants under the Senior Credit Agreement.

On July 27, 2011, we announced a voluntary prepayment of \$40 million on our Term Loan.

9.5% Notes

At both July 3, 2011 and September 30, 2010, we had outstanding principal of \$750 million under the 9.5% Notes maturing June 15, 2018.

We may redeem all or a part of the 9.5% Notes, upon not less than 30 or more than 60 days notice at specified redemption prices. Further, the indenture governing the 9.5% Notes (the 2018 Indenture) requires us to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control of the Company, as defined in such indenture.

The 2018 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 2018 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 2018 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 9.5% Notes. If any other event of default under the 2018 Indenture occurs and is continuing, the trustee for the 2018 Indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 9.5% Notes may declare the acceleration of the amounts due under those notes.

The 9.5% Notes were issued at a 1.37% discount and were recorded net of the \$10 million amount incurred. The discount is being amortized as an adjustment to the carrying value of principal with a corresponding charge to interest expense over the remaining life of the 9.5% Notes. During Fiscal 2010, we recorded \$21 million of fees in connection with the issuance of the 9.5% Notes. The fees are classified as Debt issuance costs within the Condensed Consolidated Statements of Financial Position (Unaudited) included in this Quarterly Report on Form 10-Q and are amortized as an adjustment to interest expense over the remaining life of the 9.5% Notes.

At July 3, 2011, we were in compliance with all covenants under the 9.5% Notes and the 2018 Indenture.

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12% Notes

On August 28, 2009, in connection with emergence from the voluntary reorganization under Chapter 11 of the Bankruptcy Code and pursuant to the Debtors' confirmed plan of reorganization, 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, (PIK). PIK interest is added to principal upon the relevant semi-annual interest payment date. Under the Prior Term Facility, we agreed to make interest payments on the 12% Notes through PIK for the first three semi-annual interest payment periods. As a result of the refinancing of the Prior Term Facility, we are no longer required to make interest payments as payment in kind after the semi-annual interest payment date of August 28, 2010.

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 (the 2019 Indenture) require us to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control, as defined in such indenture.

At July 3, 2011 and September 30, 2010, we had outstanding principal of \$245 million under the 12% Notes, including PIK interest of \$27 million added during Fiscal 2010.

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 2019 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.

In connection with the Merger, we obtained the consent of the note holders to certain amendments to the 2019 Indenture (the Supplemental Indenture). The Supplemental Indenture became effective upon the closing of the Merger. Among other things, the Supplemental Indenture amended the definition of change in control to exclude the Harbinger Capital Partners Master Fund I, Ltd. (Harbinger Master Fund), Harbinger Capital Partners Special Situations Fund, L.P. (Harbinger Special Fund) and, together with Harbinger Master Fund, the HCP Funds), Global Opportunities Breakaway Ltd. (together with the HCP Funds, the Harbinger Parties) and their respective affiliates, and increased the Company's ability to incur indebtedness up to \$1,850 million.

During Fiscal 2010 we recorded \$3 million of fees in connection with the consent. The fees are classified as Debt issuance costs within the Condensed Consolidated Statements of Financial Position (Unaudited) included in this Quarterly Report on Form 10-Q and are amortized as an adjustment to interest expense over the remaining life of the 12% Notes effective with the closing of the Merger.

At July 3, 2011, 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 our 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.

ABL Revolving Credit Facility

On April 21, 2011 we amended our ABL Revolving Credit Facility. The amended facility carries an interest rate, at our option, which is subject to change based on availability under the facility, of either: (a) the base rate plus currently 1.25% per annum or (b) the reserve-adjusted LIBO rate (the Eurodollar Rate) plus currently 2.25% per annum. No amortization is required with respect to the ABL Revolving Credit Facility. The ABL Revolving Credit Facility is scheduled to mature on April 21, 2016.

The ABL Revolving Credit Facility is governed by a credit agreement (the ABL Credit Agreement) with Bank of America as administrative agent (the Agent). The ABL Revolving Credit Facility consists of 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.

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The Revolving Loans may be drawn, repaid and re-borrowed without premium or penalty. The proceeds of borrowings under the ABL Revolving Credit Facility are to be used for costs, expenses and fees in connection with the ABL Revolving Credit Facility, for working capital requirements, restructuring costs, and other general corporate purposes.

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. Pursuant to the credit and security agreement, the obligations under the ABL credit agreement are secured by certain current assets of the guarantors, including, but not limited to, deposit accounts, trade receivables and inventory.

During Fiscal 2010 we recorded \$10 million of fees in connection with the ABL Revolving Credit Facility. During the Fiscal 2011 Quarter and the Fiscal 2011 Nine Months, we recorded \$2 million of fees in connection with the amendment. The fees are classified as Debt issuance costs within the Condensed Consolidated Statements of Financial Position (Unaudited) included in this Quarterly Report on Form 10-Q and are amortized as an adjustment to interest expense over the remaining life of the ABL Revolving Credit Facility.

As a result of borrowings and payments under the ABL Revolving Credit Facility at July 3, 2011, we had aggregate borrowing availability of approximately \$147 million, net of lender reserves of \$49 million and had outstanding letters of credit of \$24 million.

At July 3, 2011, 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 \$71 million in the aggregate under our 9.5% Notes and annual interest payment obligations of approximately \$29 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 9.5% Notes and 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 interest under the 12% Notes is required to be paid by increasing the aggregate principal amount due under the subject notes unless we elect to make such payments in cash. Effective with the payment date of February 28, 2011, we elected to make the semi-annual interest payment scheduled for August 28, 2011 in cash. Thereafter, we may make the semi-annual interest payments on 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 July 3, 2011, we estimate annual interest payments of approximately \$35 million in the aggregate would be required under our Senior Credit Facilities 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. Such fees include a quarterly commitment fee of up to 0.50% on the unused portion of the ABL Revolving Credit Facility and certain additional fees with respect to the letter of credit sub-facility under the ABL Revolving Credit Facility.

Equity Financing Activities

During the Fiscal 2011 Nine Months, we granted approximately 1.6 million shares of restricted stock units to our employees and our directors. 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 \$46 million which represented unearned restricted stock compensation. Unearned compensation is amortized to expense over the appropriate vesting period.

During the Fiscal 2011 Quarter, we filed a registration statement related to approximately 1.2 million additional shares of our common stock to be sold to the public. No shares had been sold by quarter end. Subsequent to the period ended July 3, 2011, we received net proceeds of approximately \$30 million after underwriting discounts and estimated expenses. We expect to use the net proceeds of the sale of common shares it is offering for general corporate purposes, which may include, among other things, working capital needs, the refinancing of existing indebtedness, the expansion of its business and acquisitions.

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 for Fiscal 2010.

Critical Accounting Policies and Critical Accounting Estimates

Our Condensed Consolidated Financial Statements (Unaudited) have been prepared in accordance with generally accepted accounting principles in the United States of America and fairly present our financial position and results of operations. There have been no material changes to our critical accounting policies or critical accounting estimates as discussed in our Annual Report on Form 10-K for Fiscal 2010.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Factors

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

A discussion of our accounting policies for derivative financial instruments is included in Note 8, Derivative Financial Instruments, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q.

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 raw materials used in the manufacturing process, particularly zinc. 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 July 3, 2011, 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 \$0.1 million. The net impact on reported earnings, after also including the reduction in one year's interest expense on the related debt due to the same shift in interest rates, would be a net gain of \$0.1 million.

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At July 3, 2011, 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 \$49.8 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 \$19.6 million.

At July 3, 2011, the potential change in fair value of outstanding commodity price derivative instruments, assuming a 10% unfavorable change in the underlying commodity prices would be a loss of \$2.4 million. The net impact on reported earnings, after also including the reduction in cost of one year's purchases of the related commodities due to the same change in commodity prices, would be a net gain of \$0.7 million.

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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

Litigation

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. In July 2011, the parties reached a full and final settlement of this matter and the case has been dismissed.

Applica Consumer Products, Inc. (Applica), a wholly-owned subsidiary of the Company, is a defendant in three asbestos lawsuits in which the plaintiffs have alleged injury as the result of exposure to asbestos in hair dryers distributed by that subsidiary over 20 years ago. Although Applica never manufactured such products, asbestos was used in certain hair dryers distributed by it prior to 1979. The Company believes that these actions are without merit and intends to vigorously defend the action, but may be unable to resolve the disputes successfully without incurring significant expenses. As of the date of this Quarterly Report on Form 10-Q, the Company cannot estimate any possible losses. At this time, the Company does not believe it has coverage under its insurance policies for the asbestos lawsuits.

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

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Item 1A. Risk Factors

Forward-Looking Statements

We have made or implied certain forward-looking statements in this Quarterly Report on Form 10-Q. All statements, other than statements of historical facts included in this Quarterly Report, including the statements under Management's Discussion and Analysis of Financial Condition and Results of Operations regarding our business strategy, future operations, financial condition or performance, estimated revenues, projected costs, projected synergies, prospects, plans, litigation, contingent liabilities and objectives of management, as well as information concerning expected actions of third parties, are forward-looking statements. When used in this Quarterly Report, the words future, believes, expects, projects, anticipates, intends, plans, estimates, could, should, would, will, may, or 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 our 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;

our ability to successfully integrate the business acquired in connection with the combination with Russell Hobbs and achieve the expected synergies from that integration at the expected costs;

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;

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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.

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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 July 3, 2011 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 have been incurred in connection with the consummation of the Merger and are expected to be incurred in connection with the integration of Spectrum Brands and Russell Hobbs into a combined company, including legal, accounting, financial advisory and other costs.

We expect to incur one-time costs of approximately \$14 million in Fiscal 2012 in connection with integrating the operations, products and personnel of Spectrum Brands and Russell Hobbs into a combined company, in addition to costs related directly to completing the Merger described below. 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, we expect to incur a number of non-recurring costs associated with combining our operations with those of Russell Hobbs, which cannot be estimated accurately at this time. We incurred approximately \$87 million of transaction fees and other costs related to the Merger. Additional unanticipated costs may yet be incurred as we integrate our business with that of Russell Hobbs. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of our operations with those of Russell Hobbs, 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 we will be successful in our integration efforts. In addition, while we expect to benefit from leveraging distribution channels and brand names across both companies, we cannot assure you that we will achieve such benefits.

We may not realize the anticipated benefits of the Merger.

The Merger involved the integration of two companies that previously operated independently. The integration of our operations with those of Russell Hobbs is expected to result in financial and operational benefits, including increased revenues and cost savings. There can be no assurance, however, regarding when or the extent to which we will be able to realize these increased revenues, cost savings or other benefits. 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. We 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, we and Russell Hobbs have served the same customers, and some customers may decide that it is desirable to have additional or different suppliers. Difficulties associated with integration could have a material adverse effect on our business, financial condition and operating results.

Integrating our business with that of Russell Hobbs may divert our management's attention away from operations.

Successful integration of our and Russell Hobbs' operations, products and personnel may place a significant burden on our management and other internal resources. The diversion of management's attention, and any difficulties encountered in the transition and integration process, could harm our business, financial conditions and operating results.

Risks Related To Our Emergence From Bankruptcy

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 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, was allocated to the fair value of assets in

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conformity with Statement of Financial Accounting Standards No. 141, *Business Combinations*, using the purchase method of accounting for business combinations. We stated 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 was reflected as goodwill, which is subject to periodic evaluation for impairment. In addition, under fresh-start reporting the accumulated deficit was eliminated. Thus, our future statements of financial position and results of operations may 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 our securities.

Risks Related To Our Business

We are a parent company and our primary source of cash is and will be distributions from our subsidiaries.

We are a parent company with limited business operations of our own. Our main asset is the capital stock of our subsidiaries. We conduct most of our business operations through our direct and indirect subsidiaries. Accordingly, our primary sources of cash are dividends and distributions with respect to our ownership interests in our subsidiaries that are derived from their earnings and cash flow. Our subsidiaries might not generate sufficient earnings and cash flow to pay dividends or distributions in the future. Our subsidiaries' payments to us will be contingent upon their earnings and upon other business considerations. In addition, our senior credit facilities, the indentures governing our notes and other agreements limit or prohibit certain payments of dividends or other distributions to us. We expect that future credit facilities will contain similar restrictions.

Our substantial indebtedness may limit our financial and operating flexibility, and we may incur additional debt, which could increase the risks associated with our substantial indebtedness.

We have, and we expect to continue to have, a significant amount of indebtedness. As of July 3, 2011, we had total indebtedness under our Senior Credit Facilities and 9.5% Notes (together the Senior Secured Facilities), the 12% Notes and other debt of approximately \$1.7 billion. Our substantial indebtedness has had, and could continue to have, material adverse consequences for our business, and may:

require 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;

increase our vulnerability to general adverse economic, industry, financial, competitive, legislative, regulatory and other conditions;

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

restrict our ability to make strategic acquisitions, dispositions or exploiting business opportunities;

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

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

Under the Senior Secured Facilities and the indenture governing the 12% Notes (the 2019 Indenture), we may incur additional indebtedness. If new debt is added to our existing debt levels, the related risks that we now face would increase.

Furthermore, 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 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.

Restrictive covenants in the Senior Secured Facilities and the 2019 Indenture may restrict our ability to pursue our business strategies.

The Senior Secured Facilities and the 2019 Indenture each 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. The Senior Secured Facilities and the 2019 Indenture also contain customary events of default. These covenants, among other things, limit our ability to fund future working capital and capital expenditures, engage in future acquisitions or development activities, or otherwise realize the value of our assets and opportunities fully because of the need to dedicate a portion of cash flow from operations to payments on debt. In addition, the Senior Secured Facilities contain financial covenants relating to maximum leverage and minimum interest coverage. Such covenants could limit the flexibility of our restricted entities in planning for, or reacting to, changes in the industries in which they operate. Our ability to comply with these covenants is subject to certain events outside of our control. If we are unable to comply with these covenants, the lenders under our Senior Secured Facilities or 12% Notes could terminate their commitments and the lenders under our Senior Secured Facilities or 12% Notes could accelerate repayment of our outstanding borrowings, and, in either case, we may be unable to obtain adequate refinancing for

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outstanding borrowings on favorable terms. If we are unable to repay outstanding borrowings when due, the lenders under the Senior Secured Facilities or 12% Notes will also have the right to proceed against the collateral granted to them to secure the indebtedness owed to them. If our obligations under the Senior Secured Facilities and the 12% Notes are accelerated, we cannot assure you that our assets would be sufficient to repay in full such indebtedness.

The sale or other disposition by Harbinger Group Inc., the holder of a majority of the outstanding shares of our common stock, to non-affiliates of a sufficient amount of the common stock of SB Holdings would constitute a change of control under the agreements governing Spectrum Brands debt.

Harbinger Group Inc. (HRG) owns a majority of the outstanding shares of the common stock of SB Holdings. The sale or other disposition by HRG to non-affiliates of a sufficient amount of the common stock of SB Holdings could constitute a change of control under the agreements governing Spectrum Brands debt, including any foreclosure on or sale of SB Holdings common stock pledged as collateral by HRG pursuant to the indenture governing HRG s \$350 million 10.625% Senior Secured Notes due 2015. Under the Term Loan and the ABL Revolving Credit Facility, a change of control is an event of default and, if a change of control were to occur, Spectrum Brands would be required to get an amendment to these agreements to avoid a default. If Spectrum Brands was unable to get such an amendment, the lenders could accelerate the maturity of each of the Spectrum Brands Term Loan and the ABL Revolving Credit Facility. In addition, under the indentures governing the 9.5% Notes and the 12% Notes, upon a change of control of SB Holdings, Spectrum Brands is required to offer to repurchase such notes from the holders at a price equal to 101% of principal amount of the notes plus accrued interest or obtain a waiver of default from the holders of such notes. If Spectrum Brands was unable to make the change of control offer or obtain a waiver of default, it would be an event of default under the indentures that could allow holders of such notes to accelerate the maturity of the notes. See Risks Related to SB Holdings Common Stock *The Harbinger Parties and HRG will exercise significant influence over us and their interests in our business may be different from the interests of our stockholders.*

We face risks related to the current economic environment.

The current economic environment and related turmoil in the global financial system has had and may continue to have an impact on our business and financial condition. Global economic conditions have significantly impacted economic markets within certain sectors, with financial services and retail businesses being particularly impacted. Our ability to generate revenue 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 constraints on the supply of credit to households, uncertainty and weakness in the labor market and general consumer fears of a continuing economic downturn could have a negative impact on discretionary consumer spending. If the economy fails to improve, our business could be negatively impacted, including as a result of reduced demand for our products or supplier or customer disruptions. Any weakness 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 restricted at a time when it could be necessary or beneficial to do so, which could have an impact on our flexibility to react to changing economic and business conditions.

In 2010, concern over sovereign debt in certain other European Union countries caused significant fluctuations of the Euro relative to other currencies, such as the U.S. Dollar, and concerns about sovereign debt levels in certain of these countries continue. Destabilization of the European economy could lead to a decrease in consumer confidence, which could cause reductions in discretionary spending and demand for our products. Furthermore, sovereign debt issues could also lead to further significant, and potentially longer-term, economic issues such as reduced economic growth and devaluation of the Euro against the U.S. Dollar, any of which could adversely affect our business, financial conditions and operating results.

We may not be able to retain key personnel or recruit additional qualified personnel whether as a result of the Merger or otherwise, which could materially affect our business and require us to incur substantial additional costs to recruit replacement personnel.

We are highly dependent on the continuing efforts of our senior management team and other key personnel. As a result of the Merger, our current and prospective employees could experience uncertainty about their future roles. This uncertainty may adversely affect our ability to attract and retain key management, sales, marketing and technical personnel. Any failure to attract and retain key personnel, whether as a result of the Merger or otherwise, could have a material adverse effect on our business. In addition, we currently do not maintain key person insurance covering any member of our management team.

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We participate in very competitive markets and we may not be able to compete successfully, causing us to lose market share and sales.

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 Scotts, Central Garden & Pet and S.C. Johnson. Our principal national competitors within the small appliances market include Jarden Corporation, DeLonghi America, Euro-Pro Operating LLC, Metro Thebe, Inc., d/b/a HWI Breville, NACCO Industries, Inc. (*Hamilton Beach*) and SEB S.A. In each of these markets, we also face competition from numerous other companies. In addition, in a number of our product lines, we compete with our retail customers, who use their own private label brands, and with distributors and foreign manufacturers of unbranded products. Significant new competitors or increased competition from existing competitors may adversely affect our business, financial condition and results of our operations.

We compete for consumer acceptance and limited shelf space based upon brand name recognition, perceived product quality, price, performance, product features and enhancements, product packaging and design innovation, as well as creative marketing, promotion and distribution strategies, and new product introductions. 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 us.

In some key product lines, our competitors may have lower production costs and higher profit margins than us, 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.

We may not be successful in the introduction, marketing and manufacture of any new products or product innovations or be able to develop and introduce, in a timely manner, innovations to our existing products that satisfy customer needs or achieve market acceptance.

Some competitors may be willing to reduce prices and accept lower profit margins to compete with us. As a result of this competition, we could lose market share and sales, or be forced to reduce our prices to meet competition. If our product offerings are unable to compete successfully, our sales, results of operations and financial condition could be materially and adversely affected.

We may not be able to realize expected benefits and synergies from future acquisitions of businesses or product lines.

We may acquire partial or full ownership in businesses or may acquire rights to market and distribute particular products or lines of products. The acquisition of a business or of the rights to market specific products or use specific product names may involve a financial commitment by us, either in the form of cash or equity consideration. In the case of a new license, such commitments are usually in the form of prepaid royalties and future minimum royalty payments. There is no guarantee that we will acquire businesses or product distribution rights that will contribute positively to our earnings. Anticipated synergies may not materialize, cost savings may be less than expected, sales of products may not meet expectations, and acquired businesses may carry unexpected liabilities.

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

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On a consolidated basis our financial results are approximately equally weighted between quarters, however, sales of certain product categories tend to be seasonal. Sales in the consumer battery, electric shaving and grooming and electric personal care product categories, particularly in North America, tend to be concentrated in the December holiday season (SB Holdings' first fiscal quarter). Sales of our small electric appliances peak from July through December primarily due to the increased demand by customers in the late summer for back-to-school sales and in the fall for the holiday season. Demand for pet supplies products remains fairly constant throughout the year. Demand for home and garden control products sold through the Home and Garden Business typically peaks during the first nine months of the calendar year (SB Holdings' second and third fiscal quarters). As a result of this seasonality, our inventory and working capital needs 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.

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We are subject to significant international business risks that could hurt our business and cause our results of operations to fluctuate.

Approximately 40% of our net sales for the Fiscal 2011 Quarter were from customers outside of the U.S. Our pursuit of international growth opportunities may require significant investments for an extended period before returns on these investments, if any, are realized. Our international operations are subject to risks including, among others:

currency fluctuations, including, without limitation, fluctuations in the foreign exchange rate of the Euro;

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

the risk that because our brand names may not be locally recognized, we must spend significant amounts of time and money to build brand recognition without certainty that we will be successful;

labor unrest;

political and economic instability, as a result of terrorist attacks, natural disasters or otherwise;

lack of developed infrastructure;

longer payment cycles and greater difficulty in collecting accounts;

restrictions on transfers of funds;

import and export duties and quotas, as well as general transportation costs;

changes in domestic and international customs and tariffs;

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

inadequate protection of intellectual property in foreign countries;

unexpected changes in regulatory environments;

difficulty in complying with foreign law;

difficulty in obtaining distribution and support; and

adverse tax consequences.

The foregoing factors may have a material adverse effect on our ability to increase or maintain our supply of products, financial condition or results of operations.

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 the 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.

Our products utilize certain key raw materials; any increase in the price of, or change in supply and demand for, 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, petroleum-based plastic materials, steel, aluminum, copper and corrugated materials (for packaging) are sourced either on a global or regional basis by us or our suppliers, 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. Although we may increase the prices of certain of our goods to our customers, we may not be able to pass all of these cost increases on to our customers. As a result, our margins may be adversely impacted by such cost increases. We cannot provide any assurance that our sources of supply will not be interrupted due to changes in worldwide supply of or demand for raw materials or other events that interrupt material flow, which may have an adverse effect on our profitability and results of operations.

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 may, as a result of changes in our business, no longer be useful for us. In addition, for certain of the principal 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. Furthermore, 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.

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

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

At July 3, 2011, we are estimating that at September 30, 2011 we will have U.S. federal and state net operating loss carryforwards of approximately \$1,156 million and \$1,006 million, respectively. These net operating loss carryforwards expire through years ending in 2032. As of July 3, 2011, our management determined that it continues to be more likely than not that the net U.S. deferred tax asset, excluding certain indefinite lived intangibles, will not be realized in the future and as such recorded a full valuation allowance to offset the net U.S. deferred tax asset, including Spectrum Brands' net operating loss carryforwards. In addition, Spectrum Brands has had changes of ownership, as defined under Section 382 of the Internal Revenue Code of 1986, as amended (the "IRC"), that continue to subject a significant amount of Spectrum Brands' U.S. net operating losses and other tax attributes to certain limitations. We estimate that approximately \$299 million of our federal and \$463 million of our state net operating losses will expire unused due to the limitation in Section 382 of the IRC.

As a consequence of the Salton-Applica Merger, as well as earlier business combinations and issuances of common stock consummated by both companies, use of the tax benefits of Russell Hobbs' loss carryforwards is also subject to limitations imposed by Section 382 of the IRC. The determination of the limitations is complex and requires significant judgment and analysis of past transactions. Our analysis to determine what portion of Russell Hobbs' carryforwards are restricted or eliminated by that provision is ongoing and, pursuant to such analysis, we expect that a significant portion of these carryforwards will not be available to offset future taxable income, if any. In addition, use of Russell Hobbs' net operating loss and credit carryforwards is dependent upon both Russell Hobbs and us achieving profitable results in the future. The Russell Hobbs' net operating loss carryforwards are subject to a full valuation allowance at July 3, 2011.

If we are unable to fully utilize our net operating losses, other than those restricted under Section 382 of the IRC, 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 retailers and consumer trends toward national mass merchandisers, a significant percentage of our sales are attributable to a very limited group of customers. Our largest customer accounted for approximately 25% of our consolidated net sales for Fiscal 2011 Quarter. As these mass merchandisers and retailers grow larger and become more sophisticated, they may demand lower pricing, special packaging, or impose other requirements on product suppliers. These business demands may relate to inventory practices, logistics, or other aspects of the customer-supplier relationship. Because of the importance of these key customers, demands for price reductions or promotions, 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.

Although we have long-established relationships with many of our customers, we do not have long-term agreements with them and purchases are generally made through the use of individual purchase orders. Any significant reduction in purchases, failure to obtain anticipated orders or delays or cancellations of orders by any of these major customers, or significant pressure to reduce prices from any of these major customers, could have a material adverse effect on our business, financial condition and results of operations. Additionally, a significant deterioration in the financial condition of the retail industry in general could have a material adverse effect on our sales and profitability.

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 products on a "just-in-time" basis. Due to a number of factors, including (i) manufacturing lead-times, (ii) seasonal purchasing patterns and (iii) the potential for material price increases, we may be required to shorten our lead-time for production and more closely anticipate our retailers' and customers' demands, which could in the future require us to carry additional inventories and increase our working capital and related financing requirements. This may increase the cost of warehousing inventory or result in excess inventory becoming difficult to manage, unusable or obsolete. In addition, if our retailers significantly change their inventory management strategies, we may encounter difficulties in filling customer orders or in liquidating excess inventories, or may find that customers are cancelling orders or returning products, which may have a material adverse effect on our business.

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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.

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

Our international sales and certain of our expenses are transacted in foreign currencies. During the Fiscal 2011 Quarter, approximately 40% of our net sales and 42% of our operating expenses were denominated in foreign currencies. We expect that the amount of our revenues and expenses transacted in foreign currencies will increase as our Latin American, European and Asian operations grow and, as a result, our exposure to risks associated with foreign currencies could increase accordingly. Significant changes in the value of the U.S. dollar in relation to foreign currencies will affect our cost of goods sold and our operating margins and could result in exchange losses or otherwise 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.

We source many products from, and sell 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, we may experience fluctuations in our 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.

While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure to currency fluctuations. Further, we may not be successful in implementing customer pricing or other actions in an effort to mitigate the impact of currency fluctuations and, thus, our results of operations may be adversely impacted.

A deterioration in trade relations with China could lead to a substantial increase in tariffs imposed on goods of Chinese origin, which potentially could reduce demand for and sales of our products.

We purchase a number of our products and supplies from suppliers located in China. China gained Permanent Normal Trade Relations (PNTR) with the U.S. when it acceded to the World Trade Organization (WTO), effective January 2002. The U.S. imposes the lowest applicable tariffs on exports from PNTR countries to the U.S. In order to maintain its WTO membership, China has agreed to several requirements, including the elimination of caps on foreign ownership of Chinese companies, lowering tariffs and publicizing its laws. China may not meet these requirements, it may not remain a member of the WTO, and its PNTR trading status may not be maintained. If China's WTO membership is withdrawn or if PNTR status for goods produced in China were removed, there could be a substantial increase in tariffs imposed on goods of Chinese origin entering the U.S. which could have a material negative adverse effect on our sales and gross margin.

Our international operations may expose us to risks related to compliance with the laws and regulations of foreign countries.

We are subject to three European Union (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 EU 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 contracts with our suppliers address related compliance issues, 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.

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We may face excess and obsolete inventory risk related to non-compliant inventory that we may continue to hold in fiscal 2011 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.

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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 may not be able to adequately establish and protect our intellectual property rights, and the infringement or loss of our intellectual property rights could harm our business.

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 that we take to protect our intellectual property rights may prove inadequate to prevent third parties from infringing or 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 claimed 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 expensive and time consuming opposition or interference proceedings before the U.S. Patent and Trademark Office or a similar foreign agency. Similarly, our intellectual property rights may be challenged by third parties or invalidated through administrative process or litigation. The costs associated with protecting intellectual property rights, including litigation costs, may be material. For example several million dollars have been spent on protecting the patented automatic litter box business over the last few years. Furthermore, 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, or our 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 the time and resources 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, our business, financial condition and results of operations could be materially and adversely affected.

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

We license the use of the *Black & Decker* brand for marketing in certain small household appliances in North America, South America (excluding Brazil) and the Caribbean. Sales of *Black & Decker* branded products represented approximately 11% of our total consolidated revenue in the Fiscal 2011 Quarter. In July 2011, BDC extended the license agreement through December 2015. The failure to renew the license agreement with BDC or to enter into a new agreement on acceptable terms could have a material adverse effect on our financial condition, liquidity and results of operations.

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

From time to time in the past we have been subject to claims that we are infringing the intellectual property of others. We currently are the subject of such claims 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 the resources 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.

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

Although we have long-standing relationships with many of our suppliers, we generally 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 ability to identify and develop relationships with qualified suppliers;

the terms and conditions upon which we purchase products from our suppliers, including applicable exchange rates, transport costs and other costs, our suppliers' willingness to extend credit to us to finance our inventory purchases and other factors beyond our control;

the financial condition of our suppliers;

political instability in the countries in which our suppliers are located;

our ability to import outsourced products;

our suppliers' noncompliance with applicable laws, trade restrictions and tariffs; or

our suppliers' ability to manufacture and deliver outsourced products according to our standards of quality on a timely and efficient 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, could have a material adverse effect on our ability to manufacture and sell our foil shaving products which could in turn harm our business, financial condition and results of operations.

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

We sell a significant 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 regulations, there can be no assurances that such suppliers in all instances will comply with such processes and procedures or otherwise with applicable regulations. Noncompliance could result in our marketing and distribution of contaminated, defective or dangerous products which could subject us 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 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.

We and certain of our 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, we have 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 may otherwise have an adverse effect on our business, financial condition and results of operations.

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

In the ordinary course of our business, we may be named as a defendant 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. Additionally, we do not maintain product recall insurance. We may not be able to maintain such insurance on acceptable terms, if at all, in the future. 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. In particular, product recalls or product liability claims challenging the safety of our products may result in a decline in sales for a particular product. This could be true even if the claims themselves are ultimately settled for immaterial amounts. This type of adverse publicity could occur and product liability claims could be made in the future.

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

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

discharges to the air, water and land;

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

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

Risk of environmental liability is inherent in our business. As a result, material environmental costs may arise in the future. In particular, we may incur capital and other costs to comply with increasingly stringent environmental laws and enforcement policies, such as the EU Directives: 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 that the U.S. government 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 laws and regulations at our facilities, we may not always be in compliance with such laws and regulations or any new laws and regulations in the future, which could have a material adverse effect on 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 of 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 have a material effect on our business, financial condition and results of operations.

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 Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or similar state or foreign jurisdiction 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. 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 or foreign jurisdiction laws in the future for other sites not currently known to us, and the costs and liabilities associated with these sites may have a material adverse effect on our business, financial condition and results of operations.

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 Environmental Protection Agency (EPA), the Food and Drug Administration (FDA) or other federal consumer protection and product safety agencies and are subject to the regulations such agencies enforce, as well as by similar state, foreign and multinational agencies and regulations. For example, in the U.S., all products containing pesticides must be registered with the EPA and, in many cases, similar state and foreign agencies before they can be manufactured or sold. Our inability to obtain, or the cancellation of, any registration could have an adverse effect on our business, financial

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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.

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As a distributor of consumer products in the U.S., certain of our products are also subject to the Consumer Product Safety Act, which empowers the U.S. Consumer Product Safety Commission (the Consumer Commission) to exclude from the market products that are found to be unsafe or hazardous. Under certain circumstances, the Consumer Commission could require us to repair, replace or refund the purchase price of one or more of our products, or we may voluntarily do so. For example, Russell Hobbs, in cooperation with the Consumer Commission, voluntarily recalled approximately 9,800 units of a thermal coffeemaker sold under the *Black & Decker* brand in August 2009 and approximately 584,000 coffeemakers in June 2009. Any additional repurchases or recalls of our products could be costly to us and could damage the reputation or the value of our brands. If we are required to remove, or we voluntarily remove our products from the market, our reputation or brands could be tarnished and we may have large quantities of finished products that could not be sold. Furthermore, failure to timely notify the Consumer Commission of a potential safety hazard can result in significant fines being assessed against us. Additionally, laws regulating certain consumer products exist in some states, as well as in other countries in which we sell our products, and more restrictive laws and regulations may be adopted in the future.

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 EPA 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 EPA as part of this program. It is possible that the EPA or a third party active ingredient registrant may decide that a pesticide we use in our products will be limited or made unavailable to us. We cannot predict the outcome or the severity of the effect of the EPA's continuing evaluations of active ingredients used in our products.

In addition, the use of certain pesticide and fertilizer products 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.

Any failure to comply with these laws or regulations, or the terms of applicable environmental permits, could result in us incurring substantial costs, including fines, penalties and other civil and criminal sanctions or the prohibition of sales of our pest control products. Environmental law requirements, and the enforcement thereof, change frequently, have tended to become more stringent over time and could require us to incur significant expenses.

Most federal, state and local authorities require certification by Underwriters Laboratory, Inc., an independent, not-for-profit corporation engaged in the testing of products for compliance with certain public safety standards, or other safety regulation certification prior to marketing electrical appliances. Foreign jurisdictions also have regulatory authorities overseeing the safety of consumer products. Our products may not meet the specifications required by these authorities. A determination that any of our products are not in compliance with these rules and regulations could result in the imposition of fines or an award of damages to private litigants.

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

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. 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 30% of our total labor force is employed under collective bargaining agreements. One of these agreements, which covers approximately 7% of the labor force under collective bargaining agreements, or approximately 2% of our total labor force, is scheduled to expire on August 15, 2011. 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 we are subject, there can be no assurances that we will be able to do so and any noncompliance could subject us to disruptions in our operations and materially and adversely affect our results of operations and financial condition.

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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 of return on plan 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 of 1974, as amended.

If our goodwill, indefinite-lived intangible assets or other long-term assets become impaired, we will be required to record additional impairment charges, which may be significant.

A significant portion of our long-term assets consist of goodwill, other indefinite-lived intangible assets and finite-lived intangible assets recorded as a result of past acquisitions. We do not amortize goodwill and indefinite-lived intangible assets, but rather review them for impairment on a periodic basis or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. We consider whether circumstances or conditions exist which suggest that the carrying value of our goodwill and other long-lived assets might be impaired. If such circumstances or conditions exist, further steps are required in order to determine whether the carrying value of each of the individual assets exceeds its fair market value. If analysis indicates that an individual asset's carrying value does exceed its fair market value, the next step is to record a loss equal to the excess of the individual asset's carrying value over its fair value.

The steps required by GAAP entail significant amounts of judgment and subjectivity. Events and changes in circumstances that may indicate that there is impairment and which may indicate that interim impairment testing is necessary include, but are not limited to: strategic decisions to exit a business or dispose of an asset made in response to changes in economic; political and competitive conditions; the impact of the economic environment on the customer base and on broad market conditions that drive valuation considerations by market participants; our internal expectations with regard to future revenue growth and the assumptions we make when performing impairment reviews; a significant decrease in the market price of our assets; a significant adverse change in the extent or manner in which our assets are used; a significant adverse change in legal factors or the business climate that could affect our assets; an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset; and significant changes in the cash flows associated with an asset. As a result of such circumstances, we may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill, indefinite-lived intangible assets or other long-term assets is determined. Any such impairment charges could have a material adverse effect on our business, financial condition and operating results.

Risks Related to SB Holdings Common Stock

The Harbinger Parties and HRG will exercise significant influence over us and their interests in our business may be different from the interests of our stockholders.

On January 7, 2011, the Harbinger Parties contributed 27,757 shares of SB Holdings common stock to Harbinger Group Inc. (HRG) and received in exchange for such shares an aggregate of 119,910 shares of HRG common stock (such transaction, the Share Exchange), pursuant to a Contribution and Exchange Agreement (the Exchange Agreement). Immediately following the Share Exchange, (i) HRG owned approximately 54.4% of the outstanding shares of SB Holdings common stock and the Harbinger Parties owned approximately 12.7% of the outstanding shares of SB Holdings common stock, and (ii) the Harbinger Parties owned 129,860 shares of HRG common stock, or approximately 93.3% of the outstanding HRG common stock.

The Harbinger Parties and HRG, both separately and together, will have the ability to influence the outcome of any corporate action by us, which requires stockholder approval, including, but not limited to, the election of directors, approval of merger transactions and the sale of all or substantially all of our assets. In addition, we are a party to a stockholder agreement with HRG and the Harbinger Parties.

This influence and actual control may have the effect of discouraging offers to acquire SB Holdings because any such consummation would likely require the consent of HRG and perhaps HRG and the Harbinger Parties. HRG and the Harbinger Parties may also delay or prevent a change in control of SB Holdings. See Risks Related to our Business The sale or other disposition by Harbinger Group Inc., the holder of a majority of the outstanding shares of our common stock, to non-affiliates of a sufficient amount of the common stock of SB Holdings would constitute a change of control under the agreements governing Spectrum Brands' debt.

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In addition, because HRG owns more than 50% of our voting power, we are considered a controlled company under listing standards of the NYSE. As such, the NYSE corporate governance rules requiring that a majority of SB Holdings' Board of Directors and SB Holdings' entire compensation committee be independent do not apply to us and the ability of our independent directors to influence its business policies and affairs may be reduced.

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If HRG and/or the Harbinger Parties sell substantial amounts of our common stock in the public market, or investors perceive that these sales could occur, the market price of SB Holdings' common stock could be adversely affected. We have entered into a registration rights agreement (the "SB Holdings Registration Rights Agreement") with HRG, the Harbinger Parties 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. If requested properly under the terms of the SB Holdings Registration Rights Agreement, these stockholders have the right to require us to register all or some of such shares for sale under the Securities Act, in certain circumstances and also have the right to include those shares in a registration initiated by us. If we are required to include the shares of our common stock held by these stockholders pursuant to these registration rights in a registration initiated by us, sales made by such stockholders may adversely affect the price of our common stock and our ability to raise needed capital. In addition, if these stockholders exercise their demand registration rights and cause a large number of shares to be registered and sold in the public market or demand that we register their shares on a shelf registration statement, such sales or shelf registration may have an adverse effect on the market price of our common stock.

The interests of HRG and the Harbinger Parties, which have investments in other companies, may from time to time diverge from the interests of our other stockholders and from each other, particularly with regard to new investment opportunities. Neither HRG nor the Harbinger Parties are restricted from investing in other businesses involving or related to the marketing or distribution of household products, pet and pest products and personal care products. Both HRG and the Harbinger Parties may also engage in other businesses that compete or may in the future compete with us.

Even though SB Holdings' common stock is currently traded on the NYSE, it has less liquidity than many other stocks quoted on a national securities exchange.

The trading volume in SB Holdings' common stock on the NYSE has been relatively low when compared with larger companies listed on the NYSE or other stock exchanges. Because of this, it may be more difficult for stockholders to sell a substantial number of shares for the same price at which stockholders could sell a smaller number of shares. We cannot predict the effect, if any, that future sales of SB Holdings' common stock in the market, or the availability of shares of its common stock for sale in the market, will have on the market price of SB Holdings' common stock. We can give no assurance that sales of substantial amounts of SB Holdings' common stock in the market, or the potential for large amounts of sales in the market, would not cause the price of SB Holdings' common stock to decline or impair SB Holdings' future ability to raise capital through sales of its common stock. Furthermore, because of the limited market and generally low volume of trading in SB Holdings' common stock that could occur, the share price of its common stock could be more likely to be affected by broad market fluctuations, general market conditions, fluctuations in our operating results, changes in the market's perception of our business, and announcements made by SB Holdings, its competitors or parties with whom SB Holdings has business relationships. The lack of liquidity in SB Holdings' common stock may also make it difficult for us to issue additional securities for financing or other purposes, or to otherwise arrange for any financing we may need in the future. In addition, we may experience other adverse effects, including, without limitation, the loss of confidence in us by current and prospective suppliers, customers, employees and others with whom we have or may seek to initiate business relationships.

The market price of SB Holdings' 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;

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period-to-period fluctuations in our financial results; and

market concerns with respect to the potential indirect impact of matters not directly involving SB Holdings but impacting HRG or the Harbinger Parties.

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 SB Holdings common stock may result in dilution to its existing stockholders.

As of September 30, 2010, we had two active equity incentive plans under which shares of the Company could be issued, the 2009 Spectrum Brands Inc. Incentive Plan (the 2009 Plan) and the Spectrum Brands Holdings, Inc. 2007 Omnibus Equity Award Plan (the RH Plan). On October 21, 2010, our Board of Directors adopted the Spectrum Brands Holdings, Inc. 2011 Omnibus Equity Award Plan (2011 Plan), which obtained shareholder approval at our last Annual Meeting. No further awards will be granted under the 2009 Plan and the 2007 RH Plan. 4,625,676 shares of our common stock of the Company, net of cancellations, may be issued under the 2011 Plan. As of May 10, 2011, we have issued 667,933 restricted shares and 1,850,548 restricted stock units under the 2009 Plan, the RH Plan and the 2011 Plan and are authorized to issue up to a total of 3,202,590 shares of our common stock, or options or restricted stock units exercisable for shares of common stock.

In addition, our 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 we do 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 our 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 has historically not paid dividends on its public common stock and we do not anticipate paying dividends on our public common stock in the foreseeable future, and, therefore, any return on investment may be limited to the value of the common stock.

Spectrum Brands, prior to the Merger had not declared or paid dividends on its common stock since the stock commenced public trading in 1997, we have not declared or paid dividends on our common stock since the stock commenced public trading in 2010, and while we continue to evaluate the potential payment of dividends, we do not currently 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 our board of directors may consider relevant, including the ability to do so under our credit and other debt agreements. If we do not pay dividends, returns on an investment in our common stock will only occur if the stock price appreciates.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the Fiscal 2011 Quarter, we did not sell any equity securities that were not registered under the Securities Act. We did not repurchase any of our own securities during the Fiscal 2011 Quarter and we do not have any publicly announced repurchase plan. The following table reflects credits paid to certain employees in amounts equal to the value of shares of capital stock of the Company that were owned and forfeited by such employees to satisfy tax withholding requirements on the vesting of restricted shares.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that may Yet Be Purchased Under the Plans or Programs
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Three Months Ended July 3, 2011

April 4, 2011 May 1, 2011

May 2, 2011 May 29, 2011

May 30, 2011 July 3, 2011

5,196

28.38

Total

5,196

\$ 28.38

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: August 11, 2011

SPECTRUM BRANDS HOLDINGS, INC.

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

(Principal Financial Officer)

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Exhibit 2.1	Purchase Agreement, dated February 21, 2004, by and among Rayovac Corporation, ROV Holding, Inc., VARTA AG, Interelectrica Administração e Participações Ltda., and Tabriza Brasil Empreendimentos Ltda. (filed by incorporation by reference to Exhibit 2.1 to Spectrum Brands, Inc.'s Current Report on Form 8-K filed with the SEC by Spectrum Brands, Inc. 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 by Spectrum Brands, Inc. on April 28, 2009).
Exhibit 2.3	First Modification to Joint Plan of Reorganization (filed by incorporation by reference to Exhibit 99.2 to Spectrum Brands, Inc.'s Current Report on Form 8-K, filed with the SEC by Spectrum Brands, Inc. on July 16, 2009).
Exhibit 2.4	Second Modification to Joint Plan of Reorganization (filed by incorporation by reference to Exhibit 99.3 to Spectrum Brands, Inc.'s Current Report on Form 8-K, filed with the SEC by Spectrum Brands, Inc. 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 by Spectrum Brands, Inc. on February 12, 2010).
Exhibit 2.6	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 by Spectrum Brands, Inc. on March 2, 2010).
Exhibit 2.7	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 by Spectrum Brands, Inc. on March 29, 2010).
Exhibit 2.8	Third Amendment to Agreement and Plan of Merger dated as of April 30, 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 by Spectrum Brands, Inc. on May 3, 2010).
Exhibit 3.1	Restated Certificate of Incorporation of Spectrum Brands Holdings, Inc., dated June 16, 2010 (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-8 filed with the SEC on June 16, 2010).
Exhibit 3.2	Amended and Restated Bylaws of Spectrum Brands Holdings, Inc., adopted as of June 16, 2010 (incorporated by reference to the Registration Statement on Form S-8 filed with the SEC on June 16, 2010).
Exhibit 4.1	Specimen certificate for shares of common stock (filed by incorporation by reference to Exhibit 4.1 to the Registration Statement on Form 8-A filed with the SEC on May 27, 2010).
Exhibit 4.2	Indenture governing Spectrum Brands, Inc.'s 12% Senior Subordinated Toggle Notes due 2019, 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 by Spectrum Brands, Inc. on August 31, 2009).
Exhibit 4.3	Supplemental Indenture, dated March 15, 2010, to the Indenture governing Spectrum Brands, Inc.'s 12% Senior Subordinated Toggle Notes due 2019, dated August 28, 2009, by and among Spectrum Brands, Inc. 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 by Spectrum Brands, Inc. on March 16, 2010).
Exhibit 4.4	Second Supplemental Indenture, dated June 15, 2010, to the Indenture governing Spectrum Brands, Inc.'s 12% Senior Subordinated Toggle Notes due 2019, dated as of August 28, 2009, by and among Spectrum Brands, Inc., Battery Merger Corp. and U.S. Bank National Association, as trustee (filed by incorporation by reference to Exhibit 4.4 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands, Inc. on August 18, 2010).
Exhibit 4.5	Third Supplemental Indenture, dated June 16, 2010, to the Indenture governing Spectrum Brands, Inc.'s 12% Senior Subordinated Toggle Notes due 2019, dated as of August 28, 2009, by and among Spectrum Brands, Inc., Russell Hobbs, Inc. and U.S. Bank National Association, as trustee (filed by incorporation by reference to Exhibit 4.5 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands, Inc. on August 18, 2010).

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Exhibit 4.6	Fourth Supplemental Indenture, dated December 13, 2010, to the Indenture governing Spectrum Brands, Inc. s 12% Senior Subordinated Toggle Notes due 2019, dated as of August 28, 2009, by and among Spectrum Brands, Inc., Russell Hobbs, Inc. and U.S. Bank National Association, as trustee (filed by incorporation by reference to Exhibit 4.6 to the Annual Report on Form 10-K filed with the SEC by Spectrum Brands, Inc. on December 14, 2010).
Exhibit 4.7	Indenture governing Spectrum Brands, Inc. s 9.5% Senior Secured Notes due 2018, dated as of June 16, 2010, among Spectrum Brands, Inc., the guarantors named therein and US Bank National Association, as trustee (filed by incorporation by reference to Exhibit 4.6 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands, Inc. on August 18, 2010).
Exhibit 4.8	Supplemental Indenture, dated December 13, 2010, to the Indenture governing Spectrum Brands, Inc. s 9.5% Senior Secured Notes due 2018, dated as of June 16, 2010, among Spectrum Brands, Inc., the guarantors named therein and US Bank National Association, as trustee (filed by incorporation by reference to Exhibit 4.8 to the Annual Report on Form 10-K filed with the SEC by Spectrum Brands, Inc. on December 14, 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 by Spectrum Brands, Inc. on October 28, 2009).
Exhibit 10.2	2009 Spectrum Brands, Inc. Incentive Plan (filed by incorporation by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC by Spectrum Brands, Inc. on August 31, 2009).
Exhibit 10.3	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 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 by Spectrum Brands, Inc. on August 31, 2009).
Exhibit 10.4	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 by Spectrum Brands, Inc. on August 31, 2009).
Exhibit 10.5	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 by Spectrum Brands, Inc. on October 28, 2009).
Exhibit 10.6	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 by Spectrum Brands, Inc. on February 12, 2010).
Exhibit 10.7	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 by Spectrum Brands, Inc. on February 12, 2010).
Exhibit 10.8	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 by Spectrum Brands, Inc. on February 12, 2010).
Exhibit 10.9	Registration Rights Agreement, dated as of February 9, 2010, by and among Spectrum Brands Holdings, Inc., Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P., Global Opportunities Breakaway Ltd., Avenue International Master, L.P., Avenue Investments, L.P., Avenue Special Situations Fund IV, L.P., Avenue Special Situations Fund V, L.P. and Avenue-CDP Global Opportunities Fund, L.P. (filed by incorporation by reference to Exhibit 4.1 to the Registration Statement on Form S-4 filed with the SEC by Spectrum Brands Holdings, Inc. on March 29, 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 by Spectrum Brands, Inc. on March 2, 2010).

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Exhibit 10.11	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 by Spectrum Brands, Inc. on April 15, 2010).
Exhibit 10.12	Amendment and Consent and Amended and Restated Credit Agreement, dated as of February 1, 2011, by and among Spectrum Brands, Inc. and certain of its domestic subsidiaries, as borrowers, the lenders party thereto and Credit Suisse AG, as administrative agent (filed by incorporation by reference to Exhibit 10.12 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands, Inc. on February 11, 2011).
Exhibit 10.13	Subsidiary Guaranty dated as of June 16, 2010, by and among the subsidiaries of Spectrum Brands, Inc. party thereto, certain additional subsidiary guarantors described therein and Credit Suisse AG, as administrative agent (filed by incorporation by reference to Exhibit 10.13 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands, Inc. on August 18, 2010).
Exhibit 10.14	Subsidiary Guaranty Supplement dated as of December 13, 2010, by and among Seed Resources, L.L.C. and Credit Suisse AG, as administrative agent (filed by incorporation by reference to Exhibit 10.14 to the Annual Report on Form 10-K filed with the SEC by Spectrum Brands, Inc. on December 14, 2010).
Exhibit 10.15	Guaranty dated as of June 16, 2010, by and among SB/RH Holdings, LLC and Credit Suisse AG, as administrative agent (filed by incorporation by reference to Exhibit 10.14 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands, Inc. on August 18, 2010).
Exhibit 10.16	Security Agreement dated as of June 16, 2010, by and among Spectrum Brands, Inc., SB/RH Holdings, LLC, the other grantors party thereto and Wells Fargo Bank, National Association, as collateral trustee (filed by incorporation by reference to Exhibit 10.15 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands, Inc. on August 18, 2010).
Exhibit 10.17	Security Agreement Supplement dated as of December 13, 2010, by and among Seed Resources, L.L.C. and Wells Fargo Bank, National Association, as collateral trustee (filed by incorporation by reference to Exhibit 10.17 to the Annual Report on Form 10-K filed with the SEC by Spectrum Brands, Inc. on December 14, 2010).
Exhibit 10.18	Loan and Security Agreement dated as of June 16, 2010, by and among Spectrum Brands, Inc. and certain of its domestic subsidiaries, as borrowers, the lenders party thereto and Bank of America, N.A., as administrative agent (filed by incorporation by reference to Exhibit 10.16 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands, Inc. on August 18, 2010).
Exhibit 10.19	Second Amendment to Loan and Security Agreement, dated as of March 4, 2011, by and among Spectrum Brands, Inc. and certain of its domestic subsidiaries, as borrowers, the lenders party thereto and Bank of America, N.A., as administrative agent (filed by incorporation by reference to Exhibit 10.19 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands, Inc. on May 12, 2011).
Exhibit 10.20	Third Amendment to Loan and Security Agreement, dated as of April 21, 2011, by and among Spectrum Brands, Inc. and certain of its domestic subsidiaries, as borrowers, the lenders party thereto and Bank of America, N.A., as administrative agent (filed by incorporation by reference to Exhibit 10.20 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands, Inc. on May 12, 2011).
Exhibit 10.21	Joinder Agreement to Loan and Security Agreement and Other Loan Documents dated as of December 13, 2010, by and among Seed Resources, L.L.C., Spectrum Brands, Inc., Russell Hobbs, Inc., the subsidiaries of Spectrum Brands, Inc. party to the Loan and Security Agreement as borrowers, SB/RH Holdings, LLC and Bank of America, N.A. (filed by incorporation by reference to Exhibit 10.19 to the Annual Report on Form 10-K filed with the SEC by Spectrum Brands, Inc. on December 14, 2010).
Exhibit 10.22	Guaranty dated as of June 16, 2010, by and among the guarantors described therein and Bank of America, N.A., as administrative agent (filed by incorporation by reference to Exhibit 10.17 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands, Inc. on August 18, 2010).
Exhibit 10.23	Collateral Trust Agreement dated as of June 16, 2010, by and among Spectrum Brands, Inc., SB/RH Holdings, LLC, the other grantors party thereto, Credit Suisse AG, Cayman Islands Branch, as administrative agent, U.S. Bank National Association, as indenture trustee, and Wells Fargo Bank, National Association, as collateral trustee (filed by incorporation by reference to Exhibit 10.18 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands, Inc. on August 18, 2010).

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Exhibit 10.24	Intercreditor Agreement dated as of June 16, 2010, by and among Spectrum Brands, Inc., SB/RH Holdings, LLC, the other grantors party thereto, Bank of America, N.A., as ABL agent, and Wells Fargo Bank, National Association, as term/notes agent (filed by incorporation by reference to Exhibit 10.19 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands, Inc. on August 18, 2010).
Exhibit 10.25	Joinder and Supplement to Intercreditor Agreement dated as of December 13, 2010, by and among Seed Resources, L.L.C., Spectrum Brands, Inc., Bank of America, N.A., as collateral agent and administrative agent, and Wells Fargo Bank, National Association, as collateral agent and trustee (filed by incorporation by reference to Exhibit 10.23 to the Annual Report on Form 10-K filed with the SEC by Spectrum Brands, Inc. on December 14, 2010).
Exhibit 10.26	Trademark Security Agreement dated as of June 16, 2010, by and among the loan parties party thereto and Wells Fargo Bank, National Association, as collateral trustee (filed by incorporation by reference to Exhibit 10.20 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands, Inc. on August 18, 2010).
Exhibit 10.27	Trademark Security Agreement dated as of December 13, 2010, by and among Seed Resources, L.L.C. and Wells Fargo Bank, National Association, as collateral trustee (filed by incorporation by reference to Exhibit 10.25 to the Annual Report on Form 10-K filed with the SEC by Spectrum Brands, Inc. on December 14, 2010).
Exhibit 10.28	Trademark Security Agreement dated as of December 13, 2010, by and among Seed Resources, L.L.C. and Bank of America, N.A., as collateral agent and administrative agent (filed by incorporation by reference to Exhibit 10.26 to the Annual Report on Form 10-K filed with the SEC by Spectrum Brands, Inc. on December 14, 2010).
Exhibit 10.29	Copyright Security Agreement dated as of June 16, 2010, by and among the loan parties party thereto and Wells Fargo Bank, National Association, as collateral trustee (filed by incorporation by reference to Exhibit 10.21 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands, Inc. on August 18, 2010).
Exhibit 10.30	Patent Security Agreement dated as of June 16, 2010, by and among the loan parties party thereto and Wells Fargo Bank, National Association, as collateral trustee (filed by incorporation by reference to Exhibit 10.22 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands, Inc. on August 18, 2010).
Exhibit 10.31	Patent Security Agreement dated as of December 13, 2010, by and among Seed Resources, L.L.C. and Wells Fargo Bank, National Association, as collateral trustee (filed by incorporation by reference to Exhibit 10.29 to the Annual Report on Form 10-K filed with the SEC by Spectrum Brands, Inc. on December 14, 2010).
Exhibit 10.32	Patent Security Agreement dated as of December 13, 2010, by and among Seed Resources, L.L.C. and Bank of America, N.A., as collateral agent and administrative agent (filed by incorporation by reference to Exhibit 10.30 to the Annual Report on Form 10-K filed with the SEC by Spectrum Brands, Inc. on December 14, 2010).
Exhibit 10.33	Amended and Restated Employment Agreement, entered into as of August 11, 2010, by and among Spectrum Brands, Inc., Spectrum Brands Holdings, Inc. and David R. Lumley (filed by incorporation by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC by Spectrum Brands Holdings, Inc. on August 17, 2010).
Exhibit 10.34	First Amendment, dated as of November 16, 2010, to the Employment Agreement, dated as of August 11, 2010, by and among Spectrum Brands, Inc., Spectrum Brands Holdings, Inc. and David R. Lumley (filed by incorporation by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC by Spectrum Brands Holdings, Inc. on November 22, 2010).
Exhibit 10.35	Retention Agreement, entered into as of August 11, 2010, by and between Spectrum Brands, Inc. and Anthony Genito (filed by incorporation by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC by Spectrum Brands Holdings, Inc. on August 17, 2010).
Exhibit 10.36	Employment Agreement, effective June 9, 2008, by and between Spectrum Brands, Inc. and Anthony L. Genito (filed by incorporation by reference to Exhibit 10.15 to the Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2008, filed with the SEC by Spectrum Brands, Inc. on August 8, 2008).
Exhibit 10.37	Amendment to the Employment Agreement, effective as of February 24, 2009, by and between Spectrum Brands, Inc. and Anthony L. Genito (filed by incorporation by reference to Exhibit 10.22 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2009, filed with the SEC by Spectrum Brands, Inc. on December 29, 2009).
Exhibit 10.38	Description of Second Amendment to the Employment Agreement, effective as of August 28, 2009, by and between Spectrum Brands, Inc. and Anthony L. Genito (filed by incorporation by reference to Exhibit 10.23 to the Annual Report on Form 10-K filed with the SEC by Spectrum Brands, Inc. on December 29, 2009).
Exhibit 10.39	

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Third Amendment, dated as of November 16, 2010, to the Employment Agreement, dated as of June 9, 2008, by and among Spectrum Brands, Inc. and Anthony L. Genito (filed by incorporation by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC by Spectrum Brands Holdings, Inc. on November 22, 2010).

Exhibit 10.40 Employment Agreement, entered into as of August 16, 2010, by and between Spectrum Brands, Inc. and Terry L. Polistina (filed by incorporation by reference to Exhibit 10.25 to the Quarterly Report on Form 10-Q filed with the SEC by Spectrum Brands Holdings, Inc. on August 18, 2010).

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Exhibit 10.41	First Amendment, dated as of November 16, 2010, to the Employment Agreement, dated as of August 16, 2010, by and among Spectrum Brands, Inc. and Terry L. Polistina (filed by incorporation by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC by Spectrum Brands Holdings, Inc. on November 22, 2010).
Exhibit 10.42	Amended and Restated Employment Agreement, effective as of January 16, 2007, by and between Spectrum Brands, Inc. and John A. Heil (filed by incorporation by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC by Spectrum Brands, Inc. on January 19, 2007).
Exhibit 10.43	Amendment to the Amended and Restated Employment Agreement, dated as of November 10, 2008, by and between Spectrum Brands, Inc. and John A. Heil (filed by incorporation by reference to Exhibit 10.7 to the Annual Report on Form 10-K filed with the SEC by Spectrum Brands, Inc. on December 10, 2008).
Exhibit 10.44	Second Amendment to the Amended and Restated Employment Agreement, effective as of February 24, 2009, by and between Spectrum Brands, Inc. and John A. Heil (filed by incorporation by reference to Exhibit 10.11 to the Annual Report on Form 10-K filed with the SEC by Spectrum Brands, Inc. on December 29, 2009).
Exhibit 10.45	Description of Third Amendment to the Amended and Restated Employment Agreement of John A. Heil, effective as of August 28, 2009 (filed by incorporation by reference to Exhibit 10.12 to the Annual Report on Form 10-K filed with the SEC by Spectrum Brands, Inc. on December 29, 2009).
Exhibit 10.46	Fourth Amendment, dated as of November 16, 2010, to the Amended and Restated Employment Agreement, dated as of January 16, 2007, by and among Spectrum Brands, Inc. and John A. Heil (filed by incorporation by reference to Exhibit 10.4 to the Current Report on Form 8-K filed with the SEC by Spectrum Brands Holdings, Inc. on November 22, 2010).
Exhibit 10.47	Spectrum Brands Holdings, Inc. 2007 Omnibus Equity Award Plan (formerly known as the Russell Hobbs, Inc. 2007 Omnibus Equity Award Plan) (filed by incorporation by reference to Exhibit 10.1 to the Registration Statement on Form S-8 filed with the SEC by Spectrum Brands Holdings, Inc. on June 16, 2010).
Exhibit 10.48	Separation Agreement, dated as of March 2, 2011, by and between Spectrum Brands, Inc. and John T. Wilson (filed by incorporation reference to Exhibit 10.1 to the Current Report on Form 8-k filed with the SEC by Spectrum Brands Holdings, Inc. on March 7, 2011).
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.*
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**

* Filed herewith

** In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be furnished and not filed.